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Collana	IMF Working Papers
Soggetti	Political corruption Democracy Budgeting Public Finance Taxation Political Economy Criminology Bureaucracy Administrative Processes in Public Organizations Corruption National Government Expenditures and Related Policies: General Taxation, Subsidies, and Revenue: General National Budget Budget Systems Corporate crime white-collar crime Public finance & taxation Political economy Budgeting & financial management Expenditure Tax incentives Budget planning and preparation Expenditures, Public Economics Budget Italy

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Note generali	Description based upon print version of record.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Contents; I. Introduction; II. Relations with Previous Studies; III. A Model of Public Expenditure with Corruption; A. How ministers respond to corruption: honest and corrupt citizens; B. The political response of non-elected citizens; C. The choice between honest and corrupt candidates; IV. Voting on Law Enforcement; A. Law enforcement and policy choice; B. Deciding on law enforcement; V. Conclusions; Appendix: Proofs of Propositions; References
Sommario/riassunto	<p>This paper analyses why corruption can persist for long periods in a democracy and inquires whether this can result from a well-informed rational choice of the citizens. By applying a citizen-candidate model of representative democracy, the paper analyzes how corruption distorts the allocation of resources between public and private expenditure, altering the policy preferences of elected and nonelected citizens in opposite directions. The result is a reduction in real public expenditure and, if the median voter's demand for public goods is sufficiently elastic, a tax reduction. In this case, some citizens can indirectly benefit from corruption. The paper shows that, under this condition, if the citizens anticipate a shift in policy preferences in favor of higher public expenditure, they may support institutional arrangements that favor corruption (such as a weak enforcement of the law) in order to alter future policy decisions in their favor. This result complements the findings of other studies that have attributed the persistence of corruption in a democracy to some failure on the part of the voters or the electoral system. It also bears implications for developing effective anticorruption strategies and for redefining the role that can be played by the international community.</p>