

# Do Happy People Bribe Less?

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# Motivation



Society and media frequently condemn bribe-taking and bribe-giving behavior. Yet, such behavior exists and is often tolerated.

For instance, a European Commission survey in 2013 found 28% of respondents in Romania and 21% in Lithuania had made informal payments to doctors, compared to an EU average of 5%.

**This paper contributes to a better understanding of the individual factors that explain the bribe-giving behavior in Europe**

# Do Happy People Bribe Less?

- provide causal evidence regarding the effect of life satisfaction on bribing behavior
- compare the effect for post-Soviet countries, new EU member states, and old EU member states

Uncovering that life satisfaction is a predictor of individual bribing behavior

- infers important policy implications
- underscores the external validity of the life satisfaction.

## Theory: Becker'68 "Crime and Punishment"

- the individual incentives behind bribing behavior are based on comparing the expected monetary and non-monetary **benefits** of committing it and the opportunity **costs** of being caught, convicted, and fined
- In case of institutional failures, individual may benefit from bribing behavior if it exceeds opportunity costs, since the probability of punishment is low

# Empirical model

$$\Pr(\textit{bribe}_i = 1) = \Phi(\textit{satis}_i, \mathbf{X}_i, \mathbf{d}) \quad (1)$$

$\mathbf{X}_i$  is a vector of individual socioeconomic characteristics

$\mathbf{d}$  is a vector of country dummies

The inclusion of individual determinants of bribery behavior is based on earlier literature (see Guerrero Rodriguez-Oreggia 2008; Ivlevs and Hinks 2014; Lee and Guven 2013; Mocan 2008. Stepurko et al. 2013).

# Hypotheses

## **H1: Satisfaction affects bribing behavior**

Earlier economic literature underscores life satisfaction as an important predictor of individual behavior.

More satisfied individuals

- save more
- are more successful in labor market and social relations
- have lower intentions to quit the job and to migrate
- more likely to vote for the incumbent parties
- more likely to get married, and are less likely to divorce

References: Guven 2012; Lyubomirsky et al. 2005; Freeman 1978; Clark 2001; Otrachshenko and Popova 2014; Liberini et al. 2014; Frey and Stutzer 2006; Guven et al. 2012

## Hypotheses (cont.)

**H2: There are differences in the effect of satisfaction in post-Soviet countries (FSU), new EU members, and old EU members**

In new EU and FSU, informal payments and gifts are often considered as an expression of gratitude for the provided service (Stepurko et al. 2013), while in Western European (old EU) countries, such behavior is typically considered as a case of petty corruption and bribery.

# Main challenge: Reverse causality

Do happy people less? or Does bribing make people happier?

**Probit estimates are biased and inconsistent** due to the endogeneity problem

## Methods used:

1. IV probit
2. special regressor, a semiparametric approach suggested by Dong and Lewbel (2015)



# Data

## Life in Transition Survey 2010

New EU: Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Serbia, Slovakia, and Slovenia

Former Soviet Union (FSU): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Ukraine, and Uzbekistan

Old EU: Germany, Italy, France, Sweden, and the UK

Dependent variable:

*Did you or any member of your household make an unofficial payment or gift when using these services over the past 12 months?*

Services:

interaction with police, requesting official documents from authorities, interaction with courts for a civil matter, receiving public education, receiving medical treatment in the public health system, and requesting public and social security benefits.

## First results: Western Europe

	Probit	IV Probit	Special regressor
Life satisfaction	-0.022 ***	-0.462 ***	-0.068 *
Willingness to take risks	0.005	0.007 **	0.001
Interpersonal trust	-0.001	0.060 ***	0.009 *
Press independence	-0.009	0.013	0.001
Courts treat equally	-0.0002	0.011	0.001

Marginal effects are reported

Other characteristics: age groups, hhsiz, female, noeduc, seceduc, tereduc, empl, sempl, married, income, ling. minority, urban, metropolitan, health, and dummies for Germany, Sweden, Italy, and UK (France is a default)

St. errors are clustered and robust to heteroskedasticity

## Future steps and discussion

- discussion of results and mechanism for post-Soviet countries, new EU members, and old EU members
- further literature review to justify the choice of instruments
- institutional and interpersonal **trust** are also potentially **endogenous**

Thank you for your attention!

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