

Political Economy of Corruption and Its Control
(POS BC3500, Fall 2014)

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Course Description and Objectives

Corruption exists in all societies. In the US, it remains a problem. On January 18, 2013, former mayor of New Orleans Ray Nagin was indicted by federal grand jury on 21 counts of bribery. This is the first mayor of New Orleans' 295 years of history to be indicted on corruption charges. Why did it happen? Is because of greed? Is it because of lack of institutional constraints in that city?

As one of the oldest and most perplexing phenomena in human society, political corruption exists in almost every country in the contemporary world. Social scientists and policy makers have long been baffled by the relationship between corruption and political and economic development and the question of how to successfully contain corruption. Conventional wisdom is that corruption harms rule of law, demoralizes the society, and inhibits economic growth. But it is more often assumed than tested and proven. Much has been written about political corruption. Yet many questions still remain. In this class, we will address five sets of broad questions that are most common in the discourse on corruption and governance:

(1) *Definition of Corruption*: Is the concept of corruption universal? Is it possible to find a commonly accepted and applicable definition of corruption? Should there be a universal standard of “good governance”?

(2) *Causes of Corruption*: What are the possible causes of political corruption in general? What are the causes of corruption in different types of regimes? Is there a general theory of corruption?

(3) *Patterns of Corruption*: What are the various patterns of political corruption in countries of different political and economic development? How does it occur? In what form?

(4) *Consequences of Corruption*: How does corruption affect social and economic development? Why has corruption inhibited economic growth and democratization in some countries but not others? Can corruption be “efficient” and “positive”?

(5) *Control of Corruption*: Can corruption be controlled? If so, how? What are the most effective ways to reduce, contain, and eliminate corruption?

This class will introduce students to several key social science debates on the causes and effects of political corruption. Through discussions about whether corruption hurts economic development and political stability, this class will provide a better understanding of the impact of

corruption on bureaucracy, the economy, and society at large. At the end of the class, we will make an assessment for mapping out strategies and codes of conduct to control corruption.

Another important goal of this undergraduate seminar is to develop skills to research and write analytical research papers. Throughout the readings and discussions, we will pay attention to this.

Requirements and Grades

Even though the main approach of this colloquium is political science, we will also discuss theories of corruption in such disciplines as sociology and economics. Class discussion is the main form of learning. Students will be expected to participate in class discussions and fulfill weekly reading assignments. In order to stimulate debates, discussions may be led by students representing different views. Students are also encouraged to read some additional print and internet material as part of their research projects.

Prerequisites: Open to undergraduate students with junior standing. Preference to Barnard majors for fulfilling major requirements. A prior introductory course in comparative politics (POS V1501) or instructor's permission.

Grades are based on:

1. A shortly weekly reaction essay on the readings, to be posted on the class bulletin board. Students are also expected to make comments or raise questions on postings by others. Please note that the reaction essay should be posted online before the day of class. 30% of course grade;
2. A research paper of any topic related to the course (20-25 pages), 50% of course grade, due on **December 15, 2014**.
3. Class participation including leading at least one discussion. 20% of grade.

Seniors: In addition to the above requirements, all seniors who have designated this colloquium to fulfill their Senior Capstone requirement will also participate in a peer partner arrangement. Seniors will hold meetings, in consultation with the instructor, to discuss and provide constructive criticism on assignments, e.g. research proposals, research methods, rough drafts with their peer partner(s). A portion of seniors' class participation grade will reflect the quality of their work as peer mentors.

Seniors will also be required to present their final research paper in class at the end of the semester along with a poster summarizing their research questions, arguments, and findings. A portion of seniors' final research paper grade will reflect the quality of their presentations. The poster will also be displayed at the senior end-of-year party in May 2015. The poster will not be graded, but is required to receive a "Pass" for the senior requirement and will factor into Departmental considerations for Senior Project Distinction.

Required readings:

Please note weekly readings and reaction postings (on coursework@columbia.edu) are to be done prior to the class meeting of each week.

1. Heidenheimer, Arnold and M. Johnston eds. *Political Corruption: Concepts and Contexts*. New Brunswick, NJ: Transaction Publishers, 2002.
2. Rose-Ackerman, Susan, *Corruption and Government*, New York: Cambridge University Press, 1999.
3. Michael Johnston, *Syndromes of Corruption*, Cambridge University Press, 2005.
4. Xiaobo Lü, *Cadres and Corruption*, Stanford University Press, 2000.
5. Klitgaard, Robert, *Controlling Corruption* Berkeley: University of California Press, 1988.

Required readings online:

Transparency International, *Global Corruption Report*,
UNDP, *Corruption and Integrity Improvement in Developing Countries*,
at <http://magnet.undp.org/Docs/efa/corruption.htm>

Recommended readings (will be on reserve in the Lehman Library):

1. Theobald, Robin, 1990. *Corruption, Development and Underdevelopment*.
2. Elliot, Kimberly Ann. ed. 1997. *Corruption and the Global Economy*. Washington, DC, Institute of International Economy.
3. David Kang, *Crony Capitalism, Corruption and Development*, New York: Cambridge University Press, 2002.
4. Scott, James. 1972. *Comparative Political Corruption*. Englewood Cliff, NJ: Prentice-Hall Inc.
5. Johann Lambsdorff, *The Institutional Economics of Corruption and Reform*, Cambridge, 2007.
6. Noonan, John. 1984. *Bribes*. New York: Macmillan.
7. Huntington, Samuel. 1968. *Political Order in Changing Societies*. New Haven and London: Yale University Press.

All required and recommended books are on reserve at the Lehman and Butler Libraries. Some of the articles that are not available online are also on reserve at the Lehman Library.

Useful Web Links:

<http://www1.gwdg.de/~uwvw/links.htm>
<http://www1.gwdg.de/~uwvw/welcome.htm>
<http://www.oecd.org/daf/cmisis/bribery/annex3.htm>
<http://www.icac.org.hk/>
<http://www.transparency.de/>
https://www.cc.columbia.edu/sec/dlc/ciao/wps_a-i.html (This is a hub for links to working papers at major international affairs centers)
<http://www.wto.org/wto/govt/working.htm>
http://muse.jhu.edu/journals/world_politics/
[International Organizations](#)
[Development Links](#)
[World Political Information](#)
Russia Today (<http://www.russiatoday.com/>)

I. Conception, Perception, and Definition

Week One (9/4): *What is Corruption? Why Study It?*

1. Introduction to the class
2. Definitions of corruption
 - a. Public-interest-centered definitions.
 - b. Market-centered definitions.
 - c. Public-office-centered definitions.
3. Why do we want to study corruption?

Readings:

No reading and posting are required for this week. But students are encouraged to start early on the reading of the coming week's assignment.

Week Two (9/11): *Corruption Perceptions across Time and Countries*

How is corruption perceived in different societies and at different times? Is there a universal standard for defining what is corrupt?

Case: gift-giving vs. bribery

Readings:

Heidenheimer, *Political Corruption*, pp.3-136, 139-191; 885-905.

Chan Sup Chang and others, "Offering Gifts or Offering bribes? Code of Ethics in South Korea" *Journal of Third World Studies*, Spring 2001 (You can find this article online via ProQuest)

II. Explaining Corruption

Week Three (9/18): *Institutions and Corruption*

Mainly historical-sociological approach to explaining causes of corruption.

Readings:

Heidenheimer, *Political Corruption*, pp.195-248, 251-279.

Lü, *Cadres and Corruption*, pp.1-30.

Caiden, Gerald E. 1988. "Toward a General Theory of Official Corruption." *Asian Journal of Public Administration* 10 (1): 3-26.

Theobald, *Corruption, Development, and Underdevelopment*, pp.19-106.

Week Four (9/25): *Market and Corruption*

Economic approach to explaining corruption, which is based on the rational choice assumptions.

(1) Micro-economic approach: game theoretical model on "transaction costs" and the principle-agent model.

(2) Macro-economic approach: the rent-seeking theory and the "second economy" theory.

Readings:

Klitgaard, pp.52-97.

Rose-Ackerman, pp. 1-25.

Krueger, Ann. 1974. "The Political Economy of the Rent-Seeking Societies." *American Economic Review* 64 (3): 291-303.

Kiser, Edgar, and Xiaoxi Tong. 1992. "Determinants of the Amount and Type of Corruption in State Fiscal Bureaucracies: An Analysis of Late Imperial China." *Comparative Political Studies* 25 (3): 300-331.

On the Concept of "rent-

seeking": http://www.thelockeinstitute.org/journals/luminary_v1_n2_p2.html

<http://www.edcnews.se/Research/RentSeeking.html>

Laurence Busse, et al., 1996. "The Perception of Corruption: A Market Discipline Approach" at <http://userwww.service.emory.edu/~tyavero/ip/project2.html>

Week Five (10/2): *Culture and Corruption*

(1) The socio-structural approach.

(2) The psychological and attitudinal approach.

Readings:

Heidenheimer, pp.539-558.

P. Steidmeier and others, "Gift giving, Bribery and Corruption: Ethical Management of Business Relationships in China," *Journal of Business Ethics*, v.20, n.2 (1999) [This article can be found online via ProQuest]

Rose-Ackerman, pp.91-110.

McMullan, M. 1961. "A Theory of Corruption." *The Sociological Review* 9:181-200.

Klugman, Jeffrey. 1986. "The Psychology of Soviet Corruption, Undiscipline, and Resistance to Reform." *Political Psychology* 7 (1): 67-82.

Sampson, Steven. 1983. "Bureaucracy and Corruption as Anthropological Problems: A Case Study from Romania." *Folk* 25: 64-96.

III. Patterns of Corruption

Week Six (10/9): *Corruption in Developing Countries*

(1) Personal rule and kleptocracy

(2) Crony-capitalism

(3) Rent-seeking and booty capitalism

Readings:

Heidenheimer, *Political Corruption*, pp.375-460.

Weyland, Kurt. 1998. "The Politics of Corruption in Latin America." *Journal of Democracy* (9) [108-21](http://www.journalofdemocracy.org/articles/108-21).

The Center for Institutional Reform and the Informal Sector (IRIS), 1996. "Governance and the Economy in Africa: Tools for Analysis and Reform of Corruption," at <http://www.inform.umd.edu:8080/iris/toolkit.html>

Harsch, Ernest. 1993. "Accumulators and Democrats: Challenging State Corruption in Africa." *The Journal of Modern African Studies*, 31 (1): 31-48.

Week Seven (10/16): *Corruption in Transition Economies*

- (1) Informal relations and modes of operation.
- (2) Privatization of the state.
- (3) Rent-seeking in the emerging markets.
- (4) Organized crime and corruption.

Readings:

- Heidenheimer, *Political Corruption*, pp. 535-537, pp.559-620.
Lu, *Cadres and Corruption*, Chapters 2-7.
Miller, William, et al. 1998. "Are the People Victims or Accomplices: the Use of Presents and Bribes to Influence Officials in Eastern Europe," *Crime, Law, and Social Change*, 29 (4): 273-310.
Kramer, John. 1998. "The Politics of Corruption," *Current History*, 97 (Oct.): 329.
Kaminski, Antoni. 1989. "Coercion, Corruption, and Reform: State and Society in the Soviet-type Socialist Regimes." *Journal of Theoretical Politics* 1 (1): 77-101.
White, Gordon. 1996. "Corruption and Market Reform in China." *IDS Bulletin*, 27 (2): 40-47.
FBI, <http://www.usia.gov/topical/econ/bribes/fbi0910.htm>

Week Eight (10/23): *Corruption in Democratic Systems*

- (1) Political scandals and electoral politics
- (2) Public contracts and rent-seeking
- (3) Influence peddling

Readings:

- Heidenheimer, pp. 623-794.
Rose-Ackerman, pp. 127-142.
Johnston, pp89-119.
Paul Krugman on the Enron Case, "Crony Capitalism, USA" in *The New York Times*.

Week Nine (10/30): *Case Studies (I): Gender and Corruption*

Readings:

- Anand Swamy, "Gender and Corruption," *Journal of Development Economics*, v.64, n.1 (2001) [Available online via library website].
David Dollar, R. Fisman and R. Gatti, "Are Women Really the "Fairer" Sex? Corruption and Women in Government", *Journal of Economic Behavior and Organization*, v46, 2001, pp.423-29.
Hung-En Sung, "Fairer Sex or Fairer System? Gender and Corruption Revisited," *Social Force*, v.82 no. 2 (December 2003) p. 703-23 [Available online]
Anne Marie Goetz "Political Cleaners: How Women are the New Anti-Corruption Force. Does the Evidence Wash?" (online)
Vivi Alatas, et al, 2006, "Gender and Corruption: Insights from an Experimental Analysis" (online: <http://www.economics.unimelb.edu.au/lcameron/papers/gender1.pdf>)
Björn Frank, Johann Graf Lambsdorff and Frédéric Boehm, 2011, "Gender and Corruption: Lessons from Laboratory Corruption Experiments", *European Journal of Development Research* (2011) 23, 59-71 (<http://www.palgrave-journals.com/ejdr/journal/v23/n1/full/ejdr201047a.html>)¹

Topics and outlines for research paper are due today.

IV. Consequences of Corruption

Week Ten (11/6): Political Consequences of Corruption

The debate on corruption effects: (1) Corruption is demoralizing and unfair. It creates public distrust in government and leads to instability. It is a cancer of a polity. (2) Corruption buys off officials who would otherwise have resisted reform, thus reducing the possibility of stagnation. It provides access to government and policy-making process for people who would otherwise have had no such access.

Readings:

Heidenheimer, *Political Corruption*, pp. 281-300.

S. Huntington, 1968, *Political Order in Changing Societies*, pp. 59-71.

Rose-Ackerman, pp.113-174.

Theobald, pp. 107-130.

Ben Dor, Gabriel. 1974. "Corruption, Institutionalization, and Political Development: the Revisionist Theses Revisited." *Comparative Political Studies* 7 (1): 63-83.

Waterbury, John. 1976. "Corruption, Political Stability and Development: Comparative Evidence from Egypt and Morocco." *Government and Opposition* 11 (4): 426-445.

Week Eleven (11/13): Economic Consequences of Corruption

The debate on the economic effects of corruption: (1) Corruption is a form of rent-seeking, which is unproductive and socially wasteful. It distorts the market and discourages investors because of added transaction costs. (2) Corruption is an equalizer. Under certain conditions it does not hamper overall economic growth. It may actually enliven economic activities in an otherwise stagnate and highly regulated economy.

The economic crisis in Asia in 1997 also prompted some to argue that "crony-capitalism" was to blame for causing the crisis. We will assess such arguments.

At this session, we will also discuss students' research paper designs and drafts.

Readings:

Heidenheimer, pp. 303-371.

Rose-Ackerman, pp. 7-26.

J. Lambsdorff, chapter 3.

Kaufmann, Daniel and Cheryl Grey, "Corruption and Development," [Finance and Development](#), 35 (March).

Basu, Susanto, and David Li, 1998 "Corruption in Transition," unpublished paper.

Week Twelve (11/20): Case Studies (II): Asian Exception?

Readings:

Heidenheimer, *Political Corruption*, pp.463-532, pp.835-859.

Klitgaard, pp. 52-97.

David Kang, pages to be announced.
MacIntyre, Andrew, 1996, "Clientelism and Economic Growth: the Politics of Economic Policy Making in Indonesia," unpublished paper.

V. Corruption Control

Week Thirteen (12/4): *Corruption Watch: How to Control It?*

- (1) Anti-corruption institutions, strategies, and other efforts.
- (2) Transparency International
- (3) Case Study: The ICEC (Hong Kong) story

Readings:

Klitgaard, pp. 98-210.
Rose-Ackerman, pp. 143-74.
Klitgaard, Robert, "International Cooperation against Corruption," [Finance and Development](#), 35 (March) 1998.
Speville, Bertrand de. 1997. "Hong Kong: Policy Initiatives against Corruption," *OECD Development Center Studies*. See website: <http://www.icac.org.hk/>
Transparency International, *Global Corruption Report, Corruption Perception Index*, at <http://www.transparency.de/>

Week Fourteen (5/1): *Business Ethics and Good Governance*

- (1) International anti-corruption efforts
- (2) US laws: the Foreign Corrupt Practices Act (FCPA) of 1977.
- (3) 1998 OECD Anti-Bribery Convention.

Readings:

Heidenheimer, pp. 909-959.
Rose-Ackerman, pp. 175-222.
Low, Lucinda and John Davis, 1998. "Coping with the Foreign Corrupt Practices Act: a Primer for Energy and Natural Resource Sector," *Journal of Energy and Natural Resources Law* 16: 286-320.

Victor, Kirk. 1996. "Dirty Dealings," *National Journal*, (28): 869-73.
Klaus M. Leisinger, 1994. "Corporate Ethics and International Business: Some Basic Issues," at http://foundation.novartis.com/business_corporate_ethics.htm
<http://www.oecd.org/daf/cmisis/bribery/annex3.htm>
<http://www.oecd.org/puma/sigmaweb/ethics/KLITGARD.HTM>
<http://www.oecd.org/puma/gvrnance/ethics/symposium/rose.htm>
<http://www.oecd.org/puma/gvrnance/ethics/symposium/corruption.htm>
<http://www.oecd.org/dev/news/corrupt.htm>
<http://www.oecd.org/daf/cmisis/bribery/secgene.htm>
gopher://gopher.un.org/00/ga/recs/52/RES52-87.EN

Research Papers are due on December 15, 2014.