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Corruption and Productivity: Firm-level Evidence

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JEL O14; P37

Corruption; productivity; Central and Eastern Europe; CIS.

Summary

Using enterprise data for the economies of Central and Eastern Europe and the CIS, this study examines the effects of corruption on productivity. Corruption is narrowly defined as the occurrence of informal payments to government officials to ease the day-to-day operation of firms. The effects of this “bribe tax” on productivity are compared to the consequences of red tape, which may be understood as imposing a “time tax” on firms. When testing effects in the full sample, only the bribe tax appears to have a negative impact on firm-level productivity, while the effect of the time tax is insignificant. We also find that the surrounding environment influences the way in which firm behaviour affects firm performance. In particular, in countries where corruption is more prevalent and the legal framework is weaker, bribery is more harmful for firm-level productivity.

Bribing Behaviour and Sample Selection: Evidence from Post-Socialist Countries and Western Europe

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JEL C13; D73; P2

Bribing; sample selection; transition economies.

Summary

We study the individual-level determinants of bribing public officials. Particular attention is paid to the issue of respondents' non-random selection into contact with public officials, which may result in biased estimates. Data come from the 2010 Life in Transition Survey, covering 30 post-socialist and five Western European countries. The results suggest that the elderly tend to be less likely to bribe public officials, while people with higher income and, especially, low trust in public institutions are more likely to bribe. Several determinants of bribery – ethnic minority status, the degree of urbanisation, social trust – are context specific, i.e. they change signs or are statistically significant according to the geographical region or the type of public official. The results show that not accounting for sample selection effects may produce a bias in estimated coefficients.

Determinants of Willingness to Bribe: Micro Evidence from the Educational Sector in China

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JEL D73; D03; P26

Corruption; bribery; China; university admissions; university examinations; expressive behavior.

Summary

We use a unique dataset based on reported direct personal bribes paid by arts students in China at examinations and in the college admissions process to study willingness to bribe. We find that individual willingness to bribe depends on personal characteristics rather than on the attributes of the admissions process at different colleges and universities. The perceived level of corruption, personal attitudes towards corruption, academic attainment, and the rank of a college are significant predictors of bribery. Based on self-reporting, students from middle-income families have a higher likelihood of engaging in bribery than students from poor or rich families. There are no significant gender differences in bribing behavior. We acknowledge and seek to account for the possibility of identity-confirming expressive behavior in the survey responses.

Religious Loyalty and Acceptance of Corruption

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JEL A1; D0; D1; D7; K4; Z1

Religion; corruption; institutions; preferences.

Summary

This study investigates the relationship between religiously-induced internalized values of individuals and their specific attitudes regarding the acceptance of corruption. The dataset on which our study is based was collected by the World Values Survey from 141,326 individuals in 78 countries surveyed during a period of 13 years. We propose that individual attitudes towards corruption and religion are associated given certain societal and institutional contexts. Our results show that although there is a negative and statistically significant effect of religiosity on the acceptance of corruption on the individual level, this effect is small. We find that there is a threshold value of religiosity below which corruption is more easily accepted by individuals. Our interpretation for this result is simple: individuals with minimal religiosity are generally less constrained by religious norms; specifically, religious norms that are opposed to corruption are less binding on these individuals, resulting in them having a greater propensity to accept corruption. Religiosity, therefore, does lower the acceptance of corruption only when it exceeds a certain threshold for a specific individual.

Group Decision Making in a Corruption Experiment: China and Germany Compared

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JEL C91; C92; D73

China; corruption; experiment; group decisions.

Summary

Much hope is put into the “four eyes principle” as an anti corruption device in many countries. However, as recent cases have shown, entire groups of decision makers can be corrupt as well. This paper reports on an experimental investigation of individual versus group decision making in a corruption experiment.

We find that the group decisions, as compared to individual decisions, lead to a higher level of corruption, for bribers and for bribees, and in China as well as in Germany. Only German women are less corrupt in a group decision context than when deciding individually.

Further differences between Germany and China with respect to the effect of the teams’ gender composition were found. In Germany, groups that consist only of females are the most honest and the male groups are the most corrupt, whereas in China the groups with mixed gender combination have shown a higher inclination to make corrupt decisions than the groups that are homogenous with respect to gender.

Mitigating Extortive Corruption? Experimental Evidence

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JEL C91; D02; D73; K42

Extortive corruption; petty corruption; laboratory experiment; reciprocity, fear of retaliation; endogenous monitoring; bottom-up approach; sanctions vs. rewards.

Summary

Extortive petty corruption takes place when a public official elicits small bribes from citizens for providing public services that the citizens are legally entitled to receive. We implement a novel experimental design that mimics this phenomenon and explores bottom-up approaches for its mitigation. In different setups we examine how monitoring by citizens affects public official's tendency to demand bribes and whether citizens are more willing to engage in monitoring if they can recommend rather than report. Our results are mixed. Recommendations seem to perform better in environments with personal and repeated interactions, where reports might cause discontent and further disadvantaged treatment by public officials. In contrast, reports and the sanctions these potentially cause are more likely to deter public officials from extortive behavior in settings similar to the stranger matching protocol. Regarding citizen's monitoring involvement, we find a strong preference for recommendations over reports, even among stranger matching treatments. Moreover, independent of the matching protocol and the endogenous monitoring mechanism, we find that agents in both roles are sensitive to monitoring and detection rate variations: public officials in their decision to demand a bribe and citizens in their decision to monitor.