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Engaging in corruption: The influence of cultural values and contagion effects at the microlevel

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ABSTRACT

Previous empirical work on corruption has generally been cross-country in nature and focused on utilizing country-level corruption ratings. By using micro-level data for over 20 European countries that directly measure individual characteristics, corruption experiences, gender roles, trust and values to examine the determinants of corruption, this paper goes beyond the search for associations between various macro factors and perceptions of corruption that is prevalent in the economic literature. One focus of the paper is on how cultural norms such as gender roles and risk preferences influence corruption and whether there are gender differences in the determinants of corruption. In addition, this paper also seeks to determine if there are contagion effects in corruption at the microlevel. Using a seemingly unrelated probit approach, this paper provides empirical estimates of how past experiences with corruption affects both how bribery is viewed and the actual act of offering a bribe.

1. Introduction

Corruption is a prevalent worldwide problem that has existed across various cultures for centuries. At present, the extent of the problem worldwide is so substantial that the General Assembly of the United Nations in 2003 decided to designate 9 December as 'International Anti-Corruption Day' in order to raise the awareness of corruption and help reduce its incidence. Economists often define corruption as the 'misuse of public office for private gain' (Svensson, 2005) or the 'breaking of a rule by a bureaucrat (or an elected official) for private gain' (Banerjee, Mullainathan, & Hanna, 2012). In this paper, we focus on bribery, just one crude and specific form of corruption. In particular, we look at three bribery outcomes: offering a bribe, accepting a bribe and the overall tolerance of bribe giving and accepting. According to the World Bank Institute, more than one trillion dollars were paid in bribes based on 2001–2002 economic data.

A primary challenge facing empirical research on corruption is one of measurement. As perceived corruption ratings at the country level produced by Transparency International (TI), the World Bank (WB), and the business consultancy Political Risk Services, which publishes the International Country Risk Guide (ICRG) are easily available, until recently, the dominant approach to addressing corruption in the empirical approach has been to estimate some form of a cross-country regression. For example, since Mauro (1995) highlighted the link between corruption and economic growth, many studies in economics have focused on examining the macro effects of corruption and why some countries' governments were perceived to be more

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corrupt than others. Lambsdorff (2006) and Treisman (2007) provide useful overviews of this vast literature. In general, the literature has found that perceived corruption is lower in developed economies with established liberal democracies (e.g., Treisman, 2000), fiscal decentralization (e.g., Fisman & Gatti, 2002), with a free and widely read press (e.g., Brunetti & Weder, 2003), a high share of women in government (e.g., Dollar, Fisman, & Gatti, 2001; Swamy, Knack, Lee, & Azfar, 2001) and a history of openness to trade (e.g., Treisman, 2000).

More recently, doubts have surfaced regarding the reliability of these aggregate perception indices; several researchers have found that perceived corruption does not correlate highly with citizens' actual experiences with corruption based on micro-surveys of individuals. For example, Svensson (2005) found that in regressions using the incidence of bribes as the dependent variable that the coefficient on log GDP per capita is highly significant while the corruption indicators are insignificantly different from zero. Razafindrakoto and Roubaud (2010) combine population and expert opinion surveys in a mirror survey in eight sub-Saharan African countries and find that experts do not provide a good gauge of the real level of petty bureaucratic corruption and instead tend to systematically overestimate the extent of corruption. Olken (2009) finds using Indonesian data that the magnitude of the correlation between reported corruption perceptions and actual missing expenditures in the project is small. According to Treisman (2007), it is possible that the experience-based measures are noisier and less reliable or are measuring a different phenomenon, capturing not observations of the frequency of corruption but inferences made by experts and survey respondents on the basis of conventional understandings of corruption's causes.

With the availability of micro-level surveys that feature questions on offering or accepting bribes and on the acceptability or justifiability of various dishonest or illegal behaviors, several researchers have turned to using survey data to examining cross-country differences in corruption. For example, in analyzing gender differences in corruption, Swamy et al. (2001) use the response to the statement "someone accepting a bribe in the course of their duties" from the World Values Survey as their main measure of corruption. This measure is scored on a 1–10 scale where 1 indicates that the behavior can "never be justified" and 10 indicates that the behavior can "always be justified." Similarly, in their analysis of whether corruption is influenced by the perceived activities of others, Dong, Dulleck, and Torgler (2012) use the justifiability of corruption from the European Values Survey and the World Values Survey as their measure of corruption.

This paper aims to make two contributions to the economics literature on corruption. The first contribution of the paper is that it uses micro-level data to focus on two specific issues that may have an impact on one's attitudes towards corruption – risk tolerance and gender roles. The second contribution of this paper is based on exploiting the fact that there are likely to be common unobservable factors affecting the probability of being asked for a bribe, the probability of offering a bribe, and one's view on the justifiability of bribery. By accounting for any intrinsic correlations across the three bribery outcomes and exploiting the time ordering of information contained in these questions, we are able to compute various conditional probabilities of interest. By taking the differences in relevant predicted probabilities, we will be able to generate "treatment effects" to gain insights on, for example, how past experiences with bribery have an effect one's current views on bribery. To our knowledge, this is the first empirical paper in the economics literature on corruption to examine the impact of past corruption.

2. What do aggregate corruption perception indices measure?

In this section, we first examine more closely how the three bribery measures are related to several of the widely used aggregate corruption perception indices.[1] The main purpose of doing so is to better understand the overlap between our survey-based measures collected at the individual level and the aggregate indices and to determine if they are measuring the same underlying constructs. This will help relate our work to the large corruption literature in economics that is based on these aggregate indices.

The simple correlations between the country averages from each data set and each of the aggregate corruption indices (TI, WB, and ICRG) are then presented in Table 1. The correlations are based on matching the year of the survey to the closest available year of the aggregate corruption index. In general, the correlations between bribe justification and the aggregate corruption indices are quite low, with values ranging from 0.1 to 0.4. This is fairly consistent across the different datasets. On the other hand, the aggregate corruption indices are quite highly correlated with the country averages in the case of two other bribery outcomes – asked for a bribe and perceived overall corruption – with correlations generally in the 0.7–0.8 range. The correlations depicted in the first two rows of Table 1 corroborate that reported in Mocan (2008). Turning to the only available country-level measure of whether a bribe is offered that we are aware of (created based on survey data in round 2 of the European Social Survey), we can see that this measure of corruption is highly correlated with all three aggregate corruption indices, having a correlation of 0.832 with the TI index, 0.773 with the WB index and 0.713 with the ICRG index. In summary, we find that the aggregate corruption indices and the hypothetical question on bribe justification measure rather different constructs. The indices, however, display strong associations with survey based questions on having been asked for a bribe and offered a bribe in the past five years.

[1] These aggregate indices on their own have been shown by various researchers to be highly correlated with each other with correlation coefficients larger than 0.8 (e.g., see Treisman, 2007).