

# Do “Clean Hands” Ensure Healthy Growth? Theory and Practice in the Battle Against Corruption\*

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## Abstract

This paper analyzes the existing relation between corruption and economic growth and examines the possible outcome of a reform implemented by the State to weed out or reduce corruption. It will be stressed that the reform against corruption tends, if not deemed by the operators to last in time, to curb most productive investments and therefore involves a time in which less corruption is paradoxically associated with less economic growth. This model is supported by econometric analysis of the Italian case. Italy has arguably been plagued by corruption. In the late 80s and early 90s several scandals that erupted quickly led to well-known inquiries (under the name of Clean Hands) and were followed (temporarily) by the an increased monitoring to prevent such practices. A dynamic panel data approach to economic growth based on data of 20 Italian regions allows to estimate a non-linear effect of corruption on economic growth.

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