

Professor J. Ensminger
Baxter 202

Class: M/W 2:30-4 PM
Office Hours: After class or by Appt.

SPRING 2022
ANTHROPOLOGY/POLITICAL SCIENCE 127: CORRUPTION

COURSE DESCRIPTION

Western, developed societies have always had corruption, and as you will read, corruption was much on the minds of our founding fathers when they designed U.S. institutions. 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 of the mid-aughts. 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), as it is in China and 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. For example, transparency and access to information have been a large area of research in corruption. The media have an essential role to play in keeping citizens informed about public malfeasance. The argument is that people need accurate information about the integrity of their elected officials in order to hold leaders to account and reward or punish them at the polls. But this intuitive logic is not always corroborated by the evidence. On this topic we shall address the role of the media, fake news, freedom of information laws, and confounding variables such as ethnicity.

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 of the readings is a central component. It is assume that you will come to class prepared to analyze and critique the readings. Students will be called upon in class to ensure that all have a chance to speak.

This class may only be taken for a letter grade.

Grading:

1/3 Class participation

2/3 Paper

CLASS RULES

- Attendance and class participation are mandatory. Please keep in mind that some students with valuable contributions take longer to jump into the conversation. I don't want to crowd out anyone. Please don't take offence if I do not call upon the first person to raise their hand. Ideally, I want everyone to participate equally.
- You will find class notes extremely useful as you work on your paper. Many of the points we discuss will later be germane to your topic.
- Late homework and papers will be graded at the professor's discretion and most likely will be subject to a debit.

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, to help you find relevant literature, and most importantly, to discuss your quantitative data analysis.

You will get a lot more out of your research project if you choose something you care about and have an inherent curiosity to learn about. Many of you have special talents that can be put to good use if you choose a topic that takes advantages of your skills. For example, in prior years, mathematically inclined students have found creative uses for their talents, including the generation of new datasets. Those with some statistical training may be able to take on more statistically sophisticated analyses than others. Those who excel at programming will find many opportunities to apply their skills. One former students had access to satellite data that allowed him to calculate the electrical output of all the counties in Kenya, thus creating an acceptable proxy for GDP at the county level; such data did not exist. He was then able to use that new variable in a regression analysis to help predict corruption rates at the county level. Please spend some time to choose a topic thoughtfully.

Begin by considering what your interests are. Then move quickly to a search for data sources in those areas. The main constraint on paper topics is the availability of data. You cannot work on a topic for which the data do not exist! The best papers are often ones where students have discovered unique datasets to put together with the corruption data that we already have on all the countries of the world.

Be careful to define the scope of your problem in such a way that the paper is viable. Too broad a topic is impossible to handle in a meaningful way. Too narrow a topic will make it difficult to find academic literature and data. It is 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! The first week of class is not too early to reach out to me and discuss a potential topic. At the end of the second week of class you will submit Homework #1, which is prospectus of your topic and a description of the data that you have found to test it.

Think broadly about what theoretical literatures apply to your paper. For example, if you are writing about the social norms of corruption in the Nordic countries, you can use the ample literature on theories of changing social norms that has 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 20 or more; the more you have, the easier it is to write your paper. You must use peer-reviewed scientific research papers beyond those that we have read in class, but of course you can also use those that we have read in class. 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; professors often post their papers on their websites.

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>

HOMEWORK

Homework 1, 2, and 3 are all due on Sundays at 5PM. You will meet with me one on one after each of these assignments. We will schedule these meetings to fit into your calendar. These homework assignments are all related to bits of research that ultimately will form your paper. They require a lot of work, and they are designed to force you to keep on track. Many students have not conducted an independent research project before and tend to mis-calculate how time consuming it is to create a dataset. This schedule is designed to ensure that you do not have a time crunch at the end of the term.

PAPER TOPIC IDEAS

The best paper topic for you is probably not on this list or is perhaps tangentially related to the list below. These are merely some topics to get you thinking about the breadth of possibilities. 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. A tip: working on a substantive issue (e.g. the impact of the media on corruption), as opposed to corruption in one country or one part of the world, is a workable topic. A case study approach to one country or one part of the world almost always fails because there are not enough sources or data, the sample size is too small for quantitative analysis, and there is no point of reference to give the paper an argument.

I do want to avoid duplications of topics for the sake of diversity in the presentations, so please clear your topic with me as soon as possible; send me an email. Topic choice will be on a first come, first serve basis if there are multiple people interested in the same topic.

Issues to help you think about paper ideas

Take a classic paper from the literature and rerun the analyses using more recent data and additional, new variables

Turnaround Stories

- What countries have reduced corruption and how did they do it? What countries have declined, and why?
- There are many interesting ways to measure “turnaround,” and this can be a fun part of the analysis.
- This topic allows for a creative quantitative analysis followed up with fascinating case studies of the countries that have turned around.
- Historical turnaround cases include the Nordic countries, Rwanda, Singapore, Hong Kong, Botswana, and Georgia.

Transparency and Accountability

Does the embrace of EGOV and Open Data correlate with less corruption as the literature implies?

Media

- Freedom of the press and social media
- “Sunlight is the best disinfectant”
- Fake news
 - Why it is a problem?
 - How do we fix it?

Constitutions and institutions generally

Whistleblowers and leaks

- The role of incentives for reporting (IRS), Medicare fraud, etc.

Money laundering

- Why does the west allow Russian oligarchs and others to launder their money?
- Why is Bitcoin a threat

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

Culture and social norms of corruption

- Religion

- Collectivism and individualism

Corruption experiments and dice experiments—a meta-analysis

Impact of corruption on the environment

- Wildlife conservation/poaching
- Deforestation (Illegal Logging)

Corruption in the U.S. (state level data may be limited)

- Historical cases (political machines--Tammany Hall NY, Mayor Daly's Chicago, Providence RI)
- Robber barons

Legal corruption

- Campaign finance law internationally
 - 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 also the resource curse)
- How is development aid different from humanitarian aid?

Corruption variation across Indian states

- Data from the new Indian census should be available in 2022

Corruption and ...

- Judiciary (including anti-corruption commissions in Indonesia, Hong Kong, Philippines, others)
- Human rights violations
- 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

Efficiency wages—Do above market wage rates for civil servants reduce corruption?

Google Trends

PUBLIC DATASETS

The best way to find all the available data for your 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!

NOTE: Some of these data sources require that you apply for access, so start early.

Here are some of the most useful datasets:

1. Measures of perception of corruption: World Bank Governance Indicators (WGI) and Transparency International (TI)

Please use the WGI instead of TI, as it is generally accepted as the better index, though the two are highly correlated. Always use the WGI for longitudinal analyses, as the TI

index was revised about 10 years ago, making time series analyses problematic.

2. Panel data on a wide variety of political and sociological variables, including corruption by countries: [Afrobarometer](#), [Eurobarometer](#), [Latinobarometro](#), [Asiabarometer](#).
3. Country level variables related to culture, religion, and social phenomena: [World Values Survey](#)
4. 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 \(IDEA\)](#)
5. Demographic and Health data: [DHS \(Demographic and Health Surveys\)](#), [WHO](#)
6. Country level conflict data: [Center for Systemic Peace](#)
7. Education data: [UNESCO](#)
8. Quality of life: HDI (Human Development Index)

Other datasets (beware that the quality of data on some of these websites may not be of the same quality as those above):

- 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](#)
- Difficulty/costs for entrepreneurs to set up businesses: [Doing Business Handbook](#) (World Bank)
- Measures of corruption and other criminal behavior by U.S. state: [Justice.gov](#)
- Measures of wildlife poaching: [CITES](#), [IUCN](#)
- Wealth and income inequality (GINI coefficients) by country: [World Bank](#)
- Data transparency by country: [eGovernment Development Index \(EGDI\)](#)
- Measures of what people search for on the web: [Google Trends](#)
- Money in U.S. politics: [OpenSecrets.org](#)
- Data on women by country: [Woman Stats Project](#)
- Clan governance indicator by country: [Woman Stats Project](#)
- Cash transfer program that also collaborates with researchers: [Give Directly](#)
- Internet and Facebook penetration rates worldwide
- Percentage of Women in Government worldwide: [Inter-Parliamentary Union](#)

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 Canvas

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?
- What is the method? Are there problems with it?
- Is causation established? Could a third variable account for the results?
- 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

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.

Engelmann, Jan B. and Ernst Fehr

2016 The slippery slope of dishonesty. *Nature Neuroscience* 19(12): December 2016.

Fisman, Raymond

2001 Estimating the Value of Political Connections. *The American Economic Review* 91(4):1095-1102.

Fisman, David, Raymond 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.

Garrett, Neil, Stephanie C. Lazzaro, Dan Ariely, and Tali Sharot

2016 The brain adapts to dishonesty. *Nature Neuroscience* 19(12): December 2016.

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.

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 Mohammed Zaid, Hilal El fadil Ahmed, Ernst Fehr, and Charles Efferson

2016 Changing cultural attitudes towards female genital cutting. *Nature* 538(27): 506-509.

Wallis, John

2006 The Concept of Systematic Corruption in American History. In *Corruption and Reform: Lessons from America's Economic History*. Edward L. Glaeser and Claudia Goldin, eds. University of Chicago Press: Chicago.

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.

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.

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.

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.

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.

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.

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 Mar 28 Topic: Overview of the course
- W Mar 30 Topic: History of Corruption in the U.S.
Reading: Wallis 2006
- M Apr 4 Topic: Defining corruption
Reading: Fisman and Golden (Ch. 1-2; pp. 1-53)
- W Apr 6 Topic: Where do we find corruption and what are the consequences?
Reading: Fisman and Golden (Ch. 3-4; pp. 55-119)
- Sun Apr 10 HOMEWORK #1 (TOPIC AND DATA) DUE BY 5PM:
Follow the template on Canvas for HW#1.
Email to: jensming@hss.caltech.edu. We will meet one on one to discuss it.
- TBD Meet with professor to discuss HW#1. The goal of this meeting is to be sure that your topic is feasible. A key part of this assessment is whether there are sufficient literature sources and data to do the research. If there are problems, we will work on fixing them, but you must have explored available sources and data first.
- M Apr 11 Topic: Who is involved in corruption and what has culture got to do with it?
Readings: Fisman and Golden (Ch. 5-7; pp. 121-201)
- W Apr 13 Topic: Political institutions, corruption, and solutions
Readings: Fisman and Golden (Ch. 8-9; pp. 203-264)

Section 2: Case Studies

- M Apr 18 Topic: Measurement of Corruption, Perceptions versus Actual Corruption, and Introduction to Regression Analysis (PP is online)
Reading: Olken 2009
- W Apr 20 Topic: Institutions and Politics
Readings: Fisman 2001
Fisman, Fisman, Galef, Khurana, and Wang 2012
- Sun Apr 24 HOMEWORK #2 (LITERATURE, MODEL, AND ALL DATA SOURCES; EXCEL TABLE COMPLETE WITH ALL DATA CELLS COMPLETE) DUE BY 5PM:
Follow the template on Canvas for HW#2.
Note: this is a long assignment!
Email to: jensming@hss.caltech.edu. We will meet one on one to discuss it.
- M Apr 25 Topic: Ensminger Presentation: Corruption in a World Bank Project
Reading: Gourevitch 2010

- Tues Apr 26 Meet with professor to discuss HW#2. Have your raw data file available so that we can examine it together. The goal of this meeting is to ensure that you are on the right track with your sources and your data analysis.
- W Apr 27 Topic: Experiments and Culture
Readings: Fisman and Miguel 2007
Barr and Serra 2010
- M May 2 Topic: Experiments, Institutions, and Religion
Readings: Gachter and Schulz 2016
Purzychi *et al.* 2016
- W May 4 Topic: Ensminger Presentation: Using Forensic Techniques to Catch Fraud
No Reading
- Sun May 8 HOMEWORK #3 (DATA ANALYSIS COMPLETE) DUE 5PM.
Note: this is a long assignment!
Follow the template on Canvas for HW#3.
Email to: jensming@hss.caltech.edu. We will meet one on one to discuss.
- M May 9 No Class: Prepare for one-on-one meeting Tuesday
- Tues May 10 Meet with professor to discuss HW#3. The goal of this meeting is to resolve any final issues with the data analysis and choice of variables and to ensure that you have made full use of the relevant literature. Bring your data output and statistical analyses and be prepared to discuss whether the data agree or disagree with your literature sources.
- W May 11 Topic: Psychology
Readings: Garrett *et al.* 2016
Engelmann and Fehr 2016
- M May 16 Topic: The Media
Readings: Brunetti and Weder 2003
McMillan and Zoido 2004
- W May 18 Topic: Changing Social Norms
Readings: Vogt *et al.* 2016
La Ferrara, Chong and Duryea 2012

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 May 23 Student Paper Presentations (Group 1)
- W May 25 Student Paper Presentations (Group 2)
- W Jun 1 ALL SENIOR PAPERS DUE BY 9AM—SEND IN WORD FORMAT.
Send to: jensming@hss.caltech.edu.
- S Jun 4 ALL OTHER PAPERS DUE BY 9AM—SEND IN WORD FORMAT.