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Class: M/W 2:30-4 PM (Baxter 127)
Office Hours: At your convenience, by appointment
Admin Asst: Sheryl Cobb (X4220; Baxter 134)

WINTER 2018
ANTHROPOLOGY/POLITICAL SCIENCE 127: CORRUPTION

COURSE DESCRIPTION

A day never passes that we don't read headlines about corruption in both the developed and the developing world. We have recently lived through the scandals of Enron, Madoff, Russian oligarchs, the world banking system, and currently questions about the integrity of U.S. institutions in every branch of government. We are now reminded daily that corruption is not just an African, Asian, and Latin American problem.

In this course we will survey a broad literature on corruption. We will consider its meaning, its measurement, and its costs to social well-being and economic development. We will explore the many theories attempting to explain its incidence in some countries more than others. Transparency and access to information have been a large area of research in corruption. But like all aspects of this knotty problem, the data are not consistent on the impact of greater transparency upon corruption. In this vein we shall also address the role of the media and freedom of information laws. While most of our readings adopt an economist's perspective rooted in institutional incentives for individual behavior as an explanation for corruption, we will also take up the roles of culture, social norms, psychology, and collective action. Finally, we consider what is known about solutions that might reduce corruption.

CLASS RULES

- Attendance is mandatory.
- No electronic devices are permitted in class, including laptops. This is designed to ensure that students engage with each other, and not with their gear. By all means feel free to bring notebooks and to take notes. You will find class notes extremely useful when you sit down to write your papers. You may also bring to class copies of the papers we have read and notes you have taken on the papers to help you during the discussion.
- No late homeworks or papers will be accepted.

EVALUATION OF STUDENTS

This class may only be taken for a letter grade; there is no option for changing to pass-fail later.

The class will be run as a seminar and class discussion is what drives the class. As an added incentive for students to read the papers prior to class and to engage in class discussion, there will be regular quizzes on the readings for a given day. These will be easy questions geared to confirming that you have read and understood the main points of the articles for that day.

There are no make-ups for quizzes and no medical or dean's excuses are accepted. Instead, everyone can drop one quiz. If you are sick for a second one, I suggest that you compensate by putting extra effort into your paper project and close reading of the articles to boost your class discussion. Those who have anticipated absences for graduate school interviews can notify me well in advance and submit a one page written summary of each article that is missed.

Grading:

30% Quizzes, attendance, and class participation
20% Homework
50% Paper

PAPER PROJECT

All students will write a data-based research paper on some aspect of corruption. I will meet with each of you at least 3 times during the term to discuss your topic, help you find relevant literature, and discuss data that will help you provide evidence. You will get a lot more out of this if you choose something you care about and have an inherent curiosity to learn about. So please spend some time to choose a topic thoughtfully. Also be careful to define the scope of the problem in such a way that the paper is possible to write. Too broad a topic is impossible to handle in a meaningful way. Too narrow a topic will make it difficult to find references and data. Getting an early start will make all the difference. Trust me on this.

Apply a broad theoretical framework to your paper that goes beyond pure description. You should be trying to explain some variation in the data you are examining. But in doing this you will have to stay mindful of causality issues.

Think broadly about what theoretical literatures apply to your paper. For example, if you are writing about the culture of corruption in the Nordic countries, you can use papers on theories of changing social norms and culture that have nothing to do with corruption or the Nordic countries. That will connect your argument to a far bigger literature and a far broader class of applications.

<u>Length</u>: Approximately 3000 words (text only, exclusive of data and references).

<u>Format</u>:   Please submit as a WORD doc, double space, font=11 point, 1 inch margins all around.

<u>Academic References</u>: Use approximately a dozen or more. You must use peer-reviewed scientific research papers beyond those that we have read in class, but of course you can compare and contrast them with what we have read. NOTE: Be clear about what is and is not an acceptable academic paper. Newspaper articles, Wiki entries, and papers produced by ideologically-driven think tanks are not acceptable references. Use <u>Google Scholar</u> and <u>Web of Science</u> to find and to access papers. Before ordering a paper from Docuserve, try to find a copy in open access from the web, or go straight to the professor's website.

<u>Submission</u>: Please send in your paper via email (jensming@hss.caltech.edu).

PAPER TOPIC IDEAS
(These are merely suggestions. The best paper ideas come from you following your own interests). Be sure to determine early on whether there are sufficient data to address your question; if not, choose another topic.

Transparency
Freedom of the press
Freedom of information laws
Wikileaks, Snowdon, Panama papers—Leaks and corruption
Solutions—Think creatively
- Crowdsourcing solutions to corruption
- Technological solutions to corruption—Smartphones, GPS, satellites, social media monitoring of aid and elections, etc.
Whistleblower protection and reward systems
Free speech and libel law
Social monitoring systems—Grass roots monitoring of aid and government projects
Can we change the culture of corruption?
- Educational campaigns
- TV soap operas
- Incentives
- Institutional design
Corruption experiments—a meta-analysis
- What types are out there and what do we learn from them?
- Cheating experiments
Impact of corruption on the environment
- Wildlife conservation/poaching
- Forests (Illegal Logging)
Turn-around cases—the Nordic countries, Rwanda, Singapore, Hong Kong, others—are there common threads?
Why are the clean countries the way they are?—the Nordics, New Zealand, Botswana, Rwanda
What do the most corrupt countries have in common, if anything?
Corruption in the U.S.
- Historical cases (political machines--Tammany Hall NY, Mayor Daly's Chicago, Providence RI)
- Robber barons
- Are some states more corrupt than others?
- Legal corruption
  - Campaign finance law
    - Citizens United (2010)
    - Differences in law across countries, see especially the Nordics

- Impact of the 2016 election

Is corruption sand or grease in the wheels of economic growth?

Aid and corruption
- The aid curse (resource curse)
- Millennium Challenge Corporation aid—Does it work?
- Corruption in humanitarian aid

Corruption in the Vatican (especially if you speak Italian)

Corruption in China (especially if you speak Chinese)—focus upon a sub-topic

Corruption in India—focus upon a sub-topic

Democracy and corruption

Culture and corruption

Religion and corruption

Collectivism, individualism, and corruption

Economic growth and corruption

Corruption and the judiciary

Corruption and terrorism

Corruption and drug trafficking

Corruption and human trafficking

Corruption and health care
- Expired drugs
- Health worker job attendance; simultaneous work at private clinics
- Who funds pharmaceutical research and does it create COI in results?
- Stolen funds for HIV prevention/treatment

Corruption in sports—soccer, Olympics, figure skating scoring

Competition as a strategy to fight corruption

Anti-corruption commissions—Indonesia, Hong Kong, Philippines, others

Do efficiency wages reduce corruption among civil servants?

Google Trends on corruption related topics, by country, by corruption Index

PUBLIC DATASETS

I would begin by examining the following article (see Moodle) by Mungiu-Pippidi and Dadasov: "Measuring Control of Corruption by a New Index of Public Integrity." You will find their excel data file at: "integrity-index.org". Their database includes 2017 data for 105 countries including many of the variables that scholars have identified as correlates of corruption levels. They have also included some important economic and demographic data for each country. You may use these data, together with specific data that you wish to examine, but you are not limited to using this dataset as the core of your project. It will depend upon your choice of topic.

The best way to find all the available data for you topic is to spend some time googling and see what you can find. There are thousands of publicly available datasets, but do beware that not all data are created equally!

This is the tip of the iceberg for data by countries of the world and US states:

- Measures of perception of corruption: <u>World Bank Governance Indicators and Transparency International</u>
  - o Please use the WGI instead of TI, as it is generally accepted as the better index, though the two are highly correlated with each other. Always use the WGI for longitudinal analyses, as the TI index was significantly changed recently, making time series analyses problematic.

- Measures of economic, political, demographic, education, social, and environmental variables (plus much more): World Bank, UN, CIA World Fact Book, US Department of Commerce Bureau of Economic Analysis

- Measures of freedom of expression, internet freedom, rule of law, political stability, civil society, elections, religious freedom, and LGBTI rights: Freedom House, World Justice Project, International Institute for Democracy and Electoral Assistance (IDEA)

- Country level variables related to culture, religion, and social phenomena: World Values Survey

- Measures of corruption and other criminal behavior by U.S. state: Justice.gov

- Measures of what people search for on the web: Google Trends

- Measures of wildlife poaching: CITES, IUCN

- Health data: WHO, DHS (Demographic and Health Surveys)

- Panel data on a wide variety of African political and sociological variables: Afrobarometer

- Country level conflict data: Center for Systemic Peace

- Money in U.S. politics: OpenSecrets.org

- Social Monitoring: I paid a bribe

- Micro lending sites: Give Directly, KIVA

- Internet and Facebook penetration rates worldwide

- Difficulty/costs for entrepreneurs to set up businesses: Doing Business Handbook (World Bank)

- Percentage of Women in Government worldwide: Inter-Parliamentary Union

- Wealth and income inequality (GINI coefficients) by country: World Bank

- Data transparency by country: eGovernment Development Index (EGDI)

- Data on women by country: Woman Stats Project

- Clan governance indicator by country: Woman Stats Project

ADDITIONAL RESOURCES

Two websites dealing exclusively with corruption may be of help finding paper topics and references:
- U-4 (which publishes papers on all aspects of anti-corruption)
- The Global Anticorruption Blog (GAB)
  - GAB maintains a huge bibliography on corruption that is available here: http://www.law.harvard.edu/faculty/mstephenson/

A good literature review:
Olken, Benjamin A. and Rohini Pande
    2012   Corruption in Developing Countries. *Annual Review of Economics* 2012(4):479-509.

CLASS READINGS

How to read class papers:
As you read, ask yourself the following:
- What is the question the author is asking?
- What is the position that the author is taking?
- What is the evidence for and against the author's position? Is it sufficient?
- What is the method? Are there problems with it?
- Do you see any other problems with the paper?
- What might be the next steps for research in this field to resolve remaining questions?

Readings for the Course

Banerjee, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, Robert Osei, William
          Pariente, Jeremy Shapiro, Bram Thuysbaert, and Christopher Udry
    2015   A multifaceted program causes lasting progress for the very poor: Evidence from six
          countries. *Science* 348(6236): 1260799-1-16.
Banerjee, Abhijit and Eliana La Ferrara, "Experimental Evaluation of MTV Shuga: Changing
    Social Norms and Behaviors with Entertainment Education".
Barr, Abigail and Danila Serra
    2010   Corruption and culture: An experimental analysis. *Journal of Public Economics*
          94(2010): 862-869.
Brunetti, Aymo and Beatrice Weder
    2003   A free press is bad news for corruption. *Journal of Public Economics* 87(2003):
          1801-1824.
Duflo, Esther, Michael Greenstone, Rohini Pande, and Nicholas Ryan
    2013   Truth-Telling by Third-Party Auditors and the Response of Polluting firms:
          Experimental Evidence from India. *The Quarterly Journal of Economics (2013):
          1499-1545.*
Fisman, Raymond
    2001   Estimating the Value of Political Connections. *The American Economic Review*
          91(4):1095-1102.
Fisman, David, Raymong J. Fisman, Julia Galef, Rakesh Khurana, and Yongxiang Wang
    2012   Estimating the Value of Connections of vice-President Cheney. *The B.E. Journal of
          Economic Analysis & Policy* 12(3): 1-18.
Fisman, Ray and Miriam A. Golden
    2017   Corruption: What Everyone Needs to Know. New York: Oxford University Press.
Fisman, Raymond and Edward Miguel
    2007   Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking
          Tickets *Journal of Political Economy* 115(6): 1020-1048.
Gachter, Simon and Jonathan F. Schulz
    2016   Intrinsic honesty and the prevalence of rule violations across societies. *Nature*
          March 2016.
Gino, Francesca, Shahar Ayal, and Dan Ariely
    2009   Contagion and Differentiation in Unethical Behavior: The Effect of One Bad Apple on
          the Barrel. *Psychological Science* 20(3): 393-398.

Gino, Francesca and Max H. Bazerman
2009   When misconduct goes unnoticed: The acceptability of gradual erosion in others' ethnical behavior. *Journal of Experimental Social Psychology* 45(2009): 708-719.
Gourevitch, Philip
2010   Alms Dealers: Can you provide humanitarian aid without facilitating conflicts? *The New Yorker*, October 11, 2010.
La Ferrara, Eliana, Alberto Chong, and Suzanne Duryea, (2012) "Soap Operas and Fertility: Evidence from Brazil," *American Economic Journal: Applied Economics*, 4(4): 1-31.
McMillan, John and Pablo Zoido
2004   How to Subvert Democracy: Montesinos in Peru. *Journal of Economic Perspectives* 18(4):69-92.
Mungiu-Pippidi, Alina and Ramin Dadasov
2016   Measuring Control of Corruption by a New Index of Public Integrity, *European Journal of Criminal Policy Research* (2016) 22: 415-438.
Olken, Benjamin
2009   Corruption perceptions vs. corruption reality. *Journal of Public Economics* 93: 950-964.
Purzycki, Benjamin Grant, Coren Apicella, Quentin D. Atkinson, Emma Cohen, Rita Anne McNamara, Aiyana K. Willard, Dimitris Xygalatas, Ara Norenzayan, and Joseph Henrich
2016   Moralistic gods, supernatural punishment and the expansion of human sociality. *Nature*, 18 February 2016 (530): 327-330.
Vogt, Sonja, Nadia Ahmed Mohmmed Zaid, Hilal El fadil Ahmed, Ernst Fehr,a nd Charles Efferson
2016   Changing cultural attitudes towards female genital cutting. *Nature* 538(27): 506-509.

Supplemental Readings

Aikins, Matthieu
2016   The Bidding War: How a young Afghan military contractor became spectacularly rich. *The New Yorker*, March 7, 2016.
Bardhan, Pranab
2006   The Economist's Approach to the Problem of Corruption. *World Development* 34(2):341-348.
Bolongaita, Emil P.
2010   An exception to the rule? Why Indonesia's Anti-Corruption Commission succeeds where others don't – a comparison with the Philippines' Ombudsman. U4 Issue August 2010 No. 4.
Ferraz, Claudio and Frederico Finan
2011   Electoral Accountability and Corruption: Evidence from the Audits of Local Governments. *American Economic Review* 101(June 2011):1274-1311.
Glaeser, Edward L. and Raven E. Saks
2006   Corruption in America. *Journal of Public Economics* 90(2006):1053-1072.
Kaufmann, Daniel and Shang-Jin Wei
2000   "Does 'Grease Money' Speed Up the Wheels of Commerce?" IMF Working Paper WP/00/64 (Fiscal Affairs Department), March 2000.
Mauro, Paolo
1995   Corruption and Growth. *The Quarterly Journal of Economics* 110(3):681-712.
Kenny, Charles and William Savedoff
2013   Can Results-Based Payments Reduce corruption? *Center for Global Development.* Working Paper 345: September 2013.
Lindstedt, Catharina, and Daniel Naurin
2010   Transparency is not Enough: Making Transparency Effective in Reducing Corruption. *International Political Science Review* 31(3): 301-322.

Meon, Pierre-Guillaume and Khalid Sekkat
    2005   Does corruption grease or sand the wheels of growth? *Public Choice* 122:69-97.
Olken, Benjamin A.
    2007   Monitoring Corruption: Evidence from a Field Experiment in Indonesia. *Journal of Political Economy* 115(2):200-249.
Peisakhin, Leonid
    2012   Transparency and Corruption: Evidence from India. *Journal of Law and Economics* 55(1):129-149.
Reinikka, Ritva and Jakob Svensson
    2004   Local Capture: Evidence from a Central Government Transfer Program in Uganda. *The Quarterly Journal of Economics,* May 2004.
Reinikka, Ritva and Jakob Svensson
    2005   Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda. *Journal of the European Economic Association*, 3(2-3): 259-267.
Reinikka, Ritva, and Jakob Svensson
    2011   The power of information in public services: Evidence from education in Uganda. *Journal of Public Economics* 95(2011):956-966.
Shleifer, Andrei and Robert W. Vishny
    1993   Corruption. *The Quarterly Journal of Economics*, August 1993.
Treisman, Daniel
    2000   The causes of corruption: a cross-national study. *Journal of Public Economics* 76(2000):399-457.
Wiltermuth, Scott S.
    2011   Cheating more when the spoils are split. *Organizational Behavior and Human Decision Processes* 115(2011):157-168.

CLASS SCHEDULE AND READING ASSIGNMENTS

Section 1: Defining, Measuring, and Explaining Corruption

W Jan 3   Topic: Overview of the course

M Jan 8   Topic: Defining corruption
               Readings: Fisman and Golden (pp. 1-53)

W Jan 10   Topic: Where do we find corruption and what are the consequences?
               Readings: Fisman and Golden (pp. 55-119)

M Jan 15   No Class: MLK Day

W Jan 17   Topic: Who is involved in corruption and what has culture got to do with it?
               Readings: Fisman and Golden (pp. 121-201)

TH Jan 18   FIRST HOMEWORK DUE 5PM (Email to me: jensming@hss.caltech.edu): One paragraph summary explaining your paper idea and where you will get the data. There must be data for you to analyze, so before you commit to a paper topic, be sure that the data you will need do in fact exist. Should you have any doubts about the feasibility of your first paper choice, include a backup idea for which you know data exist.

F Jan 19   First Meeting with professor. Each student will have an individual appointment with the professor to discuss paper ideas. The goal for this meeting is to select a feasible paper topic.

M Jan 22   Topic: Political institutions, corruption, and solutions
            Readings: Fisman and Golden (pp. 203-264)

Section 2: Case Studies

W Jan 24   Topic: Measurement of Corruption, Perceptions versus Actual Corruption,
            and Introduction to Regression
            Readings: Mungiu-Pippidi and Dadasov 2016
                    Olken 2009

M Jan 29   Topic: Institutions and Politics
            Readings: Fisman 2001
                    Fisman, Fisman, Galef, Khurana, and Wang 2012

W Jan 31   Topic: Psychology
            Readings: Gino and Bazerman 2009
                    Gino, Ayal, Ariely 2009

TH Feb 1   SECOND HOMEWORK DUE 5PM (Email to me: jensming@hss.caltech.edu):
            Two-paragraph summary of paper topic, data plan (identify datasets being used
            and list independent and control variables to be used), and list 10+ academic
            references related to the topic (follow the citation style used for the reading list in
            this syllabus). Goal for this assignment is to ensure that adequate data and
            academic references exist for your project. We will meet on Friday to discuss.

F Feb 2   Second meeting with professor. Meet individually with professor to discuss data
            analysis plan and academic references.

M Feb 5   Topic: Ensminger Presentation: Corruption in a World Bank Project
            Readings: Gourevitch 2010
            Work on homework #3

W Feb 7   Topic: Ensminger Presentation: Using Forensic Techniques to Catch Fraud
            Readings: None; Work on homework #3

M Feb 12   Topic: Experiments and Culture
            Readings: Barr and Serra 2010
                    Fisman and Miguel 2007

W Feb 14   Topic: Experiments, Institutions, and Religion
            Readings: Gachter and Schulz 2016
                    Purzychi *et al.* 2016

TH Feb 15   THIRD HOMEWORK DUE 5PM (Email to me: jensming@hss.caltech.edu):
            Preliminary (completed) data analysis with all variables included and
            updated/expanded list of 12-15 academic references. Provide a list of variables
            and the rationale for including them. We meet to discuss on Friday.

F Feb 16   Third meeting with professor. Each student will meet individually with professor
            to discuss data analysis and references. Bring your computer with your data
            analysis output. Goal of this meeting is to ensure that data analysis and
            academic references are adequate.

M Feb 19   No Class: President's Day

<u>Section 3: Solutions</u>

W Feb 21   <u>Topic: The Media</u>
               Readings: Brunetti and Weder 2003
                       McMillan and Zoido 2004

M Feb 26   <u>Topic: Audits and Cash Transfers</u>
               Readings: Duflo *et al.* 2013
                       Banerjee *et al.* 2015

W Feb 28   <u>Topic: Activism, Soap Operas, and Changing Social Norms</u>
               Readings: Vogt *et al.* 2016
                       La Ferrara, Chong, and Duryea 2012
                       Banerjee and La Ferrara MTV Shuga

M Mar 5   Student Paper Presentations (1)—SPECIAL 2 HOUR CLASS 2:30-4:30

W Mar 7   Student Paper Presentations (2)— SPECIAL 2 HOUR CLASS 2:30-4:30

W Mar 14   <u>All student papers due at 9AM</u>. Be sure to send in WORD format, not PDF.
               Send to: jensming@hss.caltech.edu.