

MEMORANDUM
November 12, 2010 (v3.0)

TO: Interested individuals
FROM: Lawrence Lessig
RE: Request for Proposals for the Lab “Project on Institutional Corruption”

The Edmond J. Safra Center for Ethics launched a 5 year research project (“the Lab”) in 2009, to study “institutional corruption.” This memo defines “institutional corruption,” and the method of our research. If you are interested in applying to join the Lab, please follow the procedures outlined on our website (<http://www.ethics.harvard.edu/lab>).

The work of the Lab will be both empirical and normative. While both perspectives will be present throughout, the early work will be weighted to gathering data, and the later towards developing practical responses to any systemic problems identified.

Assumptions

The work of the Lab is based upon a number of assumptions.

1. Institutions have purposes. We can measure the success of these institutions by how well they serve these purposes. Success can be measured by the output of the institution. Public perception of the institution could affect its success.

Consider, for example, the FDA as an institution. The purpose of this institution is, in part, to police the safety and effectiveness of food and drugs. One factor contributing to its success could be the public’s perception of it. If the public has high confidence in the institution, its willingness to follow its advice would be enhanced. If the public had no confidence, its willingness to follow its advice could decline. Of course, confidence in an institution is not necessarily the most important factor affecting behavior. But for some, primarily public institutions, confidence will be an important factor in their success.

2. Institutions are comprised of individuals.¹ These individuals are self-interested, and respond, rationally or not, to a range of incentives, both financial and non-financial. We can describe the dynamic of that response as operating within an “economy of influence,” and understand the behavior of individuals as responding to changes in that economy.

For example, individuals working in a courthouse may earn a salary from the government. Some may also earn compensation beyond that salary. Some of that other compensation may be legal — overtime, for example. Some of it may be illegal — “tips” or “incentive payments” from lawyers seeking preferential treatment. Some may be expectational — the hope of promotion to other positions within the government. Whatever the source, this range of influences affects how the employees behave. By the “economy of influence,” we mean to describe the range of significant incentives that might guide individuals within a particular institution.

3. Some of the influences within this “economy of influence” may conduce to the objectives of an institution. Some may conflict.

A researcher, for example, who aspires to a prestigious prize for scientific discoveries faces an influence that may strengthen her work within her institution. By contrast, a professor who accepts compensation for public testimony accepts an influence that may weaken his work within his institution.

4. Public confidence in an institution may be affected by the types of influence that operate upon individuals within it. To the extent that influences conflict with the purpose of an institution, or are viewed as irrelevant to the purpose of the institution, confidence in the institution may decline. To the extent that influences conducive to the purpose of the institution are dominant, confidence may increase.

¹ By framing this assumption in terms of individuals, we don’t mean to exclude the study of the way institutions themselves may operate with similar conflicts.

For example, if the publisher of a newspaper were known to have instructed, explicitly or not, the news department to kill certain stories critical of a prominent advertiser, that could lessen public confidence in the product of that newsroom. By contrast, if a newsroom were perceived to be independent of any commercial interest within the newspaper, confidence in the news could increase.

The Research Project

We define “institutional corruption” to be an economy of influence that weakens the effectiveness of an institution, especially by weakening public trust of that institution.

The definition is limited to an “economy of influence,” meaning a repeated and regular practice of exchange that produces predictable or tractable incentives within the institution. It does not refer to particular interventions — such as a whistleblower revealing criminal activity within the organization — that might also have the targeted effects.

The aim of the Lab is to study “institutional corruption” with both an empirical and normative focus. The empirical research project will explore whether and when institutional corruption exists. The normative project will develop tools to address institutional corruption, when found to exist.

Thus, the simplest conceptual example of such corruption would be an institution with an intended dependency upon X, that develops a competing dependency upon Y. To the extent that competing dependency weakens the effectiveness of the institution, especially by weakening public trust, it is an instance of “institutional corruption.” Stated precisely: “The dependency upon Y has corrupted the intended dependency upon X.”

Both projects will depend upon three areas of research: First, *data* about influence: what is the economy of influence that members of a particular institution live within? Second, data about *perception*: How are the institutions perceived? Third, data about *causation*: how do particular types of influence within an institution affect the work of the institution, or affect perception of the insti-

tution. We describe each of these three aspects in more detail below.

1. *Data*

For each institution we consider, one aim will be to gather and to make accessible data to quantify influence. What are the sources of income (broadly defined) for individuals within those institutions? How have those sources changed? What policies does the institution use to police these sources of income? How carefully are these policies enforced?

For example, within law schools, what proportion of law professors engage in paid consulting on matters of public policy? How has that pattern changed? How have law schools historically tried to regulate this activity? Or similarly, how has the pattern of physicians and academic medical center faculty serving on speakers' bureaus changed over time? Has the increased attention to this practice stanchied it, or inspired it to grow?

2. *Perception*

For each institution we examine, we will track public perception and trust of the institution, especially among opinion leaders. Building on publicly available data, and possibly encouraging more specific survey work, the project will seek to understand how meaningfully to represent public trust for these public institutions, and how that trust may have changed. Our work may also consider the role perception plays in the effectiveness of private institutions, or public-private partnerships.

For example, how has the public's trust of the CDC or FDA evolved? Relative to other important public institutions, has it improved or weakened?

3. *Causation*

For each institution we examine, the project will advance understanding about techniques to model and measure causation, and apply those to the institutions we study: How do influences affect the work product of the institution? How do they affect public trust?

For example, do gifts given by drug companies to doctors affect prescribing decisions by those doctors (thus affecting the work of the institution)? Do they affect the public's trust (for any particular "public") of the work of the institution (thus affecting the perception of the institution)? Both of these questions involve causally complicated inquiries which our work should help advance.

The project is especially eager to build upon relatively new research in behavioral economics and cognitive psychology, and apply lessons learned in one area to another. Behavioral decision research is also relevant. We are eager to develop a multidisciplinary approaches that integrates the work of different fields directed at a common problem.

Research strategy

The Lab will not seek to undertake this work alone. Instead, our aim is to support and possibly inspire work that fits within this framework. Some of the work the Lab will do; some of it has been done, and simply needs better translation across institutional fields; some we hope to encourage by providing a better framework into which the work might fit. At a minimum, the Lab will frame a practical problem of institutional ethics, and help structure research to address it.

The ultimate objective of the Lab is to produce a set of practical tools that institutions might use both to understand the problem of "institutional corruption," and to respond to it. Some of those tools have already been developed, but are not yet widespread or familiar. Some can be developed, based upon the research completed in the positive part of the project. But the objective of the Lab is to better enable administrators and policy makers to avoid these conflicts, and where unavoidable, to properly manage their costs.

Despite the clear valence of the term "corruption," we recognize that there are difficult tradeoffs within institutions, and that those tradeoffs create the pressure towards arrangements that might seem, or be, compromising. Our objective is to provide a sensible way to understand and address these tradeoffs, and a fuller understanding of the consequences from different strategies for addressing them.

Thus while sometimes the conflict created by the compromising institutional or individual relationships can simply be eliminated, sometimes the best strategy — considering the full range of interests — is to find intermediate devices that bleed compromising pressure from the institution, or individuals within the institution. An effective study of this complicated problem must keep these intermediate solutions in view, and avoid framing the question in a way that creates artificially binary choices.

Operational Plan

The term of the project is 5 years. Beginning in the second year, the Lab will host Research Fellows, and will support research directed towards the question of “institutional corruption.” We are currently inviting proposals from researchers to participate in that work.

A broad range of researchers are invited to submit proposals to the Lab, either to become Research Fellows, or to propose joint or collaborative research projects. Tenured and untenured faculty are invited to participate, so long as their work during the fellowship is primarily directed towards the project of the Lab. Alternatively, faculty members are invited to propose projects that they would direct but that would be executed at the Lab. Postdoctoral applications are eagerly encouraged, as well as proposals from researchers in industry or government seeking sabbatical time to pursue research directly relevant to the project.

Proposals should describe the research you will complete, and how that research relates to the work of the Lab. The proposals could be for joint or individual projects. Their term can extend beyond the time of the fellowship. Researchers need not be located at Harvard, though there will be a number of Research Fellows in residence at the Center during the academic year. Research Fellows in residence will be expected to devote the majority of their time to the research project, and participate in a weekly seminar designing the work of the Lab, and evaluating its progress.

While we do not want to narrow the scope of projects proposed, the following describes research that would certainly be within the scope of the project. These examples are offered for illustration only, and each item is not necessarily an individual pro-

ject. Instead, the purpose of this list is to suggest the range of questions the Lab will be considering.

1. *Possible target "institutions"*: The Lab intends to study institutional corruption in the context of particular institutions. While the targets have not yet been set, they might include the following:

- Government: the economy of influence within
 - Legislatures
 - Judiciaries
 - Agencies
 - Independent agencies
- The academy: the economy of influence within
 - Law
 - Medicine
 - Economics
 - History
 - Business
 - Universities
- Professions: the economy of influence within (the)
 - Legal profession
 - Health profession
 - Accounting profession
 - Pharmacist profession
 - Journalism
- Public Institutions: the economy of influence within
 - "Think tanks"
 - Libraries
 - Financial services companies
- Corporations: the economy of influence within
 - Corporate boards
 - Stock market relations
 - Investment banking arrangements
 - Securities regulation
 - Antitrust regulation
 - Corporate law and accounting

2. *Data related projects:* A key contribution of the Lab will be to produce freely accessible data that helps researchers understand the issue of institutional corruption. The following are areas of possible work. The challenge in each area will be to discover ways to collect the data, and make it accessible.

- Gather and organize conflicts policies across academic fields, professional associations, trade associations and across universities.
- Explore and develop ways to capture the economy of influence of academics within different academic disciplines.
- Gather and organize university policies on governing conditions and restrictions on grants.
- Explore historical techniques used to develop and sustain independence within institutions, the professions, or governments.
- Gather and organize information on corporate behavior and relations with investors, boards, banks, and regulators.
- Gather and organize conditions imposed upon researchers in different fields of research by private funders of research.
- Map the economy of influence for major Washington think tanks.
- The food industry currently promotes its food by emphasizing purported health benefits. How much health-related research on food and nutrition is funded by industry? Do industry-funded studies tend to produce results that are more favorable to industry sponsors?

3. *Perception related projects:* A critical part of our inquiry will be to seek an understanding of the public's perception of

relevant institutions. The relevant “public” may differ. It might be the general public, or it might be an elite more directly connected to the institution. Thus, within law, there is both a general public’s perception of the work of institutions like the Supreme Court as well as various elite public’s view (lawyers, academics, other judges, etc.). We need to develop historical understandings of these different perceptions, and ways to better evaluate the causes of their shift.

- Map the relevant publics for the targeted institutions.
 - Design and implement studies to evaluate changes in levels of public trust.
 - Design and implement studies to evaluate the salience of “independence” in attitudes of trust towards public institutions.
4. *Causation related projects:* An influence is only corrupting if it interferes with the work of an institution, either directly (by reducing the efficiency of the institution) or indirectly (by weakening public trust). A critical component of our work will be to advance understanding about such causal links.
- Within behavioral economics: Design and implement field studies to evaluate whether influence in a particular field — gifts to doctors, contributions to candidates, etc. — has an effect upon work within that field.
 - Within cognitive psychology: Design and implement studies to evaluate the effect of gifts upon the independence of actors within a particular institution.
 - Within anthropology or sociology: develop qualitative analysis of the independence of actors within particular institutions.

- Develop models for evaluating how the reputation or trust of institutions is affected by reports of dependence or of “corrupting influences.”
- Within organizational behavior, develop models for assessing how corporations influence the boards, antitrust regulators, and securities regulators charged with overseeing them.
- Develop an understanding of the role of “implicit unethical behavior” in the creation of corrupted institutions.
- Develop an analysis across institutions such as journalism and the financial services sector of how corporate form or ownership affects professional norms within the industry. Does public ownership weaken support for such norms?

Request For Proposals Procedures

If you are interested in joining the work of the Lab, either as a resident or nonresident Research Fellow, or by proposing research for the Lab, or collaborations with the Lab, please refer to the procedures at our website, <http://www.ethics.harvard.edu/lab>.