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Women and corruption: What positions must they hold to make a difference?[☆]

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ABSTRACT

This paper examines in what roles women have an impact on corruption by focusing on female labor force participation and their presence in the parliament. Since much of the corruption literature is plagued either by the lack of instruments or weak instruments, this paper makes a methodological contribution by drawing inferences based on Moreira's (2003) conditional likelihood ratio approach. We provide robust evidence that women's presence in parliament has a causal and negative impact on corruption while other measures of female participation in economic activities are shown to have no effect. Further, this negative relationship between women's presence in government and corruption is also found to hold in a regional analysis of 17 European countries alleviating concerns that the relationship is driven by unobservable country-fixed characteristics. Finally, we show that this relationship does not disappear when women gain similarity in social status.

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1. Introduction

Corruption remains an important issue both in developed and developing economies because of its negative impact on economic and development outcomes.¹ Little over a decade ago, a gender dimension was added to this topic through two classic papers by [Swamy et al. \(2001\)](#) and [Dollar et al. \(2001\)](#), both drawing on the notion that women possibly behave differently from men in many economic circumstances.² The latter study found a negative correlation between women's presence in parliament and corruption, while the former reported lower corruption to be correlated with both women's

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¹ For instance, a higher level of corruption is associated with lower levels of investments and GDP per capita ([Mauro, 1995](#); [World Bank, 2001](#)) and greater inequality and poverty ([Gupta et al., 2002](#)).

² A number of studies support this hypothesis (see [Eckel and Grossman, 1998](#) and references therein).

presence in the labor force as well as in parliament using cross-country analysis. Subsequently, however, a number of studies have voiced concerns that this observed negative association between gender and corruption was not causal and likely driven by the omission of other factors that might be correlated with women's participation and/or corruption in a country. In this paper, we address the concerns raised in this literature by *first* looking for a causal relationship between gender and corruption using instrumental variable (IV) analysis and *second* by taking a more nuanced approach to this problem by identifying different economic roles women can take vis-a-vis corruption and investigating the impact of each on corruption.

We start by pointing out that the term "labor force" used in the earlier studies is a very broad measure and does not make clear how women affect corruption. For example, women may affect corruption if they are less corrupt and accept fewer bribes than men. Alternatively, women can affect corruption when they are in positions of power by designing and implementing stringent anti-corruption laws within their organizations or enforcing the existing laws better.³ Since female participation in the labor force consists of women in both the roles—the bribe-taking role as well as the decision-making role, it is important to distinguish which of these roles (or a combination of the two) is associated with lower corruption. In order to capture these roles, we introduce two additional measures of female participation in economic activities: (i) the share of women in clerical positions, and (ii) the share of women as legislators and managers. While the first measure indicates the presence of women in potential bribe-taking positions, the second measure indicates their presence in decision-making positions. Finally, in keeping with the earlier literature, we refine the measure of positions of power to only consider policy-making positions, and examine the relationship between the share of women in parliament and corruption. The investigation of the relationship between these four different measures of female involvement and corruption enables us to identify the role in which women are able to effectively reduce corruption. The use of two new measures of women's participation in economic and political activities helps refine our understanding of the gender-corruption relationship and allows us to draw conclusions about hypotheses that have not been examined earlier.

A possible reason behind the lack of studies identifying a causal relationship between gender and corruption across countries could be the fact that a panel study on corruption is not possible due to the invariability of corruption indices over time, and finding valid and strong instruments is a daunting task. Moreover, the determinants of women's presence in different occupations are likely to be different, and hence, an instrument that works well for women's presence in one occupation need not work well for their presence in other occupations giving rise to the need of finding multiple instruments. In an attempt to establish causality, we take up this challenge by looking at some of the recent studies that discover historical and linguistic determinants of women's presence in different occupations. We identify potential instruments that have predictive powers for women's presence in different positions, but give little reason to expect a direct effect of these variables on corruption. Moreover, to rule out possible violations of the exclusion restriction, we experiment with multiple instruments to explore the causal relationship between the share of women in parliament and corruption. There are two important advantages of such an approach: First, using multiple instruments for one endogenous variable allows us to check (at least statistically) for the validity of our instruments conditional on at least one of the instruments being valid. Second and more importantly, as pointed out by Murray (2006a, page 119), if the results using different instruments are significantly different, then the validity of the instruments is questionable. On the other hand, the instruments are reliable if the parameter estimates, using different instruments, are comparable with the same interpretation of the data. We find that our results are similar regardless of the instruments used, making our instruments reliable and suggesting that our results are not driven by the omission of some unobserved factors.

A final concern may be that our findings of women's presence in politics and its effect on corruption is driven by the omission of country-specific fixed factors. To address this concern, we use the data from 155 regions from 17 European countries. We find that there is a negative association between women's share in the local government and corruption even after the inclusion of country dummies.

The next question that this paper addresses is regarding the *persistence* of the observed association between gender representation and corruption. It has been argued that women are not actually less corrupt, and the observed association between different measures of female participation and corruption may be driven by gender differences in the social status limiting women's access to corruption.⁴ To the best of our knowledge, this paper is the first to investigate this hypothesis in a cross-country setting. The argument is that over time as women start to acquire the same status as men, they will have better access to corruption technology and networks. Consequently, the negative relationship observed by previous studies may no longer be valid making this a timely reinvestigation with updated data.

Our main results are as follows. The role in which women have an impact on corruption is through their presence in politics. Using an IV approach we show that this relationship is robust and causal. Moreover, our findings hold at both

³ Yet another possibility is that a greater representation of women in public life may be negatively correlated with corruption even if women are not less corrupt and/or are not a direct driving force behind anti-corruption initiatives. This is plausible because of at least two reasons. First, women are found to be more opportunistic and less reciprocal in corrupt transactions (Frank et al., 2011) making potential bribe-givers less likely to engage in corrupt transactions with them. Second, female politicians tend to have different policy preferences than men (see, for instance, Chattopadhyay and Duflo, 2004) and these policies may potentially be correlated with corruption. We elaborate on these issues in detail in the conclusion.

⁴ Swamy et al. (2001) clarify "... we do not claim to have discovered some essential, permanent or biologically determined differences between men and women. Indeed, the gender differences we observe may be attributable to socialization, or to differences in networks of corruption, or in knowledge of how to engage in corrupt practices, or to other factors."

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