

# **The Carol and Lawrence Zicklin Center**

## **For Business Ethics Research**

**Presents –**

**Martin Sandbu**

**Speaking on “Public or private rent? The "curse of rent" and per capita distribution in Native American tribes”**

**Wednesday, April 2, 2008 – 12:00 -1:30 P.M.**

**641 Jon M. Huntsman Hall**

### **ABSTRACT**

Economic rent tends to have corrupting effects on institutional quality and good governance. This effect is thought to be a principal cause of the “natural resource curse”: In poor countries with weak institutions, the presence of large rents from the extractive sector worsens governance and thereby hampers economic growth. A radical policy proposal hypothesizes that governance would be improved if the rent were directly distributed to the population, and thereby removed from government control. There is, however, little empirical experience with this policy in a cross-country setting. This paper presents a new data set on a similar policy: The direct distribution of rents from casino operations by sovereign U.S. Native American tribes. Not all tribes run casinos, but those that do often gain supranormal profits. Thus we can investigate the effect of rents on a range of socio-economic and political outcomes. Moreover, some but not all of the tribes that do run casinos distribute a portion of the rent to the tribal members on a per capita members. We can therefore investigate whether the effects of rents on socio-economic and political outcomes are mitigated or reinforced if the rent is transferred directly to private hands rather than accruing to public spending.

### **BIO**

Sandbu is a lecturer in Business Ethics at Wharton, where he teaches LGST 210: Ethics and Corporate Responsibility. He has a Ph.D. in Political Economy and Government from Harvard University, and a B.A. in Philosophy, Politics, and Economics from Balliol College, Oxford University.

Sandbu pursues two main strands of research. The first concerns questions at the intersection between economics and philosophy. His Ph. D. dissertation focused on non-instrumental valuation of decision process and the rationality of such preferences. He is currently working on collective responsibility, with applications to the responsibility of stockholders for the actions of the corporations they own.

His second strand of research is the political economy of development, with particular attention to the role of natural resource wealth in the development process. In addition to academic research, Sandbu has advised developing-country governments and NGOs on how to manage the

challenges that natural resource rents pose to sound economic policy, good governance, and transparency. He is part of the "Oil Team" of the advisory project.