Economics 316A The Underground Economy

CASE STUDIES 2019

All Students are required to understand the meaning and consequences of cheating, plagiarism, and other academic offenses under the Code of Student Conduct and Disciplinary Procedures. Students can submit written work in English or French.

READ THIS CAREFULLY.
YOUR MARK DEPENDS ON DOING WHAT IT TELLS YOU!

Each student will complete one detailed investigation of an incident (or organization) involving (or involved in) illegal economic activity. The objective is to demonstrate an understanding of how a black market(s) or racket(s) operate(s) in detail, including:
1) production of product or service involved;
2) evasion techniques for goods or services involved required to escape regulators, police, or tax enforcers;
3) how in step by step detail those involved managed to hide or disguise (two different things) the flow of earnings and profits from the operation;
4) why the racket or black market deal failed – if it did.

Don’t waste time and space. Get to the point! Excess verbiage will cost marks.

1) Case study subjects: make sure you understand and follow the instructions here

Each student will clear his or her research paper topic with the instructor before starting. Only certain topics are permitted. See the Course Syllabus for permissible topics. Case studies are roughly of two sorts. Most deal with a particular instance of illegal economic activity or a specific “firm” involved in it. A few deal more broadly with the actual black market – the illegal acts taking place within a certain sector or involving a particular good or service. The distinction is not absolute. Specific examples sometimes are only understandable in light of the broader market and type of activity of which they are an example. In other words, ask yourself – is this a specific case of general category X, if so, what makes it different or representative? On the other side, those (much rarer) papers cleared by Professor Naylor to focus on broader black market analysis must make reference to several specific cases to illustrate the main features of that black market.

Whatever topic you choose, follow these guidelines:

1) Make sure it is not obvious – don’t waste your time rehashing recent headline stories or stuff already well washed through the press. If the topic looks easy because there is so much attention paid to it – that is a danger sign! That produces at best a C paper.

2) Make sure you understand what is really going on rather than just repeating ad verbatim. Especially with papers dealing with financial fraud and other technical subjects, there is often a problem of students not really understanding what they are trying to write about. That is a certain D paper.

3) Find credible sources of first hand information whenever possible rather than relying on gossip recycled through the media, and avoid Internet chat room trash at all costs. That sets you off in the direction of a F paper.

4) Do NOT just cite URLs: find original documents and their origins. All internet searches require you to explain your search term, and defend your choice of sources. Failure to heed that warning is another one-way road to an F.
General Rule: Avoid the Four D’s – Dumb, Dull, Dangerous, or Done too often already.

Topic registration: You must register your topic with Professor Naylor in Leacock 321D on or before Friday, September 13 between 11:00 AM and 5:00 PM. Earlier times will be announced in class for those who cannot make the Friday registration. Only persons who register at such times or have a documented excuse like a genuine medical emergency to explain their delay will be assumed to be enrolled in the course.

BEFORE YOU SEE PROFESSOR NAYLOR, do serious investigation of a minimum of THREE potential (and quite specific) topics. That means:
1) Defining the topic carefully
2) Some preliminary research on the main issues involved
3) Having in mind a short summary of how you intend to proceed.

Do not show up without these preliminaries. And if you don’t show up at the required time and have no properly documented excuse (not just a note from a McGill bureaucrat), you will be assumed to have withdrawn from the course.

BE AWARE: many topics do not work. One purpose of discussing them early with the instructor is to minimize wasted time. If you have done your work, and none of your suggestions seem viable, don’t worry - we can discuss alternatives.

STAGES IN CREATING A CASE STUDY

1) Preliminary Outline: Each student must submit a formal written outline of their project (one page max) Times New Roman 12 font by Thursday, October 3, at 6:00 PM. Junk will not do. (See WebCT for examples of excellent outlines.) An outline must contain:
   a) A summary statement of the topic chosen (one short paragraph)
   b) A brief plan of action (in clear point form)
   c) A quick review of research already done
   d) A brief plan for further research.

NOTE CAREFULLY: Failure to submit an adequate preliminary outline and on time can lead to the loss of up to 5% of the final grade. That can be the difference between a B+ and an A- just by the mark alone. BUT remember a bad outline means a bad start on nearly half of your grade. Don’t play around.

Preliminary outlines will be returned in class (barring some catastrophe) on Tuesday October 8. Students receive one of THREE grades – S: satisfactory; R: revise-and-resubmit; U: unsatisfactory. If you get an R resubmit a satisfactory outline within one week of the class when the outlines are returned or you will be downgraded to a U. Anyone with a U on their preliminary outline loses 5% from the total course grade.

Changing Topics: once your preliminary outline is approved, it is possible to change topics, only after three steps: (1) careful consideration; (2) consultation with course TA; and (3) approval by Professor Naylor. However after you submit your extended outline,
you are locked in.

2) Extended (“final”) Outline: Each student will submit by Thursday Oct 31, 6:00 PM at the latest an extended outline (2 pages max all inclusive – Times New Roman 12 point type, no PDFs) with subject matter delineated carefully, research methods explained, and a summary of work done and work expected to be done, but without appendices or elaborations of data sources. (Get these outlines in early if possible. I will have more time for detailed feedback) They will be returned the next week. The extended outline is to be resubmitted with the final Case Study. Think of the extended outline as your case study in miniature form. The extended outline is worth 10 marks (out of your possible 100). There is a penalty of 5 marks (out of a total possible mark of 10) for failure to submit on time. Failure to submit at all within three days of the due date means (1) loss of fully 10 marks; and (2) no feedback or guaranteed approval for your final case study.

3) The Case Study: Key Points
a) Case Studies are individual efforts BUT students are encouraged to cooperate by sharing ideas and resources.
b) A case study is academic research, not police work. Conduct yourself accordingly.
c) Focus on black market business: a limited amount of political and social information might be for background and contextual purposes only. Keep it short.
d) Analysis of the money trail is essential – although some cases deal explicitly with money flows as their actual case not as just a part of it. But if it is more in goods and services, a study of a black market deal that covers only the exchange of the good or service and ignores the money flows is only half done.
e) These are submitted in paper form with proper formatting.

NOTE: Sometimes a student starts a topic and finds the topic either uninteresting or too difficult. So it is essential that you start early. Do not expect a sympathetic ear if you start complaining in November that you can’t find information.

INFORMATION SOURCES:
Iron rule – sources all have something to sell: it is just a matter of what, when, why, how --- and how much. This is as true with personal accounts as with media sources. Don’t take official documents like indictment papers or court judgements as necessarily the gospel truth. And understand that some prosecutors and defense lawyers are not advocates of truth and beauty but simply scalp hunters.

One useful way to reduce factoids from cyberspace— if you enter a search term, do NOT simply take the first few hits. In fact, you ought to note in your references HOW MANY HITS you got and why you accepted the ones you did. Other things being equal, the more you got, the less reliable and the more sensationalistic the account is likely to be. Then make the search term narrower and narrower to see what survives. This cleansing process is not certain by any means, but you may eliminate the worst of the trash. Apply the same (or even more) skepticism to “mainstream media.”

AVOID ENTIRELY “social media.” NEVER source them even if you insist on wasting your time and burning up your gray matter with them. Internet Blogs are
suspicious but if a blogger has genuine credentials beyond a big ego they can sometimes be useful. Try to figure out who they are and what they game really is.

**The case per se is a vehicle for learning to deal critically with information-disinformation overload.** Your explanations of why you accepted or rejected various bits of information can be more important than the actual argument of the case. No one expects you to be a budding Sherlock Holmes; but in the world you are facing, learning to be logical and skeptical is an increasingly important survival skill. That includes searching sources for signs of hidden agendas.

**CASE FORMAT:**
(1) The **main body** of the Case Study consisting of no more than 5 double-spaced, typed pages. Use Word, Times New Roman, 12 point type. NO PDFs.

(2) Actual copies of **major sources appended** do not count in the five-page limit. Include photocopies of the most relevant (short) articles though a quick outline that shows you actually read it will do; plus the title pages of books and reports, summary statements of interviews explaining why the person interviewed (who can choose to remain anonymous) is knowledgeable, and a general assessment of the credibility of the information on which you based your case study.

(3) Analytical appendices -- consisting of such things as statistical tables (if needed or appropriate) or brief discussions of peripheral though related issues. **Make sure they are really important** – not filler. The shorter and more economical the case, the better!

(4) Where appropriate, you can include a short methodological appendix explaining how research was carried out. It might consist of only a couple sentences or might be, given how careful you are in summarizing sources, be redundant.

(5) The checklist at the end of this handout **must** be completed and submitted with your case study. Failure to do so could lead to your paper being refused or your mark being reduced.

(6) **MAKE SURE EXTRA MATERIAL IS WELL ATTACHED TO THE MAIN BODY.** **DO NOT HAND IN LOOSE SHEETS.** Every year, despite this warning, some students decide to just stick a bunch of loose pages into my mailbox – they go directly into the recycling bin.

(7) Avoid fancy or superfluous packaging (a strong staple is best – avoid appallingly wasteful McGill hard binders), and attach all required papers (i.e. marked extended outline etc. plus the most important documents used in your research) to the case study. **Loose pages will be immediately put in the recycling bin without being read.**

(8) Failure to fulfill all requirements of a proper case study, including submission of the checklist, outline and documents, can result in a low or failing grade, explained more fully on the Course Syllabus.

**Before submitting the Case Study:**
- It is wise to show it to the TA and/or to have another student read it. There is no point rushing to see the TA ten minutes before the case study is due.
- Failure to fulfill all of the requirements of a proper case study, including submission of the checklist and extended outline, can result in a low or failing grade.
- Before submitting, make sure you RE-READ carefully the instructions and Double
Check before you submit that you have included everything required

- All papers need a cover page that clearly showing name, student number, date, and a title.
- Keep a COPY! Case Studies are NOT returned.

SOURCES:
These might include interviews, legal documents, and a thorough search of printed AND electronic sources available not just at McGill but at other nearby libraries. NOTE: many case studies will require access to materials that are only available outside Montreal. It is your responsibility to be aware of this need and to find and use these sources. Sometimes Interlibrary Loans will be able to accommodate you: sometimes you will have to locate and retrieve the information yourself. Remember the rule that with internet sources, apart from genuine academic and institutional ones, you need to specify your search term, the number of hits, and a quick but credible explanation of why chose the ones you did.

The Library has a number of excellent databases available for students. Learn to use things like Lexis-Nexis or Factiva. There is also a huge number of business and management resources available. The Librarian in charge of material for this course, Michael David Miller, will come to class to talk to you about the search process, and about input he needs from you in order to help you best.

The final Case Study is due by 6:00 PM Thursday, November 21.
No excuses for delay except documented medical and similar emergencies are acceptable. US Thanksgiving Day is not a valid excuse – turn your case study in early if necessary or arrange (at your own risk) for someone else to submit it. Penalties for late submission of research papers are five marks per day (out of a total possible of 50). Penalties start being assessed at 6:01 PM on the day the item is due. Any late submissions that day will be judged to be one full day late.

GRADING:
The following are taken into consideration.
- The explanation of the overall significance of the topic
- The quality of the analysis
- The logic of the argument
- The depth and appropriateness of the research
- The quality of presentation of the information

The case study is graded out of 40. (The main outline counts 10). The breakdown is as follows:

A: an exceptional piece of work 35-40
B: a reasonably good effort 30-34
C: a good idea done poorly or a poor idea done valiantly 25-29
D: a sloppy piece of work 20-24
F: a very bad piece of work 0-19

A’s are rare, but they do occur. Happily D’s and F’s have been also rare – probably
because people who did no work drop out before the end. (The attrition rate is high.) I am happy to be surprised by more A’s; not happy to be surprised by more D’s and F’s.

IMPORTANT CASE STUDY DATES:

- Friday, September 20 between 11:00 and 5:00 PM: Case study topic registration.
- Thursday, October 3 by 5:00 PM: Preliminary outlines due.
- Thursday, Oct. 31, by 5:00 PM: Extended outlines due.
- Thursday, November 21 by 5:00 PM: Final Case Study due.

SEE CHECKLIST BELOW
ECONOMICS 154-316A: CASE STUDY CHECKLIST
TO BE COMPLETED AND SUBMITTED WITH THE CASE STUDY

NAME: ____________________________ STUDENT NO. ____________

1. The topic was cleared with Prof. Naylor
   If Yes, when? Yes No

2. Did you change topics between the first and second outlines?
   If yes, when? Yes No

3. The final outline (attached) received satisfactory standing?
   If No, what steps were taken to improve it? Yes No

4 A draft of the case study was read by:
   Another Student? Yes No
   The TA? Yes No

If one or other answer is NO, explain why.

5. The draft submitted has been checked for the following:

   a. The introduction states succinctly the objective Yes No
   b. The conclusion states the broader social and
      policy conclusions Yes No
   c. Where appropriate the analysis follows both goods
      and services supplied and the flow of payments made Yes No
   d. The text is free from spelling and
      grammar errors Yes No
   e. The main text does not exceed FIVE pages, double-
      spaced with a 12 point font Yes No
   f. Analytical and methodological appendices are
      included Yes No
   g. Major sources (photocopies etc.) are appended Yes No
   h. Sources of internet material are specified, by date, number of hits
      and reason for choices of particular items Yes No

If the answer to any of the above is No, why not?