

Corruption & the Wealth of Nations

Jamie Bologna Pavlik

Robin M. Grier

Kevin B. Grier

Texas Tech University

This Version: March 2020

Abstract: Corruption is often cited as a fundamental obstacle to economic development, making anticorruption initiatives an important policy objective. However, there is little convincing empirical evidence concerning the benefits of anti-corruption reform. We fill this gap by identifying a set of countries that experienced a sustained increase in corruption control and compare the outcomes of this group with a counterfactual set of similar countries that experienced no such change. We find some evidence that corruption reforms significantly raise real GDP per-capita. We also find that many corruption reforms are temporary, emphasizing the need to focus on sustainability when engaging in corruption reform. We document for the first time a strong asymmetry of results, as countries that experience a large discrete increase in corruption do not suffer a significant decline in real GDP per-capita.

Keywords: Corruption; Anticorruption; Reform; Economic Performance

JEL Codes: D73; P41; O4; O47