

CORRUPTION



Incentives of enforcement officials

- Budget allocation
- Career concerns and awards
- Procedural rules and incentives

Budget allocations

- Ater, I., Givati, Y., & Rigbi, O. (2014). Organizational structure, police activity and crime. *Journal of Public Economics*. 115. 62-71.

We examine the consequences of an organizational reform in Israel that transferred the responsibility for housing arrestees from the Police to the Prison Authority. Using the staggered introduction of the reform in different regions of the country, we document strong evidence that this organizational change led to an increase of 11 percent in the number of arrests and to a decrease of 4 percent in the number of reported crimes, with these effects concentrated in more minor crimes. The reform also led to a decrease in the quality of arrests, measured by the likelihood of being charged following an arrest. These findings are consistent with the idea that the reform externalized the cost of housing arrestees from the Police's perspective, and therefore led the Police to increase its activity against crime.

Budget allocations

- Mast, B. D., Benson, B. L., & Rasmussen, D. W. (2000). Entrepreneurial police and drug enforcement policy. *Public Choice*.

Your property can be taken by the police —and it's guilty until you prove it innocent.

Abstract. The hypothesis that drug enforcement is relatively high in local jurisdictions where state laws dictate that police retain seized assets is tested in the context of a reduced-form equation of the supply and demand for drug enforcement. The results are robust across model specifications, some of which directly control for the level of drug use: legislation permitting police to keep seized assets raises drug arrests as a portion of total arrests by about 20 percent and drug arrest rates by about 18 percent. Police bureaucrats apparently desire discretionary budget increases, and they have considerable discretion in determining resource allocation.

Career concerns and awards

- Incentivizing the police to work
- Multi-dimensional, difficult-to-measure output
- Measurable indicators (narrow, proxies for output or input)

Audit studies

- Svensson, J. and Ritva Reinika: Local capture: Evidence from a central government transfer program in Uganda, *Quarterly Journal of Economics*, Vol. 119 (2), 2004: 678-704.
- Ferraz, C., & Finan, F. (2011). Electoral accountability and corruption: Evidence from the audits of local governments. *The American Economic Review*, 101(4), 1274-1311.

Data-pattern studies (forensic economics)

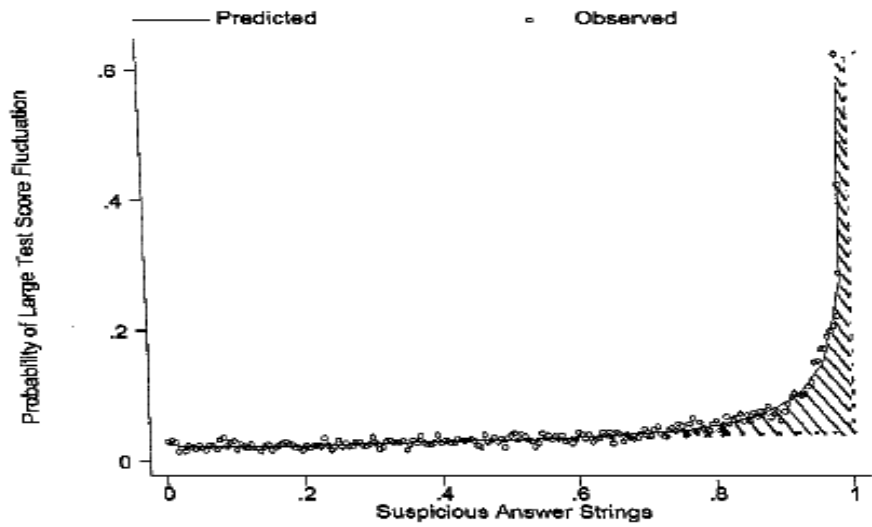
- **Jacob, B. A. and S.D. Levitt: Rotten Apples: An Investigation of the Prevalence and Predictors of Teacher Cheating. *Quarterly Journal of Economics*, Vol. 118 (3), 2003: 843-877.**
- Pertold, Filip, and Ján Palguta. "Manipulation of Procurement Contracts: Evidence from the Introduction of Discretionary Thresholds." forthcoming, *American Economic Journal: Economic Policy* 2016.
- Wolfers, J., 2006. Point shaving: Corruption in NCAA basketball. *American Economic Review*, 96(2), pp.279-283.

Average Test Scores

Typical Classroom

34AABAD12CBDD3D4C1CA112CAD2CCD000000000000000	3.8	5.6	6.4
D33A3431A2B2D2D44B2ACD2CAD2C2223B400000000000	4.6	4.9	5.8
DB3A431422BD131B4413CD4221A1CDA332342D3AB4C4	4.0	5.1	5.1
D1AA1A11ACB2D3DBC1CA22C23242C3A142B3ADB243C1	4.6	5.9	5.3
D42A12D2A4B1D32B21CA2312A3411D000000000000000	4.5	3.8	6.4
3B2A34344C32D21B1123CDC000000000000000000000	3.3	2.8	5.1
23AA32D2A1BD2431141342C13D212D233C34A3B3B000	3.3	4.4	4.9
D32234D4A1BDD23B242A22C2A1A1CDA2B1BAA33A0000	5.1	5.6	5.9
D3AAB23C4CBDDADE23C322C2A222223232B443B24BC3	4.7	5.6	7.0
D13A14313C31D42B14C421C42332CD2242B3433A3343	2.2	3.8	4.9
D13A3AD122B1DA2B11242DC1A3A12100000000000000	4.5	4.1	5.9
D12A3AD1A13D23D3CB2A21CCADA24D2131B440000000	3.6	5.3	5.9
314A133C4CBD142141CA424CAD34C122413223BA4B40	3.3	4.7	4.4
D42A3ADCACBDEADBC42AC2C2ADA2CDA341BAA3B24321	5.6	6.9	8.5
DBAA34DC2CB2DADB24C412C1ADA2C3A341BA20000000	5.0	5.9	7.0
D1341431ACBDDAD3C4C213412DA22D3D1132A1344B1B	3.8	5.3	5.3
1BA41A21A1B2DADB24CA22C1ADA2CD32413200000000	4.3	5.3	6.8
DBAA33D2A2BDDADB CBCA11C2A2ACDA1B2BA20000000	4.5	6.8	7.9
	4.2	5.1	6.0

Student Answer Strings (each row represents one student's answers)	Student Test Scores		
	Year t-1	Year t	Year t+1
Suspected Cheating Classroom			
112A4A342CB214D0001ACD24A3A12DADBCB4A00000000	1.9	5.3	4.4
1B2A34D4AC42D23B141ACD24A3A12DADBCB4A2134141	4.3	5.6	4.3
DB2ABAD1ACBDDA212B1ACD24A3A12DADBCB4000000000	3.0	6.5	5.1
1142340C2CBDDADB4B1ACD24A3A12DADBCB43D133BC4	3.6	6.3	4.9
D43A3A24ACB1D32B412ACD24A3A12DADBCB422143BC0	5.2	5.9	4.9
D43AB4D1AC3DD43421240D24A3A12DADBCB4000000000	4.8	5.3	3.6
DBA2BA21AC3D2AD3C4C4CD40A3A12DADBCB4000000000	1.9	6.1	3.6
DBAA4ADC4CBD24DBCB2A1110A3A12DADBCB4000000000	3.3	6.3	6.2
144A3ADC4CBDDADBCB2C2C2CC43A12DADBCB4211AB343	3.0	6.8	4.9
D43ABA3CACBDDADBCB42C2A3212DADBCB42344B3CB	4.8	7.1	6.6
214AB4DC4CBDD31B1B2213C4AD412DADBCB4ADB000000	3.6	6.1	4.3
313A3AD1AC3D2A23431223C0000012DADBCB4000000000	3.8	4.7	5.1
D4AAB2124CBDDADBCB1A42CCA3412DADBCB423134BC1	5.5	6.6	7.7
3B3AB4D14C3D2AD4CBCAC1C003A12DADBCB4ADB400000	3.0	6.5	6.6
DBAAB3DCACB1DADBC42AC2CC31012DADBCB4ADB400000	3.8	7.1	5.6
DB223A24ACB11A3B24CACD12A241CDADBCB4ADB4B300	4.9	6.5	5.8
D122BA2CACBD1A13211A2D02A2412D0DBCB4ADB4B3C0	3.6	6.1	6.2
1423B4D4A23D24131413234123A243A2413A21441343	4.9	2.5	5.6
DB4ABADCACB1DAD3141AC212A3A1C3A144BA2DB41B43	5.9	6.5	7.7
DB2A33DCACBD32D313C21142323CC300000000000000000	3.8	4.4	5.6
1B33B4D4A2B1DADBC3CA22C000000000000000000000000	5.0	4.4	7.2
D12443D43232D32323C213C22D2C23234C332DB4B300	3.3	3.8	3.6
D4A2341CACBDDAD3142A2344A2AC23421C00ADB4B3CB	6.4	5.9	6.2
	4.1	5.8	5.5



ESTIMATED PREVALENCE OF TEACHER CHEATING

Cutoff for suspicious answer strings (ANSWERS)	Cutoff for test score fluctuations (SCORE):		
	80th percentile	90th percentile	95th percentile
	<i>Percent cheating on a particular test</i>		
80th percentile	2.1	2.1	1.8
90th percentile	1.8	1.8	1.5
95th percentile	1.3	1.3	1.1
	<i>Percent cheating on at least one of the four tests given</i>		
80th percentile	4.5	5.6	5.3
90th percentile	4.2	4.9	4.4
95th percentile	3.5	3.8	3.4

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Anticipated Value Density Distribution around the Procurement Threshold

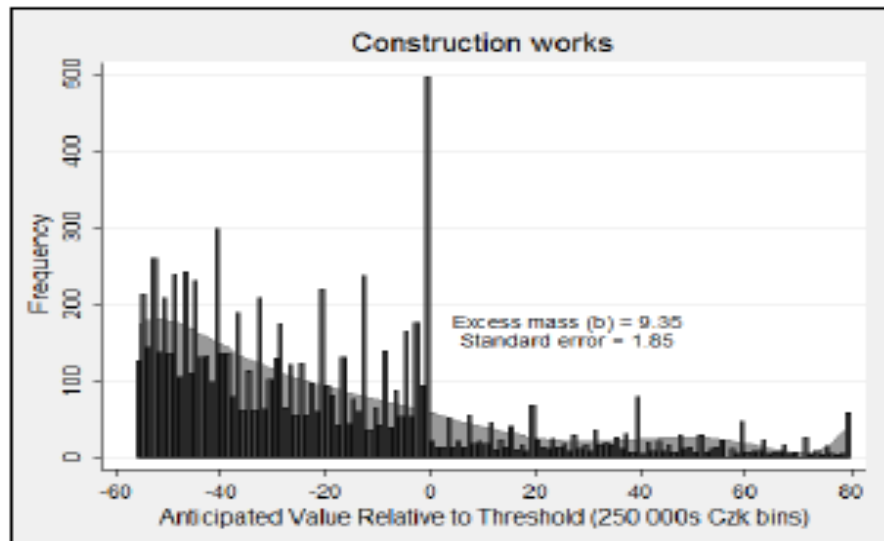
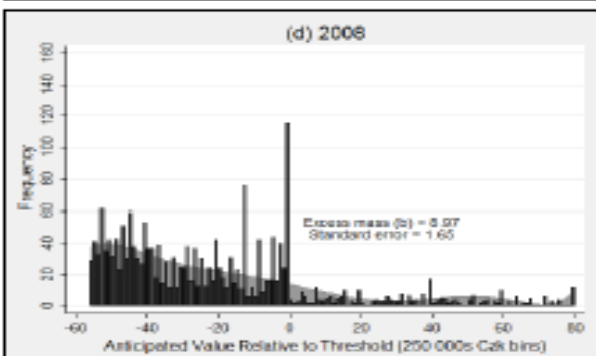
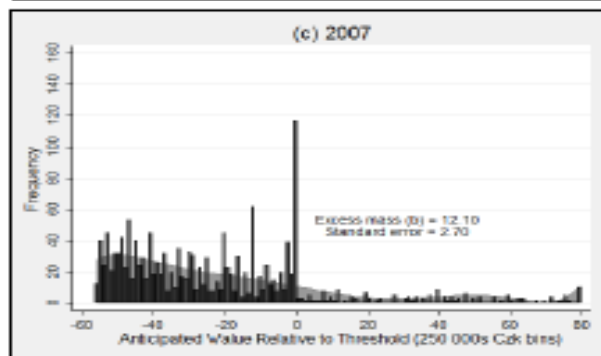
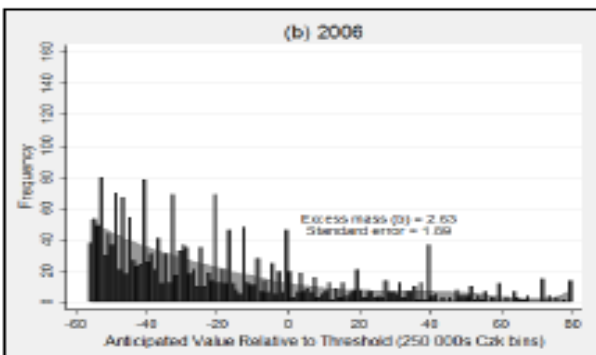
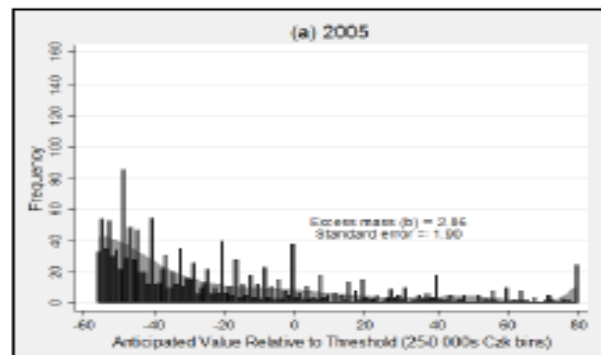


Figure 1 shows the distribution of the anticipated value of procurements around the threshold for simplified negotiations (re-centered to 0) for construction works. The series shown in bars is a histogram of the anticipated value of construction works, relative to the threshold. Each bar shows the number of observations in CZK 250,000 bins. The solid distribution beneath the

Anticipated Value Distributions around Procurement Thresholds, by Year



Distinguishing Thresholds in Public Procurement from Inflation

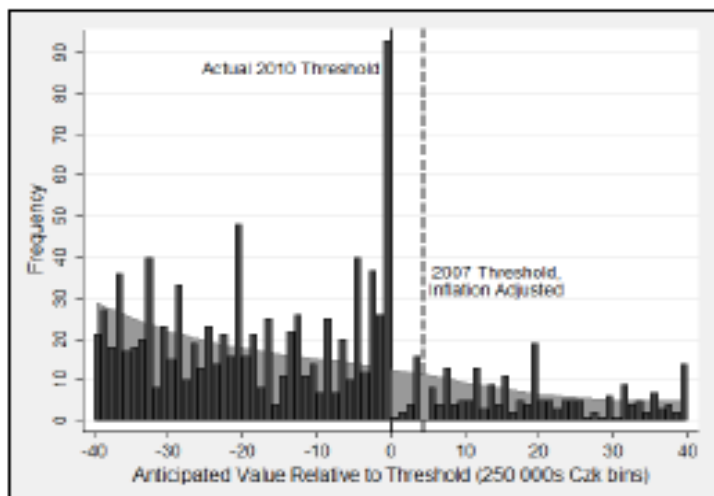
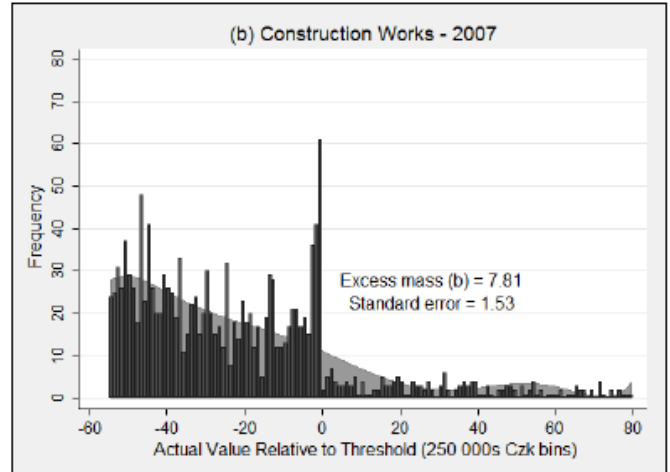
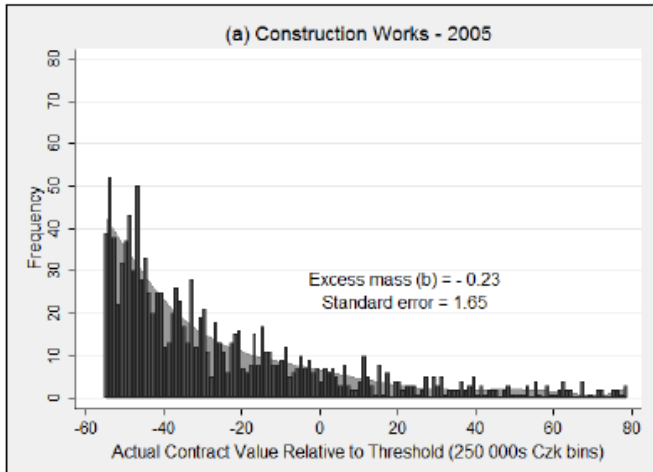


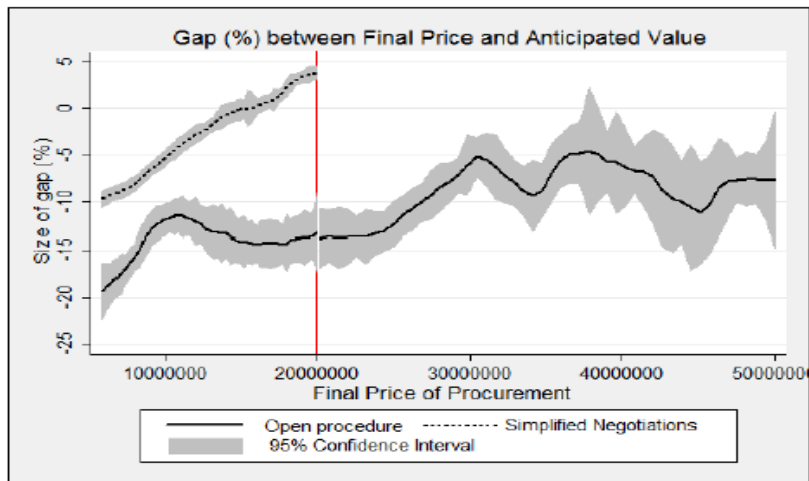
Figure 5 replicates the distribution of the anticipated value of procurements from Figure 3(f), zooming in around the threshold for simplified negotiations. The location of the threshold in

FIGURE 8

Density Distribution of the Final Price of Procurements around the Threshold, by Years

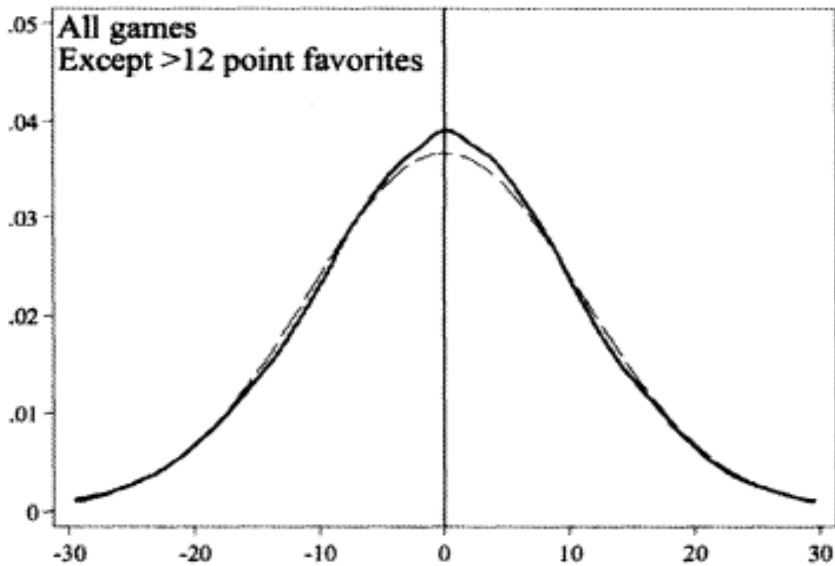


Price Difference between the Final Price and Anticipated Value, by Procurement Procedure

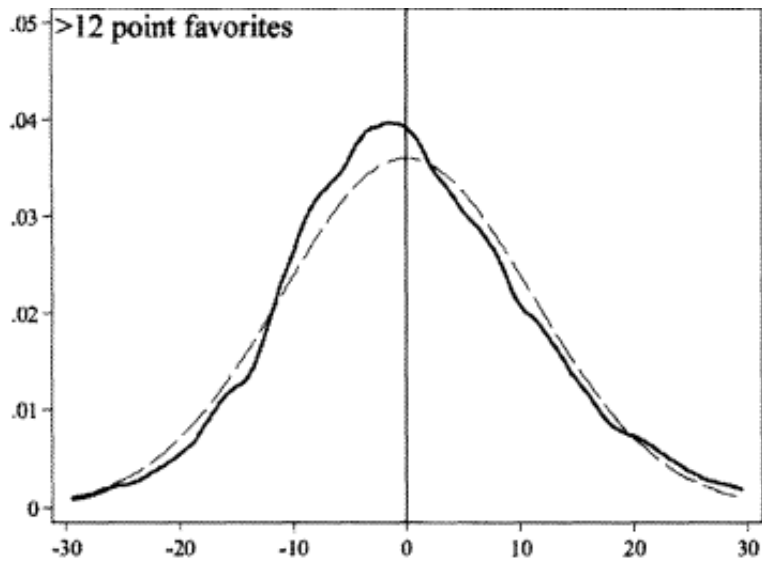


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winning margin, relative to spread



winning margin, relative to spread

Research may curb corruption?

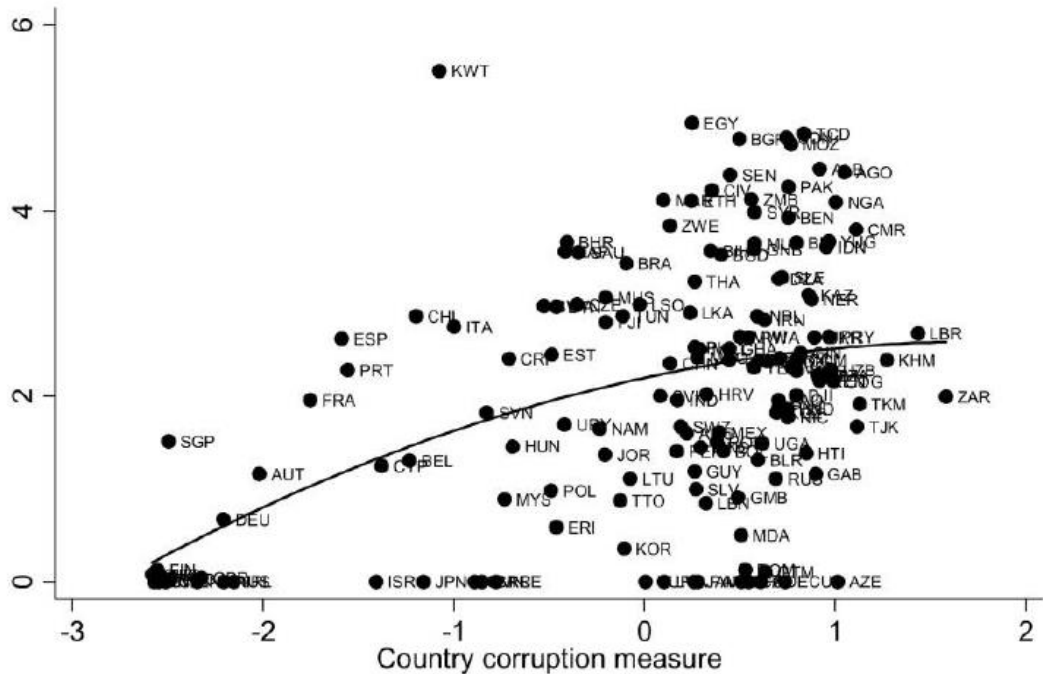
- Duggan, M. and Levitt, S.D., 2002. Winning Isn't Everything: Corruption in Sumo Wrestling. *American Economic Review*, 92(5), pp.1594-1605.
- Dietl, H.M., Lang, M. and Werner, S., 2010. Corruption in professional sumo: An update on the study of Duggan and Levitt. *Journal of sports economics*, 11(4), pp.383-396.

Key points

- Two approaches to detecting corruption, their pros and cons:
 - Audit studies
 - Data pattern (forensic) studies
- Corrupt behavior leaves different traces of data than honest behavior
- People are more corrupt if the gain to doing so is higher
- Two measures that curb corruption:
 - Transparency
 - Accountability

Culture and corruption

- Fisman, R. and Miguel, E., 2007. Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets. *Journal of Political Economy*, 115(6), pp.1020-1048.



● NYC Violations/Diplomat (logs) — Fitted values

COUNTRY CHARACTERISTICS AND UNPAID NEW YORK CITY PARKING VIOLATIONS,
NOVEMBER 1997 TO NOVEMBER 2005

	DEPENDENT VARIABLE: UNPAID PARKING VIOLATIONS				
	(1)	(2)	(3)	(4)	(5)
Country corruption index, 1998	.48*** (.18)	.57*** (.22)	.57*** (.21)	.56** (.28)	.57* (.30)
Postenforcement period indicator (post-11/2002)	-4.41*** (.21)	-4.41*** (.21)	-4.21*** (.13)	-4.43*** (.20)	-4.41*** (.21)
Country corruption index × postenforcement period					-.01 (.28)
Diplomats	.05** (.02)	.04** (.02)	.05*** (.02)	.05** (.02)	.04** (.02)
Log per capita income (1998 US\$)		.06 (.14)	.09 (.14)	64.2* (36.9)	.06 (.14)
Africa region indicator variable			2.86*** (.48)		
Asia region indicator variable			1.99*** (.50)		
Europe region indicator variable			2.24*** (.55)		

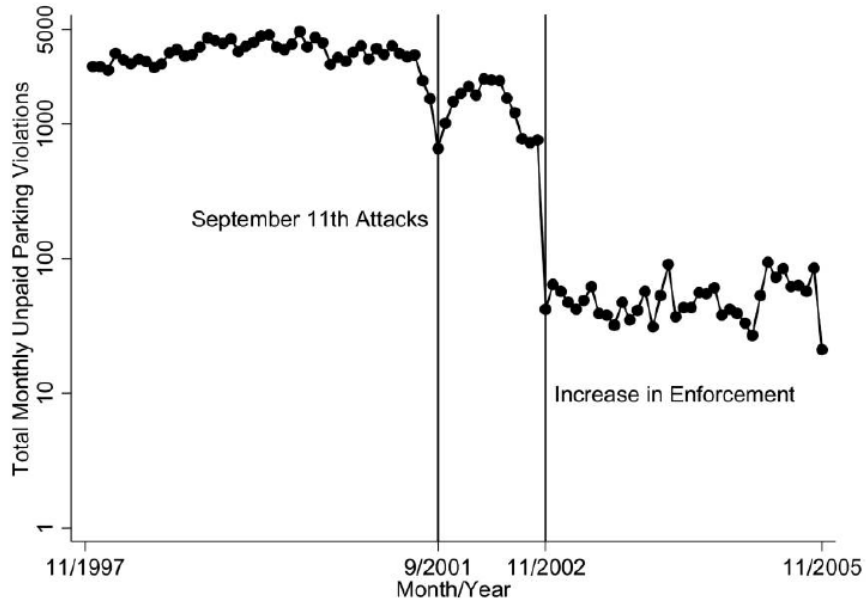


FIG. 1.—Total monthly New York City parking violations by diplomats, 1997–2005 (vertical axis on log scale).

Summary

- Public official motives
- Definition of corruption
- Corruption studies
 - Audit studies
 - Data pattern studies
- Data about corruption cases
- Corruption and culture



EVROPSKÁ UNIE
Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání



Národohospodářská fakulta VŠE v Praze



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