

## Causes and Consequences of Corruption

Dr. Bonnie Palifka

Yale Summer Session 2017

Syllabus

**My e-mail:** bonnie@itesm.mx or bonnie.palifka@gmail.com

**Office hours** Tuesdays and Thursdays, 10:00am-11:30pm via Zoom

**Course intentions:** Corruption, a classic manifestation of the principle-agent problem, is an obstacle to economic efficiency in the application of fiscal policy, in the distribution of assistance, and in business decisions. This multidisciplinary course introduces students to the causes and consequences of corruption, ways to define and measure corruption, various economic models of corruption, and possible solutions.

### General objectives:

By the end of this course, the student will be able to:

- Define corruption.
- Compare the level of corruption among countries.
- Identify and explain the causes of corruption.
- Identify and explain the costs and consequences of corruption.
- Model corruption using basic utility-maximization and game theory.
- Evaluate alternative policies aimed at reducing corruption.

### Grades:

Survey questionnaires	10	(0.5 point each)
Team analysis of survey data	30	(3@ 10 points each)
Video blogs	20	(5 @ 4 points each)
Participation in Discussion Threads	10	(5 @ 2 points each)
Coevaluations	5	(5 @ 1 point each)
Final exam	25	
<b>Total</b>	<b>100</b>	

Each student is expected to apply a corruption survey to the general public. Each survey takes approximately fifteen minutes to complete. The questionnaires are provided in English and Spanish; each student should complete twenty questionnaires via interview during the first week and a half; these will be turned in digitally (scanned) and also input into Excel. Each team will pool its members' survey data and submit three analyses. Teams will be formed with an eye toward international and multidisciplinary composition.

## **Main text:**

Rose-Ackerman, Susan and Bonnie J. Palifka. 2016. *Corruption and Government: Causes, Consequences, and Reform, Second Edition*. Cambridge: Cambridge University Press.

Note: This syllabus is provided for informational purposes only. It includes only the assigned readings; video lectures and optional materials (readings, videos, and websites) are listed on the course platform, as are the detailed assignments due. The assigned readings should be completed before each corresponding live session. While it is not necessary to understand all the details of the journal articles, the student should be able to identify the following components of each: purpose, contribution, methodology, data sources, and results.

## **Program of activities**

### **Week 1            BASIC CONCEPTS** **May 29 -        Introduction: What is corruption?** **June 2**

#### Readings:

Rose-Ackerman and Palifka, chapter 1

Svensson, Jakob. 2005. "Eight Questions about Corruption," *Journal of Economic Perspectives* 19(3): 19-42.

Hodgson, Geoffrey M and Shuxia Jiang. 2007. "The Economics of Corruption and the Corruption of Economics: An Institutionalist Perspective." *Journal of Economic Issues* XLI,4: 1043-1061.

#### **How is corruption measured?**

#### Assignments:

1. browse the websites of Transparency International (<http://www.transparency.org/>) and the World Bank (<http://www1.worldbank.org/publicsector/anticorrupt/index.cfm>, <http://worldbank.org/wbi/governance/index.html>)
2. Apply survey (20 copies)
3. Participate in on-line discussions
4. Submit self- and peer-evaluation

#### Readings:

Dincer, Oguzhan and Michael Johnston. 2015. "Measuring Illegal and Legal Corruption in American States: Some Results from the *Edmond J. Safra Center for Ethics Corruption in America Survey*," Edmond J. Safra Working Papers, No. 58, <http://www.ethics.harvard.edu/lab>

Morris, Stephen. 2008. "Disaggregating Corruption: A comparison of Participation and Perceptions in Latin America with a Focus on

- Mexico,” *Bulletin of Latin American Research* 27,3: 388-409.
- Olken, Benjamin. 2009. “Corruption Perceptions vs. Corruption Reality.” *Journal of Public Economics* 93: 950-964.
- Reinikka, Ritva and Jakob Svensson. 2006. “Using Micro-Surveys to Measure and Explain Corruption.” *World Development* 34,2: 359-370.

**Week 2**  
**June 5-9**

## **CORRUPTION AS AN ECONOMIC PROBLEM**

Assignments:

1. Pool team data; analyze individual determinants of corruption
2. Participate in on-line discussions
3. Submit self- and peer-evaluation

Readings:

Rose-Ackerman and Palifka, chapters 2-6

### **The economic impact of corruption: development**

- Bardhan, Pranab. 1997. “Corruption and Development: A Review of Issues,” *Journal of Economic Literature* 35:1320-1346.
- Leff, N. 1964. “Economic Development Through Bureaucratic Corruption,” *American Behavioral Scientist* 8:8-14.

Mauro, P. 1995. “Corruption and Growth.” *Quarterly Journal of Economics* 110,3: 681-713.

Shleifer, A. and R.W. Vishny. 1993. “Corruption.” *Quarterly Journal of Economics* 108: 599-617.

### **The economic impact of corruption: other effects**

- Bertrand, Marianne, Simeon Djankov, Rema Hanna, and Senhil Mullainathan, 2006. “Does Corruption Produce Unsafe Drivers?” NBER Working Paper No. 12274. Available at <http://www.nber.org/papers/w12274>.
- You, Jong-Sung and Sanjeev Khagram. 2005. “A Comparative Study of Inequality and Corruption.” *American Sociological Review* 70,1 (Feb.): 136-157. <http://www.jstor.org/stable/4145353>

### **Who pays bribes?**

- Mocan, Naci. 2008. “What Determines Corruption? International evidence from microdata.” *Economic Inquiry* 46,4:493-510.
- Svensson, Jakob. 2002. “Who Must Pay Bribes and How Much? Evidence from a cross-section of firms.” Centre for Economic Policy Research Discussion Paper No. 3167.  
[www.cepr.org/pubs/dps/DP3167.asp](http://www.cepr.org/pubs/dps/DP3167.asp) or  
<http://papers.ssrn.com/abstract=300444> or  
<http://ideas.repec.org/p/hhs/iessp/0713.html#download>.

### **Why pay bribes?**

Søreide, Tina. 2014. *Drivers of Corruption: A Brief Review*. Washington, D.C.: World Bank.

<https://openknowledge.worldbank.org/handle/10986/20457>

### **Grand Corruption and Corruption in Hierarchies**

Tirole, Jean. 1996. "A Theory of Collective Reputations (with applications to the persistence of corruption and to firm quality)," *Review of Economic Studies* 63: 1-22. <http://www.jstor.org/stable/2298112>

**Week 3**  
**June 12-16**

### **CORRUPTION AS A CULTURAL PROBLEM**

Assignments:

1. Use team data to analyze cultural aspects of corruption
2. Participate in on-line discussions
3. Submit self- and peer-evaluation

Readings:

Rose-Ackerman and Palifka, Chapter 7

### **Corruption and culture**

Andvig, Jens Chr. 2006. "Corruption and Fast Change." *World Development* 34,2: 328-340. Doi:10.1016/j.worlddev.2005.03.007

Basu, Kaushik. 2011. "Why, for a Class of Bribes, the Act of Giving a Bribe should be Treated as Legal." MPRA Paper No. 50335, available at <http://mpra.ub.uni-muenchen.de/50335/>

Glaeser, Edward L. and Raven E. Saks. 2006. "Corruption in America." *Journal of Public Economics* 90: 1053-1072.

Husted, Bryan. 1999. "Wealth, Culture, and Corruption." *Journal of International Business Studies* 30, 2: 339-359.

<http://www.jstor.org/stable/155316>

Paldam, Martin. 2001. "Corruption and Religion: Adding to the Economic Model," *KYKLOS* 54(2/3): 383-414.

### **Corruption in business**

Bliss, Christopher and Rafael Di Tella. 1997. "Does Competition Kill Corruption?" *The Journal of Political Economy* 105, 5 (Oct. 1997): 1001-1023.

Tillman, Robert. 2009. "Making the rules and breaking the rules: the political origins of corporate corruption in the new economy." *Crime, Law, and Social Change* 51,1: 73-87.

Wei, Shang-Jin. 2000. "How Taxing is Corruption on International Investors?" *The Review of Economics and Statistics* 82, 1 (Feb.): 1-11.

**Week 4**  
**June 19-23**

### **CORRUPTION AS A POLITICAL PROBLEM**

Assignments:

1. Use team data to analyze political aspects of corruption
2. Participate in on-line discussions
3. Submit self- and peer-evaluation

Readings:

Rose-Ackerman and Palifka, Chapters 8-12

### **Corruption and politics**

Canache, Damarys and Michael E. Allison. 2005. "Perceptions of Political Corruption in Latin American Democracies." *Latin American Politics and Society* 47,3: 91-111.

Drury, A. Cooper, Jonathan Kriekhaus, and Michael Lusztig. 2006. "Corruption, Democracy, and Economic Growth." *International Political Science Review* 27 (Apr. 2006), 2: 121-136.

Gerring, John and Strom C. Thacker. 2005. "Do Neoliberal Policies Deter Political Corruption?" *International Organization* 59,1 (Winter): 233-254.

Sung, Hung-En. 2003. "Fairer Sex or Fairer System? Gender and Corruption Revisited." *Social Forces* 82, 2 (December): 703-723.

**Week 5**  
**June 26-30**

### **ANTI-CORRUPTION REFORM**

Assignments:

1. Participate in on-line discussions
2. Submit self- and peer-evaluation
3. Final exam

Readings:

Rose-Ackerman and Palifka, chapters 13-16

Becker, Gary. 1968. "Crime and Punishment: An Economic Approach." *Journal of Political Economy* 76,2: 169-217.

<http://www.jstor.org/stable/1830482>

Campos, J. Edgardo and Vinay Bhargava. 2007. "Introduction: Tackling a Social Pandemic," in J. Edgardo Campos and Sanjay Pradhan, eds., *The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level*. Washington, DC: The World Bank, 1-25. © World Bank.

<https://openknowledge.worldbank.org/handle/10986/6848> License: CC BY 3.0 IGO.

Campos, J. Edgardo, Sanjay Pradhan, and Francesca Recanatini. 2007. "Conclusion: *Where to Next?*," in J. Edgardo Campos and Sanjay Pradhan, eds., *The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level*. Washington, DC: The World Bank, 429-434. © World Bank.

<https://openknowledge.worldbank.org/handle/10986/6848> License: CC BY 3.0 IGO.

Heilbrunn, John R. 2004. "Anti-Corruption Commissions: Panacea or Real Medicine to Fight Corruption?" The World Bank.

<http://wbi.worldbank.org/wbi/Data/wbi/wbicms/files/drupal-acquia/wbi/Anti-Corruption%20Commissions%20by%20John%20Heilbrunn.pdf>

- Johnston, Michael. 2012. "Building a Social Movement Against Corruption." *Brown Journal of World Affairs*. 18,11: 57-74.
- Mast, Brent D., Bruce L. Benson & David W. Rasmussen. 2000. "Entrepreneurial Police and Drug Enforcement Policy," *Public Choice* 104(3-4): 285-308.
- Mookherjee, Dilip and I.P.L. Png. 1995. "Corruptible Law Enforcers: How Should They Be Compensated?" *The Economic Journal* 105, 428 (Jan. 1995): 145-159. <http://www.jstor.org/stable/2235324>

**The final exam will be Thursday, June 29, 10:00am-12:00pm EST.**

### **A note on academic honesty**

Students are expected to act in accordance with Yale policy regarding plagiarism and other types of academic dishonesty. All written work will be checked for plagiarism. Those found guilty will be penalized accordingly.

### **Attendance**

Attendance at the live sessions (Tuesdays and Thursdays, 10:00-11:30, Yale time) is mandatory. Any student who misses a session will be reported to the Dean of Summer Session.

### **Deadlines**

All work must be turned in electronically, as specified, by the due date and time. According to Yale policy, technical difficulties are not an acceptable excuse for late submission. Any work turned in late will be penalized one-half grade for each day late.