

Professor J. Ensminger
Baxter 202
jensming@hss.caltech.edu

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

WINTER 2020
ANTHROPOLOGY/POLITICAL SCIENCE 127: CORRUPTION

COURSE DESCRIPTION

Western, developed societies have always had corruption. Alleged misuse of public funds by government officials is very much in the news lately. In recent years, huge financial scandals have also erupted, such as Enron, Madoff, and the mortgage crisis that precipitated the great recession. Despite the recent upsurge of attention to corruption in developed countries, the pervasiveness of corruption is even greater in the developing world (Africa, Asia, the Middle East, and Latin America), China, and the countries of the former Soviet bloc.

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, we will also take up the role of culture, social norms, psychology, and collective action. Finally, we will consider what is known about solutions that might reduce corruption.

EVALUATION OF STUDENTS

This class is a seminar and class discussion is a central component. 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. Instead, everyone can drop one quiz grade. If you are sick or out of town 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 the quality of your class participation. Those who have anticipated absences for graduate school interviews or academic conferences can notify me well in advance and submit a one-page written summary of each article that is missed to substitute for the quiz.

This class may only be taken for a letter grade.

Grading:

1/3 Quizzes, attendance, and class participation
2/3 Paper

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 paper. 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 homework or papers will be accepted.

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 2 times during the term to discuss your topic, to help you find relevant literature, and to 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. 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. It is also crucial that you choose a topic for which there is sufficient academic literature and data. I can help guide you on this aspect. Getting an early start will make all the difference. Trust me on this!

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.

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

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

Academic References: Use at least a dozen. 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 Google Scholar and Web of Science 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.

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

IMPORTANT, PLEASE READ: Note that this course subscribes to the HSS guidelines on plagiarism, which are spelled out at the following site:

<https://www.hss.caltech.edu/academics/avoiding-plagiarism>.

PAPER TOPIC IDEAS

These are merely suggestions; you may think of a completely original topic, but you must clear it with me to ensure that there is adequate evidence on the topic before you invest too much time in it.

Transparency and Accountability

- EGOV
- Open Data
- See World Bank sources

Media

- Freedom of the press
- "Sunlight is the best disinfectant"
- Fake news
 - Why it is a problem?
 - How do we fix it?
- Social media
 - Protests
 - Arab Spring
 - Recent protests around the world—Hong Kong, Chile, France, others

Whistleblowers and leaks

Money laundering

- Bitcoin

Solutions—Think creatively

- Crowdsourcing solutions (social monitoring)
- Technological solutions—Smartphones, GPS, satellites, social media monitoring of aid and elections, etc.
- Audits
- Procurement reform
- Punishment as a disincentive versus intrinsic motivation

- Competition as a strategy to fight corruption
- As an alternative to corruption-ridden development aid: cash transfers
- Changing social norms

Culture and social norms of corruption

- Religion and corruption
- Collectivism, individualism, and corruption
- Changing social norms of corruption

Corruption experiments—a meta-analysis

Impact of corruption on the environment

- Wildlife conservation/poaching
- Deforestation (Illegal Logging)

Turn-around cases—the Nordic countries, Rwanda, Singapore, Hong Kong, Botswana, others

Corruption in the U.S.

- Historical cases (political machines--Tammany Hall NY, Mayor Daly's Chicago, Providence RI)
- Robber barons
- Variation across states
- The Trumpian era—Possible, but let's discuss the approach

Legal corruption

- Campaign finance law
 - Citizens United (2010)
 - Differences in law across countries, see especially the Nordics

Interaction between corruption and economic growth

- Is corruption good or bad for the economy, e.g. sand or grease in the wheels of economic growth?

Aid and corruption

- The aid curse (see resource curse)
- How is development aid different from humanitarian aid

China and corruption

- Is the current Chinese crackdown on corruption sincere, or a cover for attacking political opposition?

Corruption and ...

- Judiciary (including anti-corruption commission sin Indonesia, Hong Kong, Philippines, others)
- Terrorism
- Drug trafficking
- Human trafficking
- 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
- Sports—soccer, Olympics, figure skating scoring

Do efficiency wages (above market rates) reduce corruption among civil servants?

KENYA

- I have lots of data that would be interesting to analyze

PUBLIC DATASETS

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!

Here are some of the most useful datasets:

1. Measures of perception of corruption: World Bank Governance Indicators and Transparency International
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.
 2. Panel data on a wide variety of African political and sociological variables, including corruption by countries in Africa: Afrobarometer
 3. 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)
 4. Country level variables related to culture, religion, and social phenomena: World Values Survey
 5. Demographic and Health data: DHS (Demographic and Health Surveys), WHO
- Other datasets:
 - 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 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
 - Country level conflict data: Center for Systemic Peace
 - Money in U.S. politics: OpenSecrets.org
 - Social Monitoring: I paid a bribe
 - Cash transfer program that also collaborates with researchers: Give Directly
 - 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

Articles--go to: <https://courses.caltech.edu/login/index.php>

Password: ensminger

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.

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.
- Gächter, 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' ethical 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.
- McMillan, John and Pablo Zoido
2004 How to Subvert Democracy: Montesinos in Peru. *Journal of Economic Perspectives* 18(4):69-92.
- Olken, Benjamin
2009 Corruption perceptions vs. corruption reality. *Journal of Public Economics* 93: 950-964.
- Paluck, Elizabeth Levy, Hana Shepherd, and Peter M. Aronow, (2016), "Changing climates of conflict: A social network experiment in 56 schools," *PNAS*, 113(3): 566-571.
- 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 Mohammed Zaid, Hilal El fadil Ahmed, Ernst Fehr, and 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.
- 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.
- 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

- M Jan 6 Topic: Overview of the course
- W Jan 8 Topic: Defining corruption
Readings: Fisman and Golden (pp. 1-53)
- M Jan 13 Topic: Where do we find corruption and what are the consequences?
Readings: Fisman and Golden (pp. 55-119)
- W Jan 15 Topic: Who is involved in corruption and what has culture got to do with it?
Readings: Fisman and Golden (pp. 121-201)

HOMEWORK #1 DUE BY 10PM

Email to: jensming@hss.caltech.edu.

Submit a title and two paragraph description of your paper topic.

- M Jan 20 No Class: MLK Day
- W Jan 22 Topic: Political institutions, corruption, and solutions
Readings: Fisman and Golden (pp. 203-264)

Section 2: Case Studies

- M Jan 27 Topic: Measurement of Corruption, Perceptions versus Actual Corruption, and Introduction to Regression Analysis
Readings: Olken 2009
- W Jan 29 Topic: Institutions and Politics
Readings: Fisman 2001
Fisman, Fisman, Galef, Khurana, and Wang 2012

HOMEWORK #2 DUE BY 10PM

Email to: jensming@hss.caltech.edu.

Based on the reading that you have completed on your topic, submit an updated title and longer paper description including a description of the data you expect to analyze. Include a list of at least 12-15 high quality academic journal articles that you will be using in your paper. Use the bibliographic format in this syllabus when you type your reference list.

- FRI Jan 31 Meet with professor. Meet individually with professor to discuss progress, references, and data sources.

- M Feb 3 Topic: Psychology
 Readings: Gino and Bazerman 2009
 Gino, Ayal, Ariely 2009
- W Feb 5 Topic: Ensminger Presentation: Using Forensic Techniques to Catch Fraud
 Readings: Gourevitch 2010
- M Feb 10 Topic: Experiments and Culture
 Readings: Fisman and Miguel 2007
 Barr and Serra 2010
- W Feb 12 Topic: Experiments, Institutions, and Religion
 Readings: Gachter and Schulz 2016
 Purzychi *et al.* 2016

HOMEWORK #3 DUE 10PM

Email to: jensming@hss.caltech.edu.

Submit the results of your data analysis and several paragraphs discussing them in the context of your paper's topic and your literature review. Use proper citation style.

- FRI Feb 14 Meet with professor. Each student will meet individually with professor to discuss data analysis and references. Bring your computer with your data analysis output. The goal of this meeting is to ensure that you are on the right track with your data analysis.
- M Feb 17 No Class: President's Day

Section 3: Solutions

- W Feb 19 Topic: The Media
 Readings: Brunetti and Weder 2003
 McMillan and Zoido 2004
- M Feb 24 Topic: Audits and Cash Transfers
 Readings: Duflo *et al.* 2013
 Banerjee *et al.* 2015
- W Feb 26 Topic: Changing Social Norms
 Readings: Vogt *et al.* 2016
 Paluck, Shepherd, and Aronow (2016)

Section 4: Student Paper Presentations

Send powerpoints (PDF format) for your presentation by NOON on the day you are presenting:
jensming@hss.caltech.edu

- M Mar 2 Student Paper Presentations (Group 1)
- W Mar 4 Student Paper Presentations (Group 2)

M Mar 9 Student Paper Presentations (Group 3)

W Mar 11 Student Paper Presentations (Group 4)

F Mar 13 ALL PAPERS DUE BY 5PM—SEND IN WORD FORMAT.
Send to: jensming@hss.caltech.edu.