

CLASS JOURNAL

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PSC 300

SYRACUSE UNIVERSITY

MONEY AND

POLITICS

**HOW CAN WE REDUCE MONEY IN
POLITICS? SHOULD WE? PART 2**

EXAM

- **Next Thursday**
- **Will post possible exam questions on BB (under Assignments)**
- **I'll randomly pick 2 of them**
 - **You have to answer both**

DURABLE EFFECT?

- **What are the lasting implications of Operation Car Wash?**
 - A. Brazil will become a better place to do business given the increase in transparency, better governance, less corruption.**
 - B. The effects of Car Wash will be ephemeral; things will go back to how they were before.**
 - C. As the investigation continues, the intensity of the anti-corruption drive will lead to major paralysis in business activity in Brazil**

DURABLE EFFECT?



GOING FORWARD

- **If Brazil wants to make the gains achieved during Operation Car Wash durable, what should it do?**

CURBING MONEY

- **Which potential solutions exist to curb money in politics?**
- **How effective are they?**
- **Under what conditions can efforts be successful?**

WHAT CAN WE DO?

- **What are promising ways to reduce corruption in bureaucracy or politics?**

WHAT CAN WE DO?

- **Transparency and Information**
- **Technology: Taking Away Discretion**
- **Enforcement: Anti-Corruption Agencies**
- **Higher Pay**

TRANSPARENCY

- **“Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman” (Louis D. Brandeis)**




TRANSPARENCY


- **Idea: Publicize more information on activities of politicians and government officials**
- **Makes it easier to uncover wrongdoing**


TRANSPARENCY AND POLITICIANS

- **How could greater transparency affect corruption?**
 - **What does greater transparency look like?**
 - **What could it have an effect on?**

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India English 

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1072
CITIES

168343
REPORTS

2869.07 CR
RUPEES

ACROSS INDIA

TOTAL REPORTS
168343

TOTAL AMOUNT
2869.07 Cr

BRIBES PAID
36959

BRIBES FIGHTERS
3321

HONEST OFFICERS
1069

BRIBE HOTLINE
126994







Winners of Global Anti Corruption Excellence Awards 2017

LATEST REPORTS

 **BRIBE FIGHTER**  8 days ago  348 views

Very rude behaviour of the employee and ne...

Post Office | Bhilwara

Omprakash mewara 5/11/2018 2:00pm Head post office bhilwara (rajasthan) Clerk Me mere rs. Withdrawn karane vaha gaya,mene usse pucha ki

 **I PAID A BRIBE**  9 days ago  419 views

Paid 3000 for getting my land register

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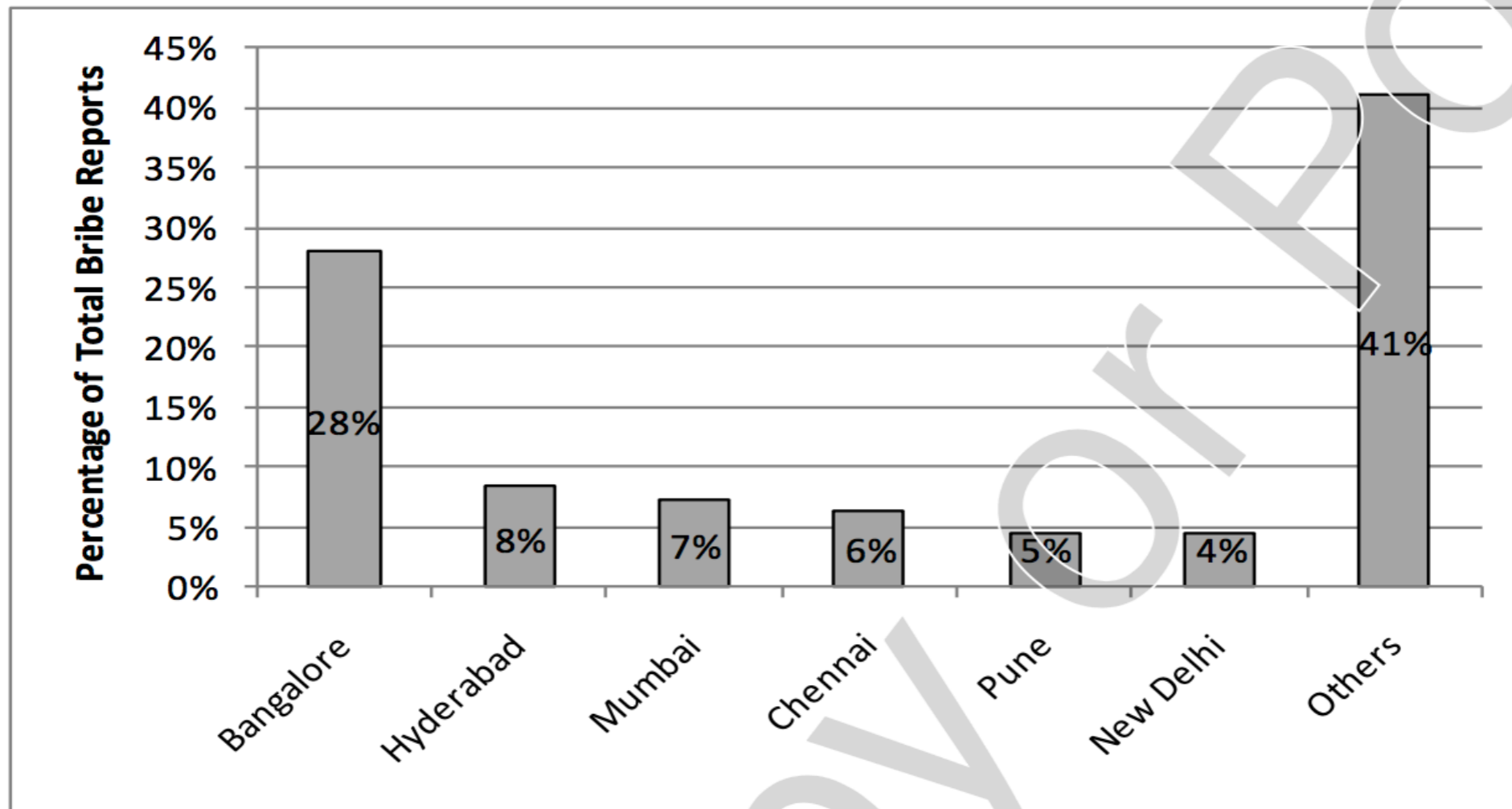
Web Sites Shine Light on Petty Bribery Worldwide

By STEPHANIE STROM MARCH 6, 2012



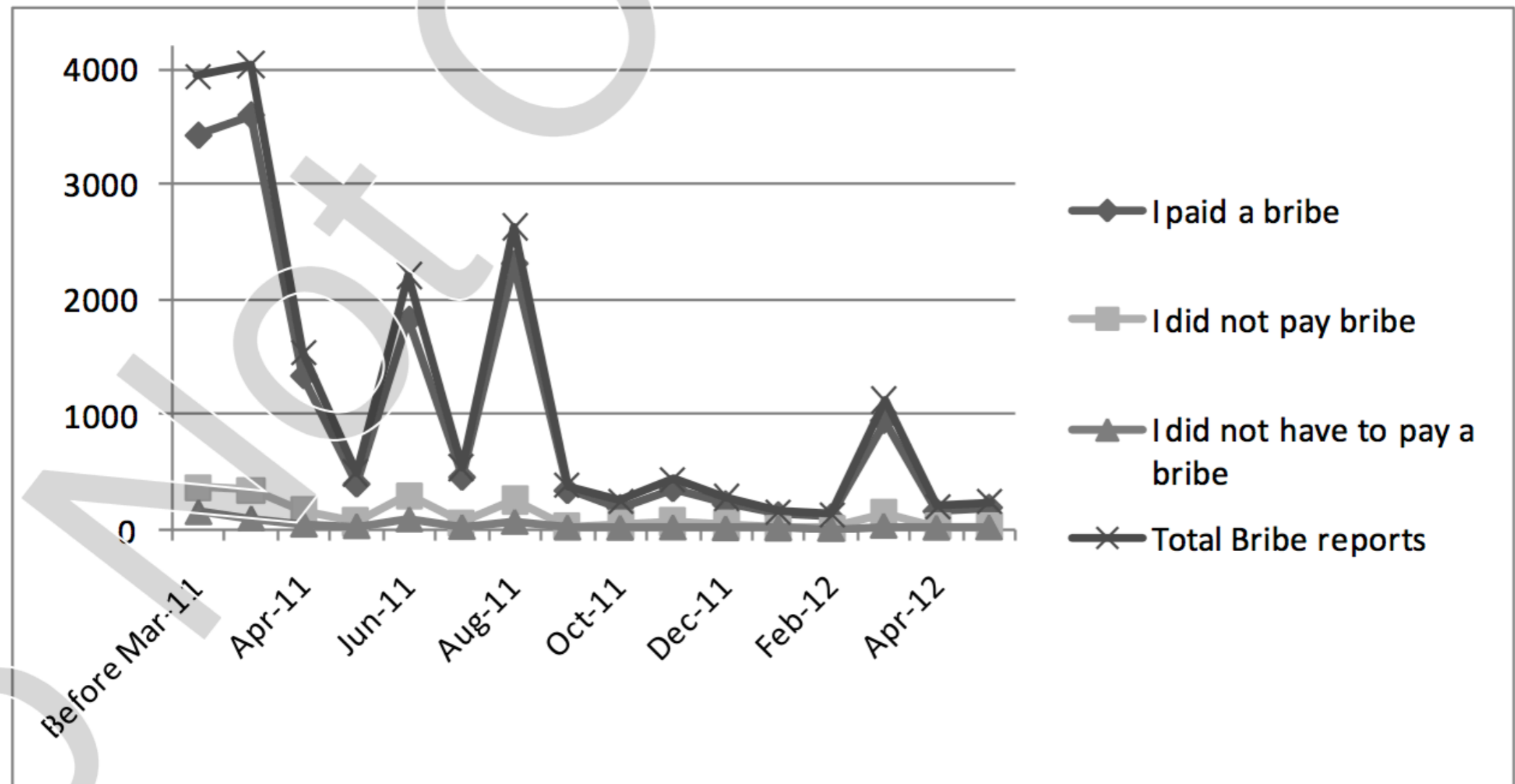
Swati Ramanathan, a founder of the site I Paid a Bribe, in India. Namas Bhojani for The New York Times

Exhibit 1c Geographic Distribution of Bribe Reports Filed



Source: Company documents.

Exhibit 1d Bribe Reports on IPAB



Source: Company documents.

WEALTH DISCLOSURE

भारतीय धैर न्यायिक

दस रुपये **TEN RUPEES**

रु.10 **Rs**

INDIA NON JUDICIAL

हरियाणा HARYANA

KATLAH

APPOINTED BY GOVT. OF INDIA

FORM 26
(See rule 4A)

BEFORE THE RETURNING OFFICER FOR ELECTION TO HARYANA LEGISLATIVE GENERAL ELECTION 2014 FROM 87-BADHKAL CONSTITUENCY.

I, SEEMA TRIKHA wife of Shri. Ashwani Trikha aged about 47 years, resident of house no. 3F/163, NIT Faridabad, District Faridabad a candidate at the above election, do hereby solemnly affirm/state on oath as under:-

(1) I am a candidate set up by BHARATIYA JANTA PARTY.

(2) My name is enrolled in 87-Badhkal Vidhaan Sabha of Haryana State at Serial No 1091 in Part No. 32

(3) My contact telephone number(s) is 9891051557 and my e-mail id is seematrikha.bjp@gmail.com And my social media accounts is on Facebook by Name SeemaTriikha and maintaining a facebook page by the name : bjpseematrikhabadhkal-87 and

Seema

	construction etc.					
	Approximate current market value.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(iii)	Commercial Buildings (including apartments) - Location(s) - Survey numbers(s)	NIL	1. B:- 390-391,Nehru Ground First Floor,NIT Faridabad 2. Chamber No.361 (half share),District Court Faridabad.	Not Applicable	Not Applicable	Not Applicable
	Area (total measurement in sq.ft)	NIL	1.630 Sq.Ft 2.12X9 Sq.Ft.	Not Applicable	Not Applicable	Not Applicable
	Built-up Area (total measurement in sq.ft)	NIL	1.600 Sq.Ft 2.108Sq.Ft	Not Applicable	Not Applicable	Not Applicable
	Whether inherited property (Yes or No)	No	1.No 2. No	Not Applicable	Not Applicable	Not Applicable
	Date of purchase in case of self-acquired property.	NIL	1.29/11/2006 2. 30/03/2012	Not Applicable	Not Applicable	Not Applicable
	Cost of property (in case of purchase) at the time of purchase	NIL	1.Rs10Lacks 2.Rs1.25Lacks	Not Applicable	Not Applicable	Not Applicable
	Any investment on the property by way of development, construction,etc	Nil	1.Renovation,Furniture and fixture worth Approx Rs 3,00,000/- 2. Renovation, Furniture and fixture worth Approx Rs85,000/-	Not Applicable	Not Applicable	Not Applicable
	Approximate current market value.	NIL	1.Rs40,00,000/- 2.Rs3,50,000/-	Not Applicable	Not Applicable	Not Applicable
(iv)	Residential Buildings (including apartments): - Location(s) - Survey number(s)	NIL	1/4 th Share in built-up house property No.3F/163,NIT Faridabad, Value Rs55,00,000/-	Not Applicable	Not Applicable	Not Applicable
	Area(total measurement in sq.ft)	NIL	1/4 th Share measuring approx 525 Sq.Ft	Not Applicable	Not Applicable	Not Applicable
	Built up area (Total)	NIL	366 Sq. ft	Not	Not	Not

Seema

WEALTH DISCLOSURE

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Candidate	Party	Criminal Cases	Education	Age	Total Assets	Liabilities
Pandula Ravindra Babu Winner	TDP	0	Graduate Professional	58	Rs 2,71,31,000 ~ 2 Crore+	Rs 30,00,000 ~ 30 Lacs+
Aithabathula Jogeswara Venkata Butchi Maheswara Rao	INC	1	Post Graduate	63	Rs 1,26,25,844 ~ 1 Crore+	Rs 25,04,500 ~ 25 Lacs+
Bunga Bhaskararao	IND	0	12th Pass	65	Rs 29,05,000 ~ 29 Lacs+	Rs 1,00,000 ~ 1 Lacs+
Geddamp Sampada Rao	BSP	1	Graduate Professional	44	Rs 11,74,000 ~ 11 Lacs+	Rs 1,00,000 ~ 1 Lacs+
Kasi Chandramouli S/O Satyanandam	IND	0	Post Graduate	28	Rs 46,513 ~ 46 Thou+	Rs 0 ~
Konki Venkata Rao	Republican Paksha (Khoripa)	0	Others	53	Rs 31,500 ~ 31 Thou+	Rs 5,000 ~ 5 Thou+
Kunche Peda Satyanarayana	Pyramid Party of India	0	5th Pass	43	Rs 12,40,000 ~ 12 Lacs+	Rs 1,40,000 ~ 1 Lacs+
Satyavathi Kommu	IND	0	Illiterate	41	Rs 13,99,700 ~ 13 Lacs+	Rs 0 ~
Undru Gani Raju	IND	1	Post Graduate	32	Rs 31,721 ~ 31 Thou+	Rs 0 ~
Vaddi Winston Churchill	IND	0	12th Pass	46	Rs 2,95,000 ~ 2 Lacs+	Rs 0 ~
Vijaya Chakravarthy Panthagada	Republican Party of India (Khobragade)	0	Post Graduate	61	Rs 5,20,000 ~ 5 Lacs+	Rs 0 ~
Vijaya Harsha Kumar Geddamp	Jai Samaikyandhra Party	2	Post Graduate	54	Rs 1,13,84,157 ~ 1 Crore+	Rs 40,50,000 ~ 40 Lacs+
Viswarupu Pinipe	Yuvajana Sramika Rythu Congress Party	1	Graduate Professional	51	Rs 2,89,90,944 ~ 2 Crore+	Rs 79,77,496 ~ 79 Lacs+
Yalangi Ramesh	IND	0	Post Graduate	50	Rs 1,70,000 ~ 1 Lacs+	Rs 25,000 ~ 25 Thou+

TRANSPARENCY

- **Studying the effect of transparency**
- **Field experiment: Distributing “report cards” to voters in slums**
 - **In some (randomly chosen) slums, report cards are distributed in free newspapers**
 - **In control slums, no informational material**
- **Banerjee et al (2009)**

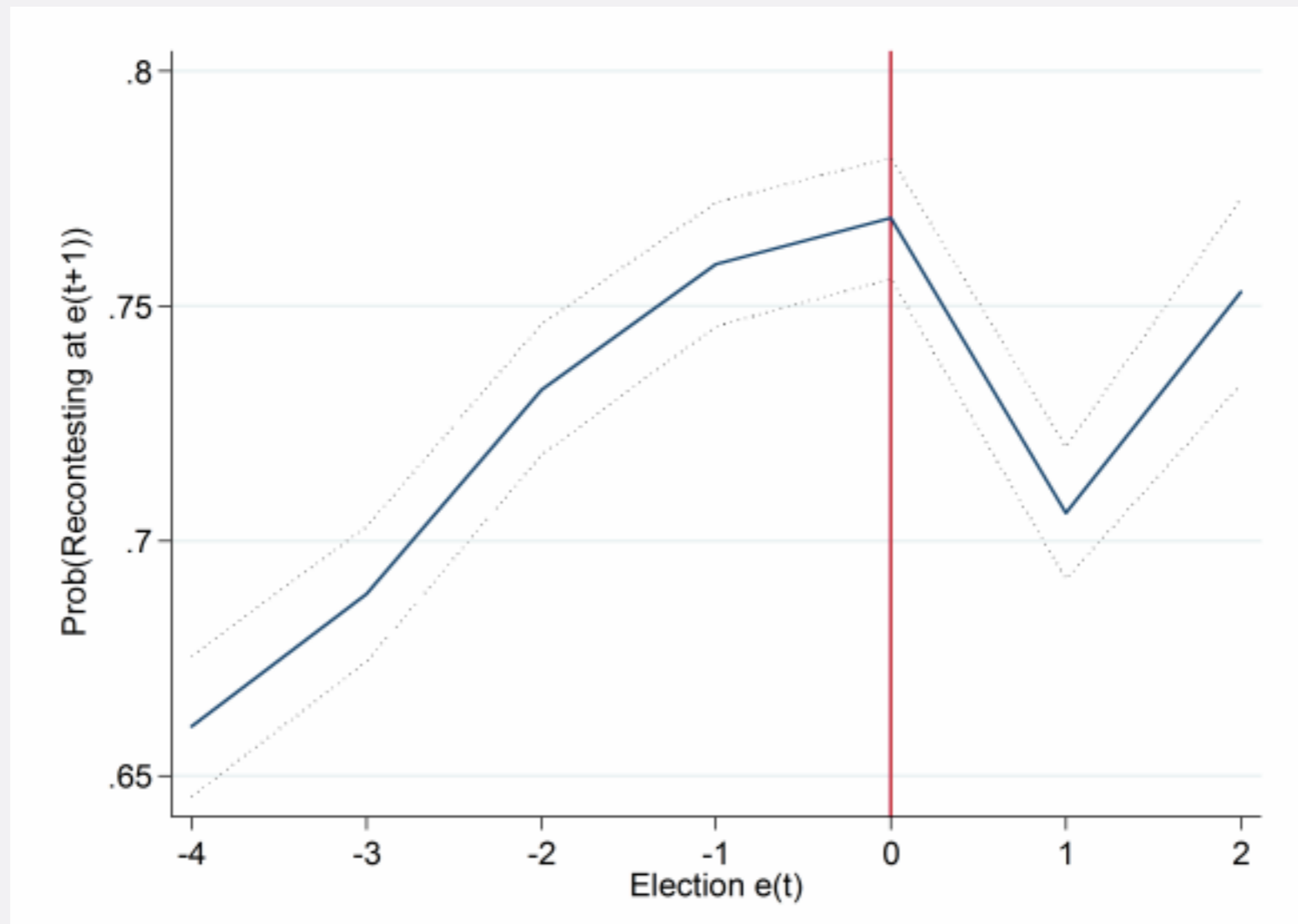
TRANSPARENCY

- **Findings:**
 - **Information increases turnout**
 - **Incumbents more likely to be voted out if:**
 - **Poor attendance record in key oversight committees relevant to people's lives**
 - **They are richer (=more corrupt?)**
- **Transparency changes who voters elect**
 - **More "low-quality" incumbents are thrown out**

WEALTH DISCLOSURE

- **Wealth disclosure required by Supreme Court mandate**
 - **Started in 2003**
- **Suppose politician enriches him/herself in office. When second disclosure has to be provided, two options:**
 - **Lie**
 - **Don't run again**

WEALTH DISCLOSURE



- **When second affidavit is due: incumbents 13 percentage points less likely to run for reelection**
 - Fisman et al. (2017)

CONSEQUENCES

- **Presumably, the most rent-seeking incumbents don't run for re-election and leave politics**
- **Makes it easier for more public-spirited politicians to run and win**
- **Does this have an effect on governance?**

CONSEQUENCES

- **Finding: States where more legislators leave office because of the disclosure rules, GDP growth is significantly larger than in states where fewer legislators leave office**

TRANSPARENCY

- **Transparency changes who runs for office**
 - **“Low-quality” people less likely to run**

PRESS

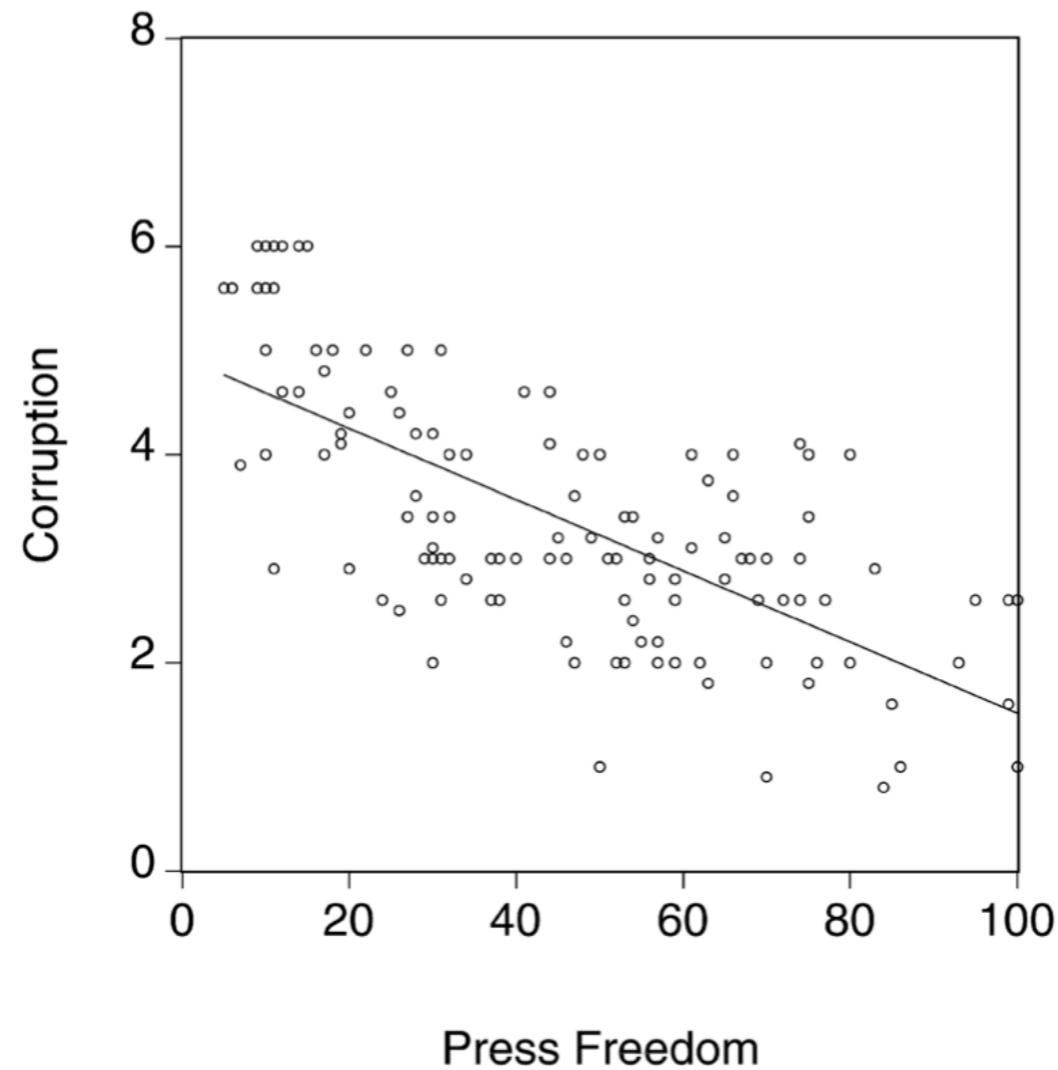


Fig. 1. Corruption and press freedom. Note: corruption index ranges from 0 (highest corruption) to 6 (lowest corruption), index of press freedom ranges from 0 (highest press freedom) to 100 (lowest press freedom).

- **Free press as an important component of transparency**

NEWSPAPER CLOSINGS

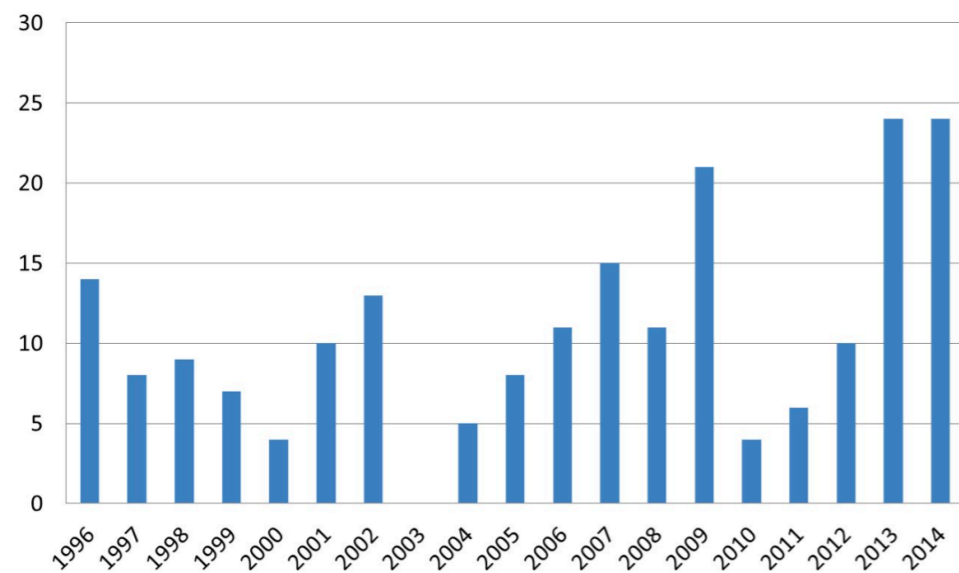


Fig. 2. **Number of Newspaper Closures per Year.** This graph displays the number of newspaper closures per year for the period 1996 to 2014.

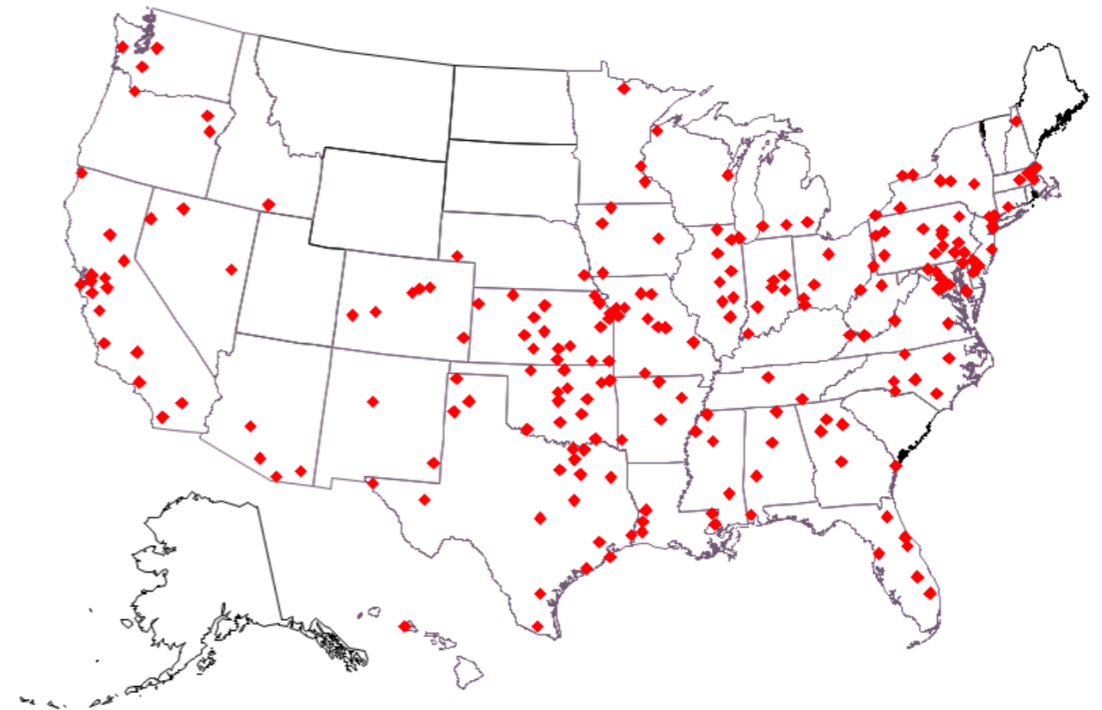


Fig. 3. **Newspaper Closures in the United States.** This map identifies the locations of newspaper closures in the United States during the period 1996 to 2014.

- **Gao/Lee/Murphy: "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance"**

NEWSPAPER CLOSINGS

- **What are the consequences of newspaper closures for (local) policy?**
- **Compare trend in various outcomes of:**
 - **Counties where newspaper closes ("treatment")**
 - **Counties where no newspaper closes ("control")**

NEWSPAPER CLOSINGS

- **Findings: Counties where newspapers close have...**
 - **Higher borrowing costs (5.5 percentage points)**
 - **Higher government wages**
 - **Greater government deficits**
- **This does not show corruption directly**
 - **Results could be due to laziness of local politicians when unchecked by newspapers**
 - **But: Easy to see how this could increase corruption**

WHAT CAN WE DO?

- **Transparency and Information**
- **Technology: Taking Away Discretion**
- **Enforcement: Anti-Corruption Agencies**
- **Higher Pay**

GOVERNMENT SERVICES

- **Many governments spend a lot of money on targeted programs (esp. for the poor)**
 - **e.g. OKP/Raskin program in Indonesia**
 - **Poor rural residents can purchase 20kg of rice per month at price 60% below market rate**
 - **50% of rural population benefit**
 - **Subsidy is large: 9% of monthly household expenditure saved**

GOVERNMENT SERVICES

- **Many governments spend a lot of money on targeted programs (esp. for the poor)**
 - **e.g. National Rural Employment Guarantee Scheme (NREGS) in India**
 - **Guarantees rural households 100 days of paid employment per year**
 - **Annual budget: \$5.5 billion**
 - **800 million people (11% of the world's population) covered**

LEAKAGE

- **Much of these benefits don't reach the intended recipient**
 - **OKP rice program**
 - **Compare government administrative data on how much rice allocated to different districts with household survey of how much rice people received**
 - **Finding: 18% of the rice seems to have disappeared**
 - **Olken (2005)**

LEAKAGE

- **NREGS rural employment program**
- **Participants have a paper job card**
 - **Empty spaces to record employment and payment**
- **Administrator records jobs and payments in their own files**
 - **Overreporting**
 - **Underpayment**

PROBLEM

- **Good intentions by central government**
- **Problem: Middlemen who implement programs skim money off**
- **One solution: Take out the middlemen**
 - **Technology helps**

NEW WAY



- **Biometric smartcards**

NEW WAY

- **Goal: All Indian adults issued biometric card**
- **Each individual gets unique ID number**
- **Digital photograph taken**
- **All 10 fingerprints taken**
- **Everything goes on card**
- **Linked to bank account**

NEW WAY



- **New NREGS payment process**
- **Beneficiary goes to collection center**
- **Insert card in reader**
- **Administrator checks photo**
- **One (randomly chosen) fingerprint scanned**
- **If match, transaction authorized and paid out (to bank account)**
- **Takes out discretion of middlemen**

STUDY

- **How could we study whether new technology reduces corruption?**

STUDY



The image shows a screenshot of the J-PAL website. At the top left is the J-PAL logo, which consists of a stylized flame icon followed by the text "J-PAL" and "ABDUL LATIF JAMEEL POVERTY ACTION LAB" below it. To the right of the logo is a navigation menu with links for "Careers", "For Affiliates", "Training", and "English" with a dropdown arrow, followed by a search icon. Below this menu are four main navigation categories: "EVALUATIONS", "RESEARCH RESOURCES", "POLICY LESSONS", and "SCALE-UPS". Further down, there are three more navigation links: "About" with a dropdown arrow, "Offices" with a dropdown arrow, and "Sectors" with a dropdown arrow. The main content area features a large photograph of a busy outdoor market. In the foreground, a woman in a green shirt is weighing produce on a blue scale. To her right, another woman in a blue shirt is looking towards the camera. In the background, there are various stalls with fresh produce like pumpkins, eggplants, and leafy greens. A young boy is visible in the lower left of the photo. The photo is credited to "Art Phaneuf Photography | Shutterstock.com". Below the photo is the MIT logo and the text "Massachusetts Institute of Technology". At the bottom of the screenshot, a white box contains the text: "Our mission is to reduce poverty by ensuring that policy is informed by scientific evidence. We do this through research, policy outreach, and training."

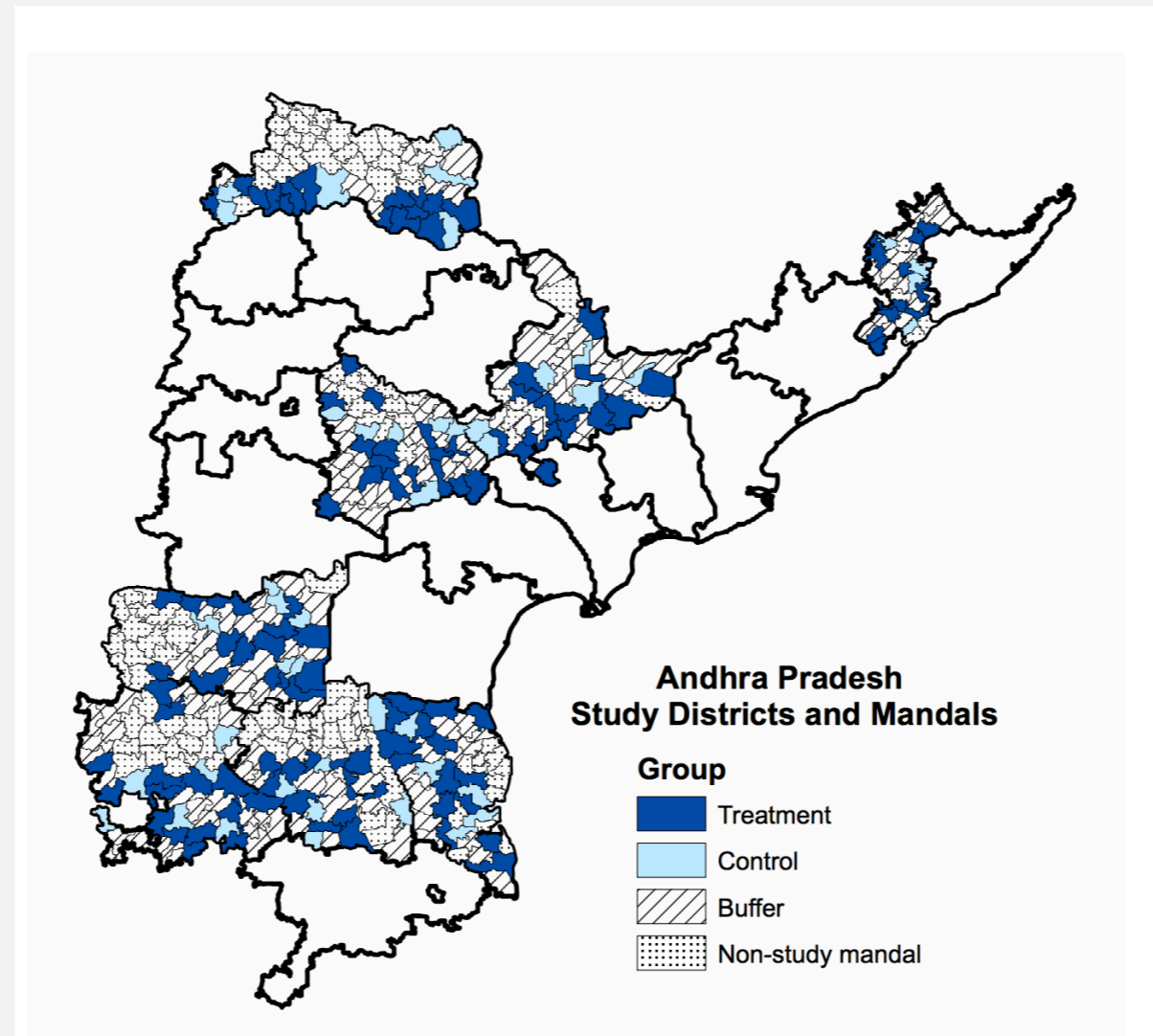
Art Phaneuf Photography | Shutterstock.com

MIT Massachusetts Institute of Technology

Our mission is to reduce poverty by ensuring that policy is informed by scientific evidence. We do this through research, policy outreach, and training.

- **Muralidharan et. al. (2016)**
- **Partner with Andhra Pradesh government in rollout of smartcards**

STUDY



- **Randomize order in which 296 areas introduce new system**
 - **Treatment areas: Rollout now**
 - **Control areas: Rollout 2 years later**

STUDY

- **Get official records on beneficiary list and benefits paid**
- **Conduct household surveys of samples of enrolled participants**
 - **~8,000 households**
 - **In treatment and control group**
 - **Before experiment begins and after cards introduced in treatment areas**

WAITING TIME

- **Time between work and payment**
 - **Old system: 34 days**
 - **New system: 24 days**

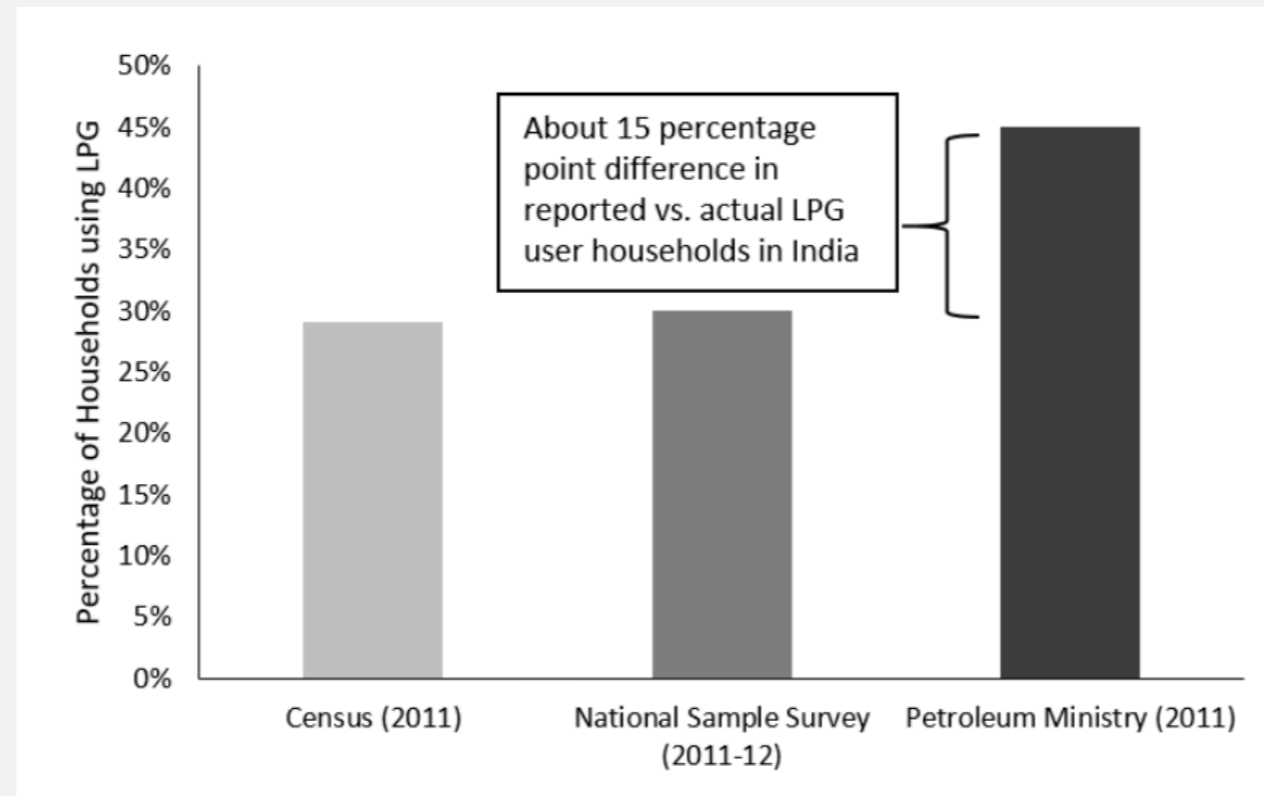
WAITING TIME

- **Travel time and waiting in line to collect money**
 - **Old system: 112 minutes**
 - **New system: 90 minutes**

LEAKAGE

- **Earnings per week as reported in household survey**
 - **Old system: Rs. 236**
 - **New system: Rs. 271**
- **Spending per week as reported in administrative data: unchanged**
- **Significant reduction of "leakage"**

COOKING GAS



- **Another Indian program: subsidized gas for domestic cooking**
 - Same gas for commercial use not subsidized
- **Lucrative option: Divert subsidized gas and sell it on black market**
- **Barnwal (2017)**

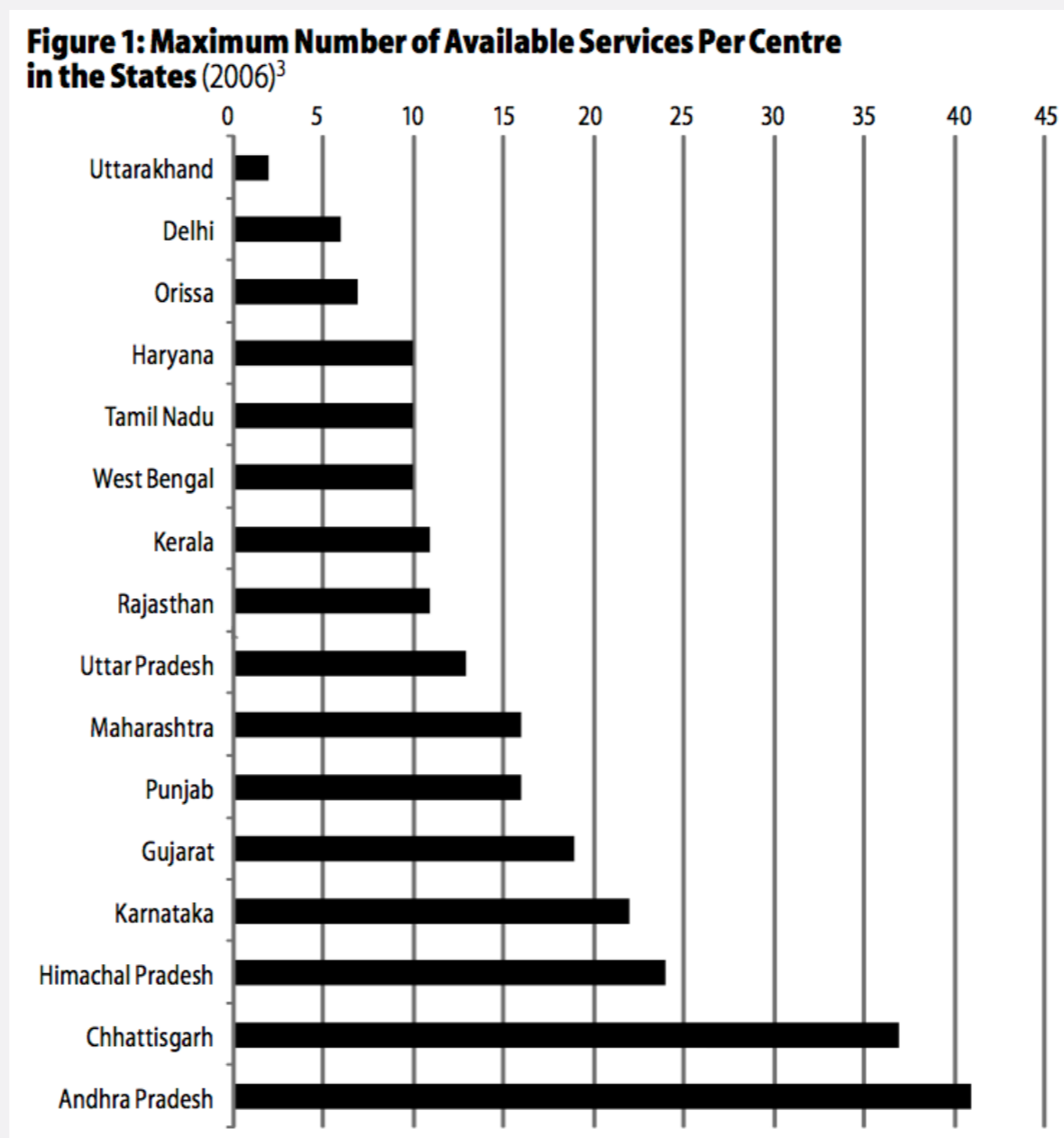
SMARTCARD

- **Replace old, in-kind benefits**
- **Instead: Smartcard, subsidy paid directly into bank account**
- **Study: New technology all but eliminates diversion of cooking gas into black market**

TERMINATION

- **January 2014: Government announces termination of smartcard-based system**
- **Study: Diversion of subsidized gas into black market returns to old levels**

UNEVEN ADAPTATION



- Some states are at the forefront of taking out the middlemen
- Others are not

MIDDLEMEN

- **Taking out middlemen seems to reduce bureaucratic corruption**
- **But: Often apparent unwillingness to adopt these solutions**
 - **We'll discuss reasons next time**

WHAT CAN WE DO?

- **Transparency and Information**
- **Technology: Taking Away Discretion**
- **Enforcement: Anti-Corruption Agencies**
- **Higher Pay**

ANTI-CORRUPTION AGENCIES

- **Idea: More monitoring, enforcement, punishment**
 - **Dedicated body to investigate and punish corruption**
 - **By bureaucrats or politicians**

ANTI-CORRUPTION AGENCIES

- **Empirical evidence on their effectiveness:
sparse**

ANTI-CORRUPTION AGENCIES

- **Empirical evidence on their effectiveness:
sparse**
 - **Difficult to evaluate whether an agency is successful**
 - **Agencies differ widely in how they are set up**

THINGS TO CONSIDER

- **What are the resources?**
 - **Budget? How much staff, what kinds of staff, where from?**

THINGS TO CONSIDER

- **What does the agency focus on?**
 - **Monitoring, investigating, prosecution, prevention, education?**
 - **Past, present, future offenses?**
 - **Should all potential offenses be investigated? Or focus selectively on some cases? Which one's, and who decides?**

THINGS TO CONSIDER

- **What can the agency/agencies do?**
 - **Can they seize documents and subpoena people?**
 - **Can they arrest someone? Freeze their assets? Seize their passport or their property?**
 - **Can they grant immunity to key witnesses?**
 - **Can the agency compel politicians/bureaucrats to routinely provide information, e.g. tax returns?**
 - **etc.**

THINGS TO CONSIDER

- **Who is/are the agency/agencies accountable to?**
 - **Who chooses the head of the agency? Can he/she be fired? By whom and under what circumstances?**
 - **Who makes the hiring decisions?**
 - **Who decides on the budget of the agency/agencies?**
 - **Does the agency have to provide reports on what it does and how well it does it?**
 - **If so, what, how often, to whom, and in what form?**
 - **Does the agency report to anyone? If so, to whom?**
 - **Who can question the agency about what it does?**
Politicians? Citizens? Bureaucracy?

WHAT CAN WE DO?

- **Transparency and Information**
- **Technology: Taking Away Discretion**
- **Enforcement: Anti-Corruption Agencies**
- **Higher Pay**

EVIDENCE

- **Mixed:**
 - **Sometimes increasing wage lowers corruption, sometimes it does nothing or increases it**
 - **One key factor: high wage needs to be coupled with enforcement**
 - **High wages discourage corruption because loss of job hurts**
 - **If no chance of losing job, threat of high wage loss not relevant**

WHO WORKS FOR THE STATE

- **Salary can affects who works in government**

WHO WORKS FOR THE STATE

- **Salary can affects who works in government**
 - **Some people are mostly motivated by money**
 - **Other are motivated by desire for public service**

NEXT TIME

- **We do have some evidence about what works to reduce corruption**
- **And yet, it often is not done**
- **Why not?**
- **Next time: Conditions under which reforms are implemented and can succeed**