

Abstract

Corruption is a major problem, and not only in developing countries. It impedes economic growth, weakens the rule of law and undermines the legitimacy of institutions. Although it has been studied at national level from different perspectives, there is a recent growing body of research on local corruption. As far as we know, these latter studies focused on corruption and its effects on votes. However, a further question arises as to whether there is a mimetic effect on neighbouring municipalities? We employ data from Spain, and the boom in local corruption in the 2000s, to respond to this question. Specifically we have constructed a panel database (2001-2010) on local characteristics, economic factors and corruption at local level in order to achieve this. Our spatial econometrics methodology supports the hypothesis that corruption is not local-specific, and leads to two opposing outcomes: on the one hand, local corruption is contagious and the probability of being ‘infected’ increases by 3.1 per cent for each corrupt neighbouring municipality; on the other hand the likelihood of a municipality being taken to court increases by 6.7 per cent for each neighbouring municipality accused. Although the former is alarming, the latter provides hope in the fight against local corruption.

Keywords: Local corruption; spatial econometrics; contagion effects.

JEL Codes: D72, D73, K42.