Why Do Politicians Get Away with Corruption in Good Economic Times?

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- **Politicians are more likely to engage in corruption during economic booms than during downturns.**
- **Citizens' willingness to punish corruption remains stable across economic cycles, but their ability to detect wrongdoing weakens during good times.**
- **Improved economic conditions can obscure accountability, allowing corrupt behavior to go unnoticed or unpunished.**

CONTEXT

Many citizens in Latin America and the Caribbean associate political corruption with economic decline. Survey data confirm that when economic conditions worsen, more people believe that politicians are corrupt. But this correlation raises a puzzle: does corruption actually increase during downturns, or are citizens just more sensitive to it? Theoretical and empirical literature has provided conflicting answers. While recessions may raise incentives for corruption by increasing the value of rents, booms may offer more opportunities for illicit gains. This study explores the interplay between economic conditions, political corruption, and accountability using a novel theoretical framework and experimental evidence from Colombia.

PROJECT

This project developed a theoretical model of political corruption and accountability, simulating local governance where politicians decide how much of taxpayers' money to allocate to public goods versus diverting it for personal gain. Citizens observe outcomes and decide whether to "punish" the politician. The key manipulation involves economic conditions: in good times, public goods are cheaper to produce, making the same tax revenue go further. The team tested the model using a laboratory experiment with 800 university students in Bogotá, Colombia. Participants played multiple rounds in either the role of a politician or a citizen, under randomly assigned economic conditions.

RESULTS

The experiment confirms the model's main prediction: corruption increases during good economic times. When the cost of public goods was low (i.e., booms), politicians diverted funds 59% of the time, compared to 51% when costs were high. This represents a 14% increase in corrupt behavior—a statistically and economically significant effect. Regression analyses confirmed that the effect remained robust after controlling for participant characteristics and round/session fixed effects.

Despite the rise in corruption, citizens' willingness to punish politicians did not increase in bad times, nor did it significantly decrease in good times. The average disapproval rate was 16% in high-cost environments and 15.4% in low-cost ones—statistically indistinguishable. Instead, citizens' punishment behavior was strongly guided by the observed level of public goods. When provision was low (suggesting possible corruption), punishment occurred 36% of the time. For ambiguous levels, the rate dropped to around 10%, and for high levels, it fell to just 3–6%. These patterns held across both economic contexts.

Key Concept

CORRUPTION

Corruption refers to the diversion of public resources for private gain by public officials.

Importantly, the experiment also measured the expectations of politicians, revealing that they anticipate being punished less in good times. Honest politicians expected disapproval 11% of the time in high-cost environments but only 6.5% in low-cost ones. Corrupt politicians expected to be punished 34.6% of the time in bad times, versus just 28.3% in good times. These anticipations likely drive behavior: with lower expected costs, the incentive to engage in corruption increases.

Finally, the study uncovered a moderating role of citizens' prior beliefs: those who already believed that "most politicians are corrupt" were less likely to punish, even in the face of low public goods provision (as can be observed in Figure 1). This finding suggests that mistrust and cynicism dampen accountability, compounding the challenge posed by favorable economic conditions.

POLICY IMPLICATIONS

These findings suggest that economic booms pose an underappreciated risk to political accountability. When public finances are flush, such as during commodity booms or revenue windfalls, there is a real danger that corrupt practices increase, not because citizens stop caring, but because corruption becomes harder to detect. Even when transparency mechanisms are in place, prosperous times may dampen citizens' motivation to monitor and punish wrongdoing, especially if their material conditions improve.

Thus, strengthening institutional checks and balances is especially important during good times, not just during crises. Transparency in public finance, mechanisms to trace the origin of public goods, and public awareness campaigns about accountability should be sustained throughout the business cycle. It is also critical to address the informational asymmetries that make it difficult for citizens to know whether a politician is responsible for positive outcomes or merely benefiting from favorable macroeconomic conditions.

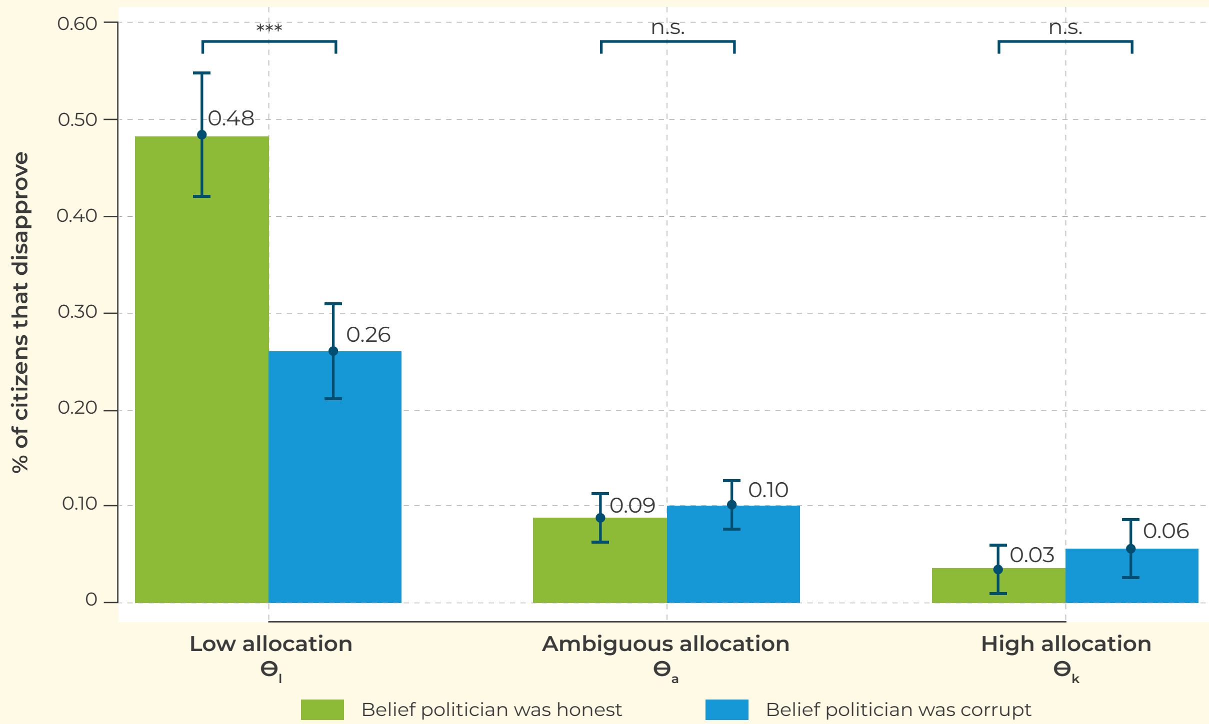
Finally, policymakers should invest in trust-building and civic engagement efforts, particularly in contexts where skepticism about political integrity is high. As the study shows, citizens with low trust are less responsive to evidence of corruption. Boosting belief in the efficacy of oversight and civic action is key to sustaining accountability, especially when things appear to be going well.

Key Concept

POLITICAL ACCOUNTABILITY

Political accountability is the ability and willingness of citizens to sanction public officials for wrongdoing, especially while they are in office.

FIGURE 1. Citizen Punishment Segmented by Prior Beliefs Across Allocations



FULL STUDY

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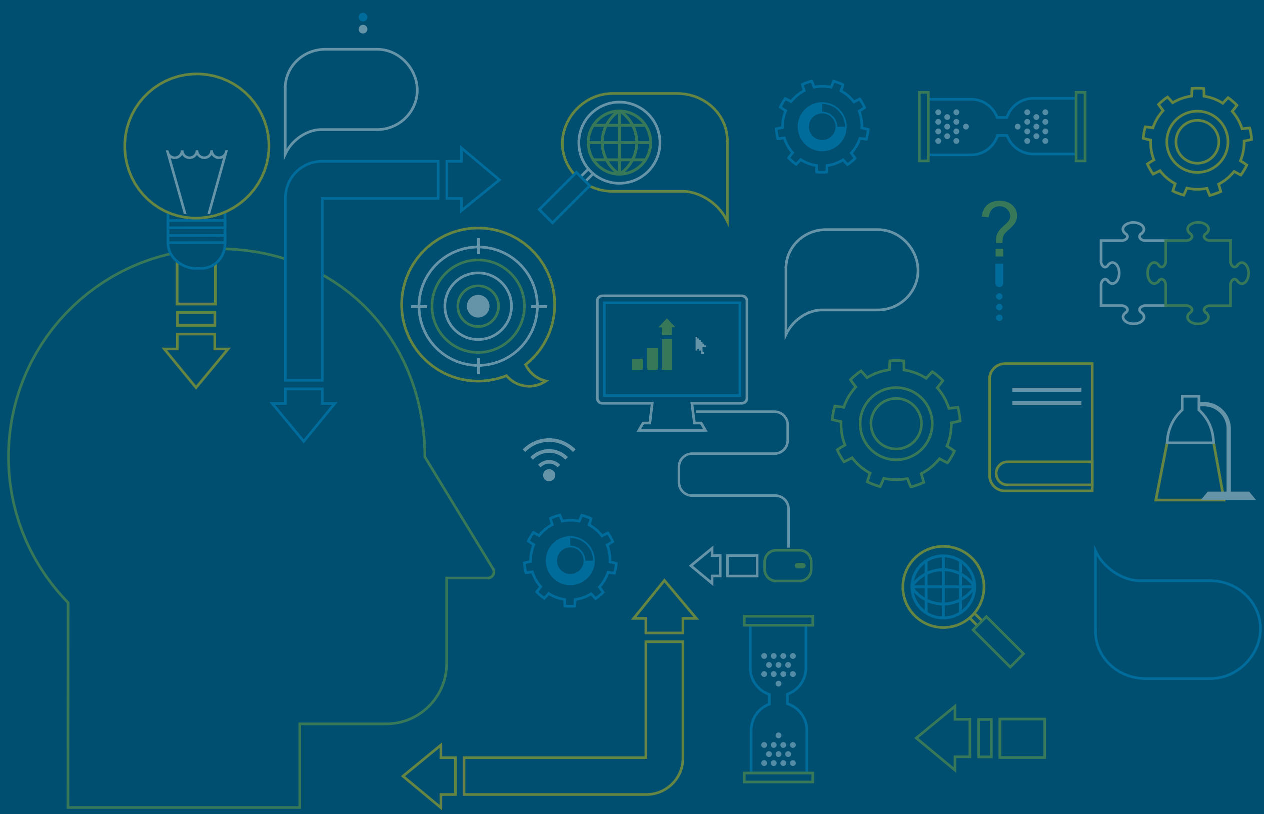

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