Recitation 9

Review: 4 approaches to measure corruption

1. **Perceptions of corruption from surveys**
   Just ask people questions such as: How corrupt do you think the administration / politicians are in your country?
   Mauro, 1995: Cross-country data show that corruption is more widespread the poorer the country.
2. **Compare 2 measures of the same thing**
   Olken, 2007: road building in Indonesia
   Compares the official expenses and the actual quantity of material used to build the road
3. **Direct measurement**
   Barron & Olken, 2009: observe truck driver bribes in Indonesia
4. **Use theory to distinguish between corruption and inefficiency**
   Fisman & Wei, 2004: taxes in Hong Kong vs. China
   At the border, measure the difference between reported exports and imports = evasion. Should be higher the higher the tax rates.

Self-reported vs. objective data

- Corruption as well as many types of economic behaviors can potentially both be measured by self-reported survey data or objective data.
  Examples?
  - Electoral participation: do a postelectoral survey / take copies of turnout sheets with people's signatures
  - Monthly expenses: do a consumption survey / look at people's bank accounts
  - Happiness: ask how happy the respondent is / measure stress by saliva test
- Tradeoff
  - self-reported survey data often easier and cheaper to obtain: just ask people
  - objective data seems more accurate; why?

Issues with self-reported data

1. Lack of comparability of self-reported data
2. Intentional misreporting
3. Unintentional misreporting

Issues with self-reported data

- Lack of comparability of self-reported data
  1. If I ask Americans and Kenyans how prevalent they think corruption is, they might understand the question in a different way.
     - Americans might think that you implicitly refer to corruption among politicians because it's the only they are exposed to
     - Kenyans will consider more diverse forms of corruption: politicians, but also the police, the justice, school teachers, etc.
  2. Respondents might answer your question based on varying hidden scales
     - In France, immigrants are less likely to report discriminations than their descendants
     - is it evidence that the descendants face more discriminations?
     - other more likely interpretation: they are more demanding towards society; whatever discriminations they face are even more unbearable

Issues with self-reported data

- Intentional misreporting
  1. It might be risky to report the truth
     ex: As a cop, confessing you're corrupt is risky: the surveyor might denounce you
  2. Conformity bias
     Interview is a social interaction
     Thus, you might provide answers that better fit with the social norm / the answer expected by the respondent than the truth
     ex: post-electoral surveys: reported turnout is systematically 5 - 10 percentage points higher than actual turnout; similarly for vote shares for the winner
  3. Manipulation of the surveyor
     ex: you think that the survey might be connected to a redistribution program for the poor. You might report lower revenues and consumption that the truth, hoping to benefit from the program

Issues with self-reported data

- Unintentional misreporting
  1. People forget what they did or misperceive
     ex: how much bribes did you have to pay in the last month?
     how often have you been the victim of a discrimination?
     whom did you vote for at the last elections?
  2. People might just have no clue and give a random answer
     ex: how much do you think the voting behavior of your family members and friends affects your own behavior?
     People might just not have a clue or underreport others' influence because they never took a class on peer pressure.

So, what to do of survey data?

- Should we throw all survey data? No!
- Be aware of the above-cited biases and decide which ones are likely to affect answers to the question you're asking
- Improve the accuracy of survey data
  - Ask the questions as close as possible from the behavior they are related to
  - Phrasing of the questions: ask "when did you last pay a bribe" rather than "how often do you pay a bribe": people recall better the last time they did something than they assess a frequency
  - Ask question twice in different parts of the survey or at different points in time
  - Increase trust of the respondent in the independence of the surveyor
  - LIST experiments (more on this in a minute)
- When possible, combine measures from different sources, including objective measures
  If they all coincide, you should be more confident about the accuracy of your measures

So, what to do of survey data?

- Qualitative surveys and background knowledge of the context might be useful to know what to make of quantitative answers
  - ex: question I asked in Morocco: please tell me how satisfied you are with your life on a scale from 1 to 10?
  - Everyone provides an answer between 6 or 8.
  - Is it evidence for high equality in Morocco?
  - No, background knowledge teaches you that Moroccan Muslims would never say that they are very unhappy with their lives: it would be perceived as unthankful for what God gave them.
- Discrepancies between self-reported observations and objective data are interesting per se
  - They can be evidence for corruption
    ex: Olken, 2007, road building in Indonesia
  - In other contexts, they can be evidence for salience of a social norm
    ex: discrepancy between declared and actual participation

LIST experiments

- Originally designed to measure racial prejudice
  - anecdote from New York Times, blog Five Thirty-eight on electoral campaigns: 2008 campaign, a democrat volunteer knocks at a door in West Pennsylvania. Behind the door, a white retired person answers: "Yeah! We're voting for the nigger".
  - This is however unlikely: if you ask people "Would you be willing to vote for a Black candidate?", it's unlikely that they will say "no" even if they are actually prejudiced
  - So, hard to assess the prevalence of racial prejudice (or gender prejudice or corruption)

LIST experiments

- The solution
  - randomly divide the sample in 2 halves
  - 1st half: provide a series of 4 statements and ask how many of them are true. Ex: "you had breakfast today before 9am"; "last time you bought new shoes was more than 3 months ago"; "your favorite color is blue"; your favorite sport is baseball"
  - 2nd half: provide a series of 5 statements and ask how many of them are true. Statements are the same as before + the one you're actually interested in. Ex: "you would never vote for a female candidate"
  - The difference between the mean number of true statements in groups 2 and 1 gives you the fraction of your sample that would never vote for a female candidate.
  - Why is it helpful? Because you can say the truth (count the statement "you would never vote for a female candidate" as a true statement) without the surveyor knowing it (another statement might have been true).
- What experiment would you design to assess the fraction of police agents that ask bribes?

As an aside: how to identify the cause of an individual behavior?

- The problem
  - One thing is to accurately measure the prevalence of a behavior (ex: bribes paying)
  - Another thing is to understand the cause for the behavior.
  - As we said earlier, people might not know or might be wrong about the causes for their behavior.
- A possible solution: randomized experiment
  - administer a treatment to a randomly selected group. Ex: give people information about what their neighbors are doing.
  - measure subsequent differences of behavior between the control and treatment group

As an aside: how to identify the cause of an individual behavior?

- (Made-up) example
  - many people in developing countries would tell you that they accept to pay bribes because they have to: they have no choice. And they might truly think this.
  - hypothesis: the true reason why I pay the bribe is that I think that everyone does it. (I don't really have to pay the bribe. It would be possible not to pay the bribe, it would just be more costly: I would have to wait for a long time, file an official complaint, etc.)
  - possible experiment to test this hypothesis: tell a random sample of people that this is not true: data show that 40% of people always refuse to pay bribes
  - measure whether it affects their subsequent likelihood to pay bribes. If it does, your hypothesis was correct.

Corrupt people

- Remember the model seen in class: Banerjee, Hanna and Mullainathan (2009)
  - 1 supervisor (bureaucrat), potentially corrupt; and participants in the economy (agents)
  - bureaucrat needs to allocate slots to agents
  - for 1st category of agents, social benefit of giving a slot to them is H, their private benefit is h and ability to pay is y_H. For 2nd category: L, l and y_l.
- The model can potentially be reversed
  - many supervisors (the voters), potentially corrupt, willing to sell their vote; participants in the electoral game (the candidates)
  - the voters need to choose a president
  - suppose 2 candidates. Electing the first one gives a social benefit of H, his private benefit is h and ability to pay y_H; same for L
- In short: the people getting money in exchange of a slot can be the bureaucrat but also the voters, the people

Vote buying: reminder and some evidence

- What explains that people are willing to sell their vote?
  - The probability of being pivotal is very small
  - evidence from Thailand, Nicaragua, Paraguya: 25 - 30% of voters were offered vote-buying
- But parties can usually not observe whom you voted for (secret ballot)
  - In that case, parties buy turnout or hope for reciprocity
- But it's sometime possible to observe: ballot is not always that secret
  - France, 19th century:
    - ballots were not standard and pre-printed by candidates; there was no secret polling booth;
    - an observer could check that you were using the ballot provided by the candidate, and identifiable by color and size
  - Kenya, today
    - assisted voting: a person of your choice helps you check the ballot; in principle for illiterate voters
    - however, in some polling stations, more than 90% of assisted voting in 2007...

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