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.

	G1	G2	G3	G4	G5.1	G5.2	Total
Max. Scores(cooperation)	0	0	3	21	10	10	44
Max. Scores(possible)… Provided, that partners are stupid or altruistic or both.	2	102	6	42	20	20	102

Distribution of Total Scores

```
   totalscore|       Freq.       Percent          Cum.
-----------+-----------------------------------------
       -18 |           1          2.27          2.27
        -8 |           1          2.27          4.55
        -7 |           1          2.27          6.82
        -2 |           1          2.27          9.09
         0 |           2          4.55         13.64
 [...]
        34 |           2          4.55         88.64
        35 |           2          4.55         93.18
        38 |           1          2.27         95.45
        39 |           2          4.55        100.00
-----------+-----------------------------------------
     Total |          44        100.00
```
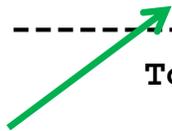
Below Max. (cooperation).
Game implies „trial and error"
and learning process.

Two facets of trust...

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

```
             | truste~n totals~e enterc~1 enterc~2
-------------+------------------------------------
 trustexpec~n |   1.0000
             |
             |        43
             |
  totalscore |   0.2381   1.0000
             |   0.1242
             |        43       44
             |
   entercorr1 |   0.2541   0.5382   1.0000
             |   0.1001   0.0002
             |        43       44       44
             |
   entercorr2 |   0.1322   0.5215   0.7596   1.0000
             |   0.3980   0.0003   0.0000
             |        43       44       44       44
             |
```

Two facets of trust...

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

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

```
             | trusti~r totals~e enterc~1 enterc~2
-------------+------------------------------------
 trustingbe~r |   1.0000
             |
             |       44
             |
   totalscore |   0.6420    1.0000
             |   0.0000
             |       44        44
             |
    entercorr1 |   0.3418    0.5382    1.0000
             |   0.0231    0.0002
             |       44        44        44
             |
    entercorr2 |   0.3220    0.5215    0.7596    1.0000
             |   0.0331    0.0003    0.0000
             |       44        44        44        44
```

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).