

Economics 137: Corruption

Spring 2021

Faculty: Paul Niehaus, pniehaus@ucsd.edu. Office hours by appointment. I'm happy to discuss the topics we cover in class and the project you will undertake as part of it, or anything else helpful to you.

Overview

In this course we will aim to better understand corruption in developing countries today: why it occurs, what the consequences are, and what can or should be done about it. In the process, we will also aim to build practical problem-solving and communication skills.

We will (with a few exceptions) spend class time discussing the assigned readings, the challenges facing the actors in them, and the practical methods they might use. You are expected to come to class prepared for this discussion. Where the authors conduct quantitative analyses (e.g. multivariate regression) you are expected to understand the substantive conclusions they draw but not the technical details.

Grading

Grades will be assigned as follows. In addition, a passing grade on both reading quizzes and the research project are required to pass the course.

1. **Reading quizzes (20%).** Weekly five-minute, five-question, open-book, multiple choice quizzes covering the assigned readings for that week (20%). These will be available on Canvas starting 24 hours before scheduled class meetings each week, and must be completed before class begins.
2. **A research project (80%).** Your assignment is as follows: choose a major government program or public service in a developing country and imagine yourself as the newly appointed head of this program. Prepare a report describing (i) the services your staff are responsible for delivering and the process by which they are supposed to do so; (ii) the consequential decisions made by your staff as part of this process and the ways in which they could abuse that power for private gain; (iii) what is currently known about corruption among your staff; (iv) what additional information you should collect to better understand the situation, and (v) what concrete steps you should take to control corruption, potentially contingent on what you learn in step (iv). Your analysis should draw on and explicitly cite the concepts and the evidence in our class readings to support your analysis. I will consider proposals for alternative paper topics on a case-by-case basis.

Graded milestones for this project are a 1-page worksheet due by Meeting 5 describing its key parameters (10% of total grade), an in-class presentation during Meeting 8 or 9 (20%), and a 20 page paper due by midnight on the quarter's final day of instruction (50%). If you are in a time zone more than 3 hours different from Pacific Time you may request to schedule separate time for your presentation.

Assignments unavoidably missed for an excused medical reason will be dropped. Scores for late work will be reduced by 25% per day late. You are expected to do your own work, as outlined in the UCSD Policy on Integrity of Scholarship: <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

Schedule

Meeting 1: Logistics, Background & Motivation, Methods

This unit provides conceptual and historical background on corruption, and introduces some statistical techniques used in the papers we will be reading.

Meeting 2: Corruption and Regulation

Readings: Leff (1964), Bertrand et al. (2007). This unit examines different views on how corruption affects the regulatory process. Is corruption a good thing that circumvents onerous government regulation? Or is it a bad thing that undermines important social policies?

Meeting 3: Industrial Organization

Readings: Shleifer and Vishny (1993), Olken and Barron (2009). This unit examines how the organization of a bureaucracy – for example, how and whether different bureaucrats compete with or cooperate with each other to provide regulatory services – affects the amount of corruption. What happens to bribes when you need 2 different permits to start a business? What if it were 10 permits?

Meeting 4: Corruption and Redistribution

Readings: Reinikka and Svensson (2004), Niehaus et al. (2013). This unit studies how corruption affects redistribution, or transfers of wealth from the rich to the poor, and how this might influence policy choices. For example, if the government tries to pay workers \$1 more per day, how much do their wages actually go?

Meeting 5: Cultures of Corruption

Readings: Wade (1982), Fisman and Miguel (2007). This unit examines different ideas of what a “culture” of corruption might mean. Could bribery be self-perpetuating? Do people become innured to corruption?

Meeting 6: Cracking Down

Readings: Klitgaard (1988, pp. 13-62), Olken (2007). This unit examines methods of reducing or eliminating corruption – for example, auditing. As an additional topic we may discuss an ongoing anti-corruption effort in the Indian state of Andhra Pradesh based on biometric authentication technology. Pages 62-97 in Klitgaard are not assigned for this week’s discussion but highly recommended as input into your final papers.

Meeting 7: Politics

Readings: Ferraz and Finan (2008), Callen and Long (2015). This unit examines the role of the information, elections and the media in limiting corruption among elected politicians. Do voters actually care whether their leaders are corrupt? What does it take to keep elections themselves clean?

Meeting 8: Student Presentations

Meeting 9: Student Presentations

Meeting 10: Pitfalls

Readings: Wrong (2009). This unit examines corruption through the lens of Michela Wrong’s acclaimed biography “It’s Our Turn to Eat.” Wrong tells the story of John Githongo, a prominent journalist and activist in Kenya named anti-corruption czar under the presidency of Mwai Kibaki. Chapters 7, 9, 16, and 17 provide context on Kenyan history and society and are optional; the rest is required.

References

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- Klitgaard, Robert**, *Controlling Corruption*, University of California Press, 1988. <http://ark.cdlib.org/ark:/13030/ft6f59p0mn/>.
- Leff, Nathaniel**, “Economic Development through Bureaucratic Corruption,” *American Behavioural Scientist*, 1964, *8*, 8–14. <http://journals.sagepub.com/doi/abs/10.1177/000276426400800303>.
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- Wade, Robert**, “The System of Administrative and Political Corruption: Canal Irrigation in South India,” *Journal of Development Studies*, April 1982, *18*, 287–328. <https://www.tandfonline.com/doi/abs/10.1080/00220388208421833>.
- Wrong, Michela**, *It’s Our Turn to Eat*, HarperCollins Publishers, 2009.