Economics of Corruption 2010

Trust as a driving factor for corrupt deals…
The Game

… consists of 3 sub-games.

- Classical Prisoners-Dilemma-Game (One-shot- and Sequential Version): Avoid losses! (big conflict structure)
- Coordination Game (One-shot- and Sequential Version): Share the gain, avoid zero-outcomes.
- Trust Game: Players become sequentially dependent (opportunities for sanctions become evident).

There is no way to win this game without trust and cooperation.

The higher the trust, the more likely the corrupt deal! (And the higher the overall game score.)
Trust in a situation of corruption...

- … depends on knowledge about your corruption partner(s).

- … depends on previous experiences.

- … is a reciprocal process.

- … presupposes voluntary behavior as corruption does if not mixed up with blackmail.
Some statistics

- **N = 44 Players.**
- **Notice:** This game consisted of more rounds in G2 and G4!
- **Distribution of Scores under ideal conditions.**

<table>
<thead>
<tr>
<th></th>
<th>G1</th>
<th>G2</th>
<th>G3</th>
<th>G4</th>
<th>G5.1</th>
<th>G5.2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. Scores(cooperation)</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>21</td>
<td>10</td>
<td>10</td>
<td>44</td>
</tr>
<tr>
<td>Max. Scores(possible)... Provided, that partners are stupid or altruistic or both.</td>
<td>2</td>
<td>102</td>
<td>6</td>
<td>42</td>
<td>20</td>
<td>20</td>
<td>102</td>
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Distribution of Total Scores

<table>
<thead>
<tr>
<th>totalscore</th>
<th>Freq.</th>
<th>Percent</th>
<th>Cum.</th>
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</thead>
<tbody>
<tr>
<td>-18</td>
<td>1</td>
<td>2.27</td>
<td>2.27</td>
</tr>
<tr>
<td>-8</td>
<td>1</td>
<td>2.27</td>
<td>4.55</td>
</tr>
<tr>
<td>-7</td>
<td>1</td>
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<td>6.82</td>
</tr>
<tr>
<td>-2</td>
<td>1</td>
<td>2.27</td>
<td>9.09</td>
</tr>
<tr>
<td>0</td>
<td>2</td>
<td>4.55</td>
<td>13.64</td>
</tr>
<tr>
<td>[...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>2</td>
<td>4.55</td>
<td>88.64</td>
</tr>
<tr>
<td>35</td>
<td>2</td>
<td>4.55</td>
<td>93.18</td>
</tr>
<tr>
<td>38</td>
<td>1</td>
<td>2.27</td>
<td>95.45</td>
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<tr>
<td>39</td>
<td>2</td>
<td>4.55</td>
<td>100.00</td>
</tr>
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</table>

Total | 44 | 100.00 |

Below Max. (cooperation).
Game implies „trial and error“ and learning process.
Two facets of trust...

- Trust expectation is no good predictor for the total score or the probability to enter the corruption game!

<table>
<thead>
<tr>
<th>trustexpec~n</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td></td>
<td>43</td>
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<tr>
<td>totalscore</td>
<td>0.2381 1.0000</td>
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<td></td>
<td>0.1242</td>
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<td></td>
<td>43     44</td>
</tr>
<tr>
<td>entercorr1</td>
<td>0.2541 0.5382 1.0000</td>
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<tr>
<td></td>
<td>0.1001 0.0002</td>
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<td></td>
<td>43     44 44</td>
</tr>
<tr>
<td>entercorr2</td>
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<tr>
<td></td>
<td>0.3980 0.0003 0.0000</td>
</tr>
<tr>
<td></td>
<td>43     44 44 44</td>
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</table>
Two facets of trust...

- Trusting behavior is an excellent predictor for the total score and the probability to enter the corruption game!

<table>
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<th>entercorr2</th>
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<tr>
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<td>0.5382</td>
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<tr>
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<td>0.5215</td>
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<tr>
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<td>0.0331</td>
<td>0.0003</td>
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<tr>
<td></td>
<td>44</td>
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<td>44</td>
</tr>
</tbody>
</table>

- This result holds true in multivariate analysis (corrected for small sample bias).
Implications

- Trust is an ambiguous force of behavior.
- Trust is generating from the personal features of the interaction partner (in contrast to norms).
- Trust might influence behavior after the corrupt deal, too.
- Institutions promote interpersonal trust and obligations (families etc.).
- Networks depend on trust (Teams in Organisations, Police etc.).
- Trust allows for individual regulation of behavior (in contrast to norms which regulate behavior regardless of specific persons).