

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 provides the empirical evidence on life satisfaction as a driver of the individual bribe-giving behavior in Europe

The Economist

on March 24, 2015:

"For patients, bribes are a "self-help solution" to get the care they need. ... The line between bribes and expressions of gratitude is also blurred, which results in legal ambiguities. Some doctors claim gifts do not count. ... It is not clear whether voters in central and eastern Europe are willing to make the reforms needed to address the root causes of corruption and informal payments"

on August 11, 2011:

"Ivan Krastev, a Bulgarian analyst, says that the real problem with corruption is the complicity it creates. "We end up with shadow networks that make countries ungovernable, or governable by somebody else."

This paper

Research question: Do happy people bribe less?

- we provide the empirical evidence regarding the effect of life satisfaction on bribing behavior
- we 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

- contributes to a better understanding of factors that drive the bribe-giving behavior in Europe
- 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, benefits from giving a bribe may exceed costs, since the probability of punishment is low

Life satisfaction proxies an experienced utility of an individual and accumulates various experiences and feelings of an individual regarding his/her life (Dolan and Kahneman 2008)

Empirical model

$$\begin{aligned} \Pr(\text{bribe}_i = 1) = & \Phi(\beta_0 + \beta_1 \text{satis}_i + \beta_2 \text{female}_i + \beta_3 \text{married}_i + \beta_4 \text{age}_i \\ & + \beta_5 \text{age}_i^2 + \beta_6 \text{seduc}_i + \beta_7 \text{teduc}_i + \beta_8 \text{emp}_i + \beta_9 \text{semp}_i \\ & + \beta_{10} \text{incladder}_i + \beta_{11} \text{urban}_i + \beta_{12} \text{trust}_i + \beta_{13} \text{govp erf}_i \\ & + \beta_{14} \text{minority}_i + \beta_{15} \text{risk}_i + \beta_{16} \text{religious}_i + \mathbf{country}'\gamma) \end{aligned}$$

The inclusion of individual determinants of bribery behavior is based on earlier literature (see Guerrero Rodriguez-Oreggia 2008; Ivlevs and Hinks 2015; Lee and Guven 2013; Mocan 2008; Stepurko et al. 2013; Rotondi and Stanca 2015).

Hypotheses

H1: Life satisfaction affects the 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: Simultaneity

Do happy people bribe less?

or

Does bribing make people happy/not happy?

Methods used:

1. bivariate probit for bribery equation and satisfaction equation
2. seemingly unrelated regression

Both methods indicate the presence of endogeneity between bribery and life satisfaction in an ordinary probit model

Apart from simultaneity, omitted variable problems and measurement errors may lead to the endogeneity problem in our case.

Identification strategy

Historical instruments:

- *whether a respondent / his or her parents / his or her grandparents were physically injured or killed during the Second World War*

Grandparents in the family provide important emotional support to both parents and grandchildren (Botcheva and Feldman 2004; Robertson 1976, among others).

- *whether a respondent / his or her parents / his or her grandparents had to move as a result of the Second World War*

Forced migration has consequences for the well-being of families (Castles 2003; Colic-Peisker 2009, among others)

Data: EBRD Life in Transition Survey 2010

Country representative survey of individual values and experiences

We distinguish 3 groups of countries:

New EU: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, 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

Main variables

Dependent variable:

In your opinion, how often do people like you have to make unofficial payments or gifts in these situations?

[0=Never in all situations; 1=Seldom, sometimes, usually, or always in at least one of the situations]

- using "like you" formulation of the question helps to reduce measurement errors

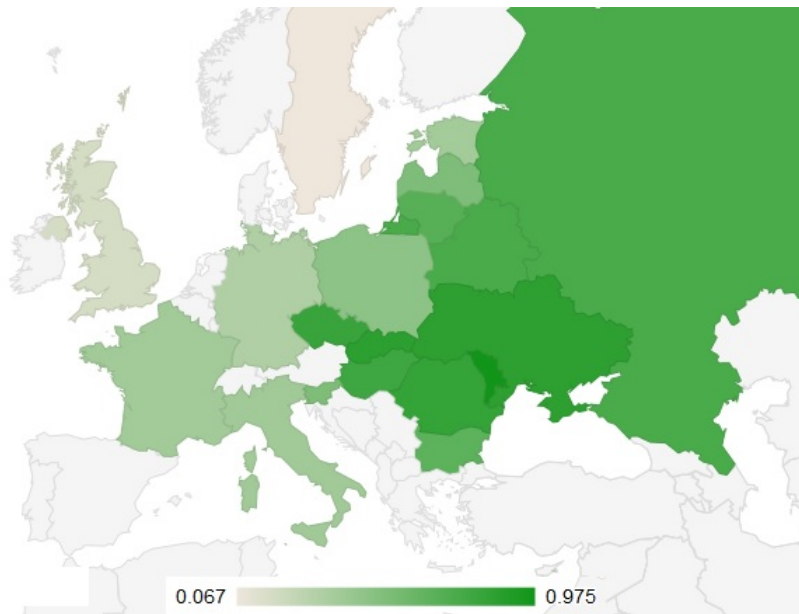
Services: Interaction with police, requesting official documents from authorities, interaction with courts for a civil matter, receiving public education, receiving medical treatment in the public health system, and requesting public and social security benefits.

Main explanatory variable:

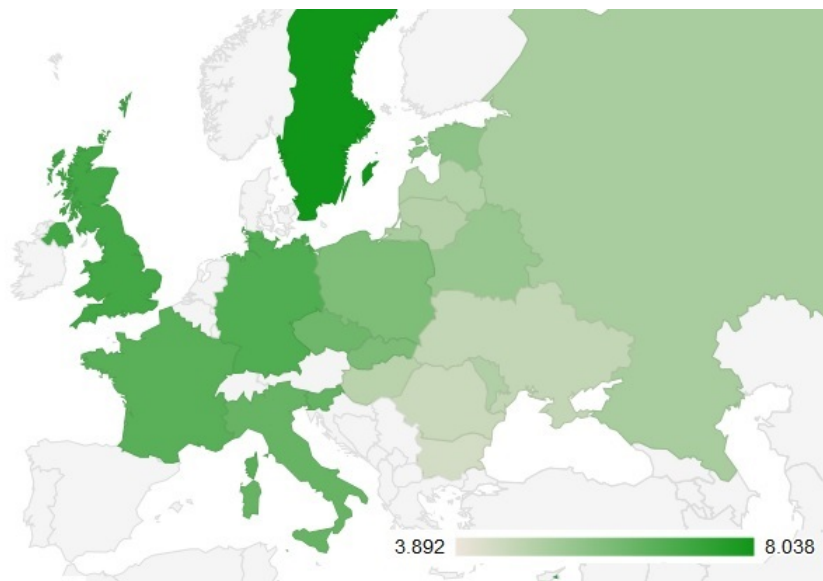
All things considered, how satisfied or dissatisfied are you with your life as a whole these days?

[1=Completely dissatisfied; 10=Completely satisfied]

Mean sample propensity to bribe (0=no, 1=yes)



Mean sample life satisfaction (1=lowest, 10=highest)



Preliminary results

	Probit Bribery eqn.	Bivariate probit Bribery eqn.	SUR Bribery eqn.	SUR Life satisfaction eqn.
Western Europe				
Life satisfaction	-0.006 (0.004)	-0.332*** (0.156)	-0.012*** (0.004)	
Making unofficial payments				-0.201*** (0.058)
New EU members				
Life satisfaction	-0.006 (0.004)	0.300*** (0.089)	-0.010*** (0.003)	
Making unofficial payments				-0.140*** (0.040)
Former Soviet Union				
Life satisfaction	-0.004 (0.003)	-0.042*** (0.010)	-0.008*** (0.002)	
Making unofficial payments				-0.178*** (0.047)

Marginal effects are reported, st. errors are robust, clustered at the PSU level
 Included: female, married, age, age sq., secondary and tertiary education, employed, self-employed, income ladder, urban, interpersonal trust, performance of local government, linguistic minority, willing to take risks, religious

Conclusions and discussion

- satisfied with life people bribe less and bribery experience reduces life satisfaction
- the effects have the same sign for all three country groups (not robust in case of new EU members)
- effects are economically stronger for Western countries

Thank you for your attention!

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