



European
University
Institute

MAX WEBER
PROGRAMME
FOR
POSTDOCTORAL
STUDIES

WORKING PAPERS

MWP 2015/06
Max Weber Programme

Institutions, Norms and Accountability: A Corruption
Experiment with Northern and Southern Italians

Nan Zhang

European University Institute
Max Weber Programme

**Institutions, Norms and Accountability: A Corruption
Experiment with Northern and Southern Italians**

Nan Zhang

EUI Working Paper **MWP** 2015/06

This text may be downloaded for personal research purposes only. Any additional reproduction for other purposes, whether in hard copy or electronically, requires the consent of the author(s), editor(s). If cited or quoted, reference should be made to the full name of the author(s), editor(s), the title, the working paper or other series, the year, and the publisher.

ISSN 1830-7728

© Nan Zhang, 2015

Printed in Italy
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy
www.eui.eu
cadmus.eui.eu

Abstract

This paper contributes to the growing literature on anti-corruption accountability by comparing individual decision making under different norms and institutions. Employing an experimental methodology, I examine how the propensity to report corruption differs between Northern and Southern Italians, two groups that experience very different levels of corruption in everyday life. Further, the experiment measures behavior under two different institutional environments: a "strict enforcement" condition where reports always result in sanctions against perpetrators, and a "lax enforcement" condition where 50% of reports are ignored. I find no difference in the behavior of Northern and Southern Italians in the lax enforcement condition, but in the strict enforcement condition, Southerners are much more likely to denounce wrongdoing, while the behavior of Northerners remains unchanged. These results demonstrate that exposure to corruption may strengthen accountability norms, but only in the presence of highquality enforcement institutions.

Keywords

Corruption, Institutions, Culture, Experiments, Punishment.

8 April 2015

Nan Zhang

Max Weber Fellow, 2014-2015

Introduction

The past two decades have witnessed a proliferation of research on possible approaches to combatting corruption. While one branch of this literature focuses on the design of optimal institutions to reduce opportunities for graft and increase incentives for honesty (Andvig et al. 2001; Klitgaard 1988; Rose-Ackerman 1978), other work highlights the many ways in which ordinary citizens can bring about greater governmental accountability (Adserà, Boix and Payne 2003; Besley 2006; Grimes 2013; Olken 2007; Rose-Ackerman 1999; World Bank 2004). And amongst the many possible actions that citizens can take, one of the most important involves the reporting of corruption to formal oversight agencies.

As many scholars have noted, law enforcement authorities seldom have adequate time and resources to investigate all potential instances of malfeasance (McCubbins and Schwartz 1984; Sunshine and Tyler 2003; Tyler 2010). Many oversight agencies must therefore depend upon citizens to sound “fire alarms” to expose corruption and provide evidence against wrongdoers. Furthermore, while political elites may have incentives to block reform, the same is not true for citizens, who are often corruption’s primary “victims,” and therefore ideally placed to push for change (Mungiu-Pippidi 2006). Indeed, case studies of successful anti-corruption campaigns have highlighted the importance of grassroots monitoring in improving accountability (Grimes 2013; Manion 2009; Peruzzotti and Smulovitz 2006).

Yet although the literature often assigns citizens (or civil society) a central role in controlling corruption, individuals’ motivations to engage in such actions (particularly in endemically-corrupt societies) remain poorly understood. Does the willingness to engage in grassroots monitoring differ between high-corruption and low-corruption societies? And does the answer depend on whether individuals in these societies have access to effective and efficient enforcement institutions?

This article explores theoretically and empirically the relationship between institutions, corruption exposure and anti-corruption monitoring. I report results from an economic experiment involving participants from both the North and the South of Italy. Importantly, research has shown that the level of corruption differs significantly across these regions (Banfield 1958; Chang, Golden and Hill 2010; Golden and Picci 2005; Putnam 1993), and participants who grew up in these separate environments are likely to have internalized different norms about corruption tolerance. The experimental design allows me to isolate the effect of these norms by holding the quality of enforcement institutions constant. Further, in

a second treatment, I also vary the probability that someone reported for corruption will be formally sanctioned, and thereby test whether regional effects depend upon the effectiveness of formal oversight agencies. By comparing individual decision-making under different norms and institutions, this paper contributes to the growing literature on “bottom-up” accountability in the anti-corruption context (Barr, Lindelow and Serneels 2009; Bauhr and Grimes 2014; Cameron et al. 2009; Grimes 2013).

This article precedes as follows. The following section discusses the relevant literature on corruption and social norms, focusing particular attention on how greater exposure to corruption in everyday life may shape individuals’ willingness to participate in grassroots monitoring. I then describe the experimental design and the two participant populations, before presenting the results. Finally, I discuss several implications of the experimental findings, before concluding with some suggestions for future research.

Related Literature

Several recent studies have examined the relationship between cultural norms and corruption (Barr and Serra 2010; Cameron et al. 2009; Fisman and Miguel 2007; Paldam 2002; Treisman 2000). For example, Fisman and Miguel (2007) investigate the parking behavior of United Nations diplomats during a period in which they were immune from enforcement actions. Even in the absence of legal constraints, diplomats from low-corruption countries accumulated significantly fewer unpaid parking violations (a form of abuse of office), suggesting an important role for cultural norms in constraining opportunistic behavior. Barr and Serra (2010) report similar findings from a laboratory experiment in the UK: higher exposure to a “culture of corruption” in students’ home countries is associated with a greater propensity to bribe in the lab.¹

However, while recent studies focus on variation in corrupt *behavior*, relatively little research has examined how corruption *tolerance* may also vary across societies (Cameron et al. 2009). However, even though individuals in high-corruption societies may be more likely to engage in illicit behavior themselves, this does not necessarily mean that they are more likely to accept such behavior on the part of others. Indeed, ethnographic research has shown that people can perceive the same corruption scenario as right or wrong, depending on whether they are the victims or the beneficiaries of the transaction (Hasty 2005; Olivier de Sardan

1999; Smith 2010). Therefore, it is important to study how everyday exposure to corruption shapes the norm of accountability.

In theory, greater exposure to corruption in daily life can affect accountability norms in one of two ways. On the one hand, citizens in high-corruption countries may have a more intimate understanding of the cost of corruption for society, which can fuel greater public anger and indignation (Hasty 2005; Miller 2006; Olivier de Sardan 1999; Persson, Rothstein and Teorell 2012; Rothstein and Torsello 2013; Smith 2010). As forcefully argued by Olivier de Sardan (1999) with regards to Sub-Saharan Africa,

Corruption is...as frequently denounced in words as it is practised in fact [...] At the everyday level, there is scarcely a conversation without hostile or disgusted references to corruption, either the petty type of which one claims to have been a victim, or the upper crust type about which one has rumours to spread. [This condemnation] must be taken seriously, and not just brushed off as mere superficial rhetoric. (p.29)

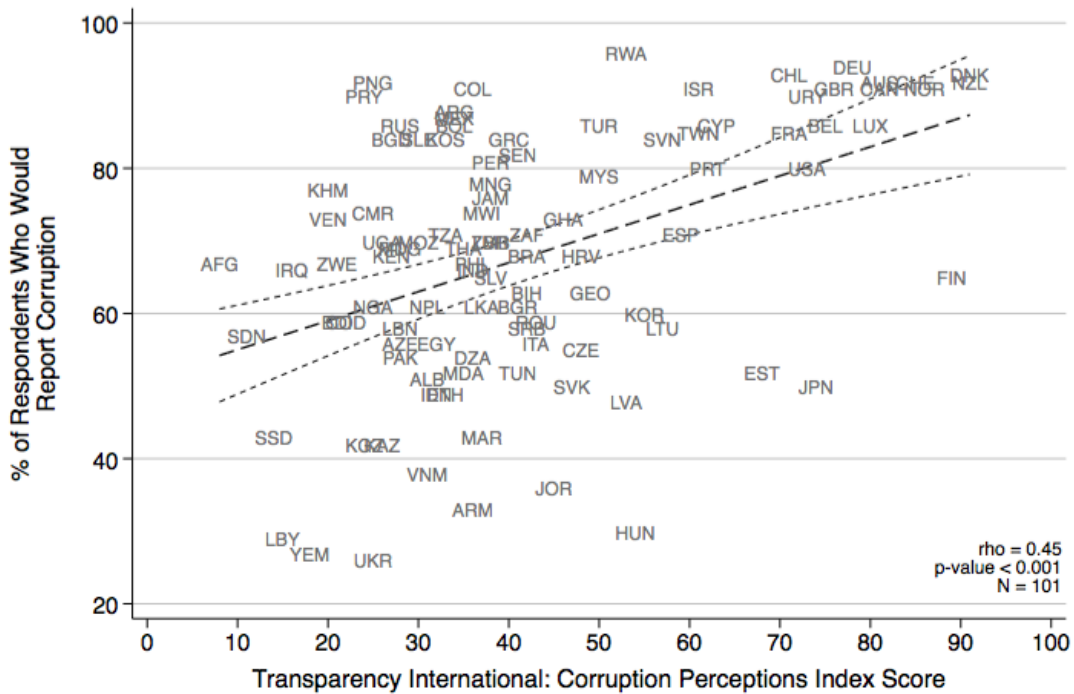
Given the degree of public discontent, individuals in high-corruption societies may be more willing to take a stand against malfeasance, as compared to their counterparts in countries with lower levels of graft.

On the other hand, socialization into a “culture of corruption” may increase individuals’ acceptance of wrongdoing (Barr, Lindelow and Serneels 2009). This may be especially true if individuals come to believe that bribery is a routine strategy, employed by all “normal” citizens, to gain access to public services (Cameron et al. 2009; Miller 2006; Persson, Rothstein and Teorell 2012). In this context, to sanction someone for accepting a “gift” would seem over-scrupulous, hypocritical, or even insensitive to “the way things work.” In this way, beliefs about the ubiquity of illicit payments serve to justify and excuse such behavior, thereby weakening the norm of accountability.

Empirical evidence from large-N cross-national studies would seem to support this latter argument. Figure 1 graphs the relationship between corruption tolerance and country corruption rankings, as measured by Transparency International (TI)’s 2013 Corruption Perceptions Index. Higher scores along the x-axis indicate a more “honest” society. The y-axis displays the percentage of individuals who indicated that they would be willing, hypothetically, to report an incident of corruption. The data are drawn from TI’s 2013 Global Corruption Barometer, and are available for over 100 countries. The figure shows that the

higher level of corruption in a country, the less willing its citizens are to report malfeasance, suggesting that corruption exposure and corruption tolerance are directly related.

Figure 1: Willingness to Report Corruption by Country Corruption Ranking



However, this relationship is complicated by the fact that individuals in different societies face different sets of institutional constraints. In particular, while citizens can report corruption, they cannot directly enforce the law. Instead, they must depend on formal oversight agencies to act upon their complaints and sanction the perpetrators (Grimes 2013). However, in countries where corruption is pervasive, such offices may be lacking, ineffectual, or themselves deeply corrupted (Bauhr and Grimes 2014). As a consequence, citizens may appear to tolerate corruption *not* because of moral lassitude, but rather because they perceive efforts to sound the alarm as futile (Persson, Rothstein and Teorell 2012).

The failure to precisely distinguish the institutional versus normative drivers of bottom-up accountability has profound policy implications. If citizens are socialized into a “culture of corruption,” then institutional reforms are unlikely to unleash a wellspring of popular action, and greater accountability most likely arises from more stringent top-down monitoring. By contrast, if citizens in highly-corrupt societies are indeed fed up with graft, then it may be possible to harness this popular indignation in the fight against corruption, provided that

the necessary institutional tools are available. However, using cross-national data, it is often difficult to identify whether we are in the former case or the latter (because we rarely observe highly-corrupt states with effective enforcement institutions, and vice versa).

In principle, economic experiments can help tease apart the influence of institutional and normative factors on the willingness to blow the whistle on corrupt behavior. By allowing researchers to directly control the “rules of the game,” experiments can isolate the effect of normative constraints, as well as simulate different institutional conditions. Yet, the few studies that have adopted this approach have produced inconclusive results. For example, Cameron et al. (2009) compared participants from four societies with different corruption levels (Australia, India, Indonesia and Singapore) in terms of their propensity to both engage in and punish bribery. Surprisingly, Cameron et al. (2009) find support for both of the arguments discussed above: while Australians tended to be more critical of corruption than Indians (which would support the acceptance hypothesis), Singaporeans appeared to be more tolerant of bribery than Indonesians (which would support the indignation hypothesis). Given these mixed results, more cross-cultural research examining how exposure to corruption affects accountability norms is needed. The experiment described in the following section contributes to filling this gap.

Methodology

The Corruption Game

The experiment described in this paper consists of a very simple bribery game which simulates petty corruption in a public hospital setting in Italy, a country noted for its large North-South variation in corruption levels (Charron, Dijkstra and Lapuente 2013*a,b*; Golden and Picci 2005; Putnam 1993).² This setting was selected because the medical sector is regarded as amongst the more corruption-ridden institutions in Italian society.³ Furthermore, while we may doubt that ordinary citizens have encountered corruption in other scenarios (e.g. public procurements), participants are likely to have a more concrete idea of how corruption in the health sector operates.⁴ Finally, since public hospitals in Italy are public institutions, individuals should expect impartial treatment, and any personal favoritism is likely to be understood as corruption. Overall, the framing brings a measure of realism, and

affords us greater confidence that behavior in the lab will more faithfully reflect choices in real life.⁵

In the experiment, the participants were randomly assigned to one of three roles: Nurse, Early Patient (PE), or Late Patient (PL). Essentially, PLs must decide whether to offer (and Nurses must decide whether to accept) a “gift” in exchange for faster service. PEs are harmed by this transaction, and must decide whether to punish corrupt Nurses by reporting them to the hospital administration.

The full game is described below. However, in this paper, I am mainly interested in how social norms and institutions affect the decision to blow the whistle on corruption. Therefore, in my analysis, I focus attention only on the behavior of PEs, and the main dependent variable under consideration is the rate at which PEs report corrupt transactions.

Overall, the experiment is very similar to the designs employed by Barr and Serra (2010) and Cameron et al. (2009). As in Cameron et al. (2009)’s experiment, the victim of corruption (the PE) is allowed to punish the beneficiaries. However, the imposition of sanctions here is dependent upon an exogenous institution (the hospital administration), which may or may not act on the report. In addition, as in the previous two studies, all interactions are anonymous and one-shot. This ensures that punishment conveys no economic benefit, so that the decision to denounce corruption is not affected by the anticipation of possible future economic gains.⁶ Therefore, PEs’ willingness to report should directly reflect norms of accountability.

Both PEs and PLs begin the experiment with an initial endowment of 32 experimental currency units (ECU). The patients were told to imagine that they are waiting in line to see the doctor. Waiting is costly for Patients, but because PEs have arrived early at the hospital, they face a very short wait and can keep their entire initial endowment. However, PLs face a very long wait and, as a result, will lose 16 ECU. PLs thus retain $32 - 16 = 16$ ECU in the round.

However, PLs can potentially skip the line and avoid this loss. Each PL is randomly matched to one Nurse,⁷ and has the option of offering this Nurse a “gift” worth 6 ECU in exchange for being allowed to jump the queue.⁸ In other words, if the PL makes an offer and the Nurse accepts, the PL no longer has to wait, and consequently earns $32 - 6 = 26$ ECU. Although in this case the PL pays the cost of the gift, he is much better off at the front of the queue (with 26 ECU) than at the back (with 16 ECU). Offering a gift is a dominant strategy in the

game: if the PL chooses not to offer, he is sure to lose 16 ECU. The same result obtains if the PL offers a gift but his offer is rejected by the Nurse (however, having your offer rejected carries no additional cost). On the other hand, the PL's earnings increase from 16 to 26 if his offer is accepted. Therefore, PLs can only gain by offering.

For their part, Nurses must decide whether to accept gifts from Patients. Nurses begin the game with 24 ECU, and retain this amount if they are offered no gifts, or if they refuse to accept PL offers. On the other hand, if they decide to accept gifts (and in exchange permit PLs to skip the line), they will receive 6 additional ECU for each gift they receive.⁹ Nurses do not know exactly how many PLs they are interacting with in each round, but must choose what they *would do* if any gifts are offered.

As a consequence of the exchange between the PL and the Nurse, all of the PEs must wait a little longer in line and each suffers a small loss of 3 ECU. However, PEs are not merely passive bystanders in the game, but rather operate as potential monitors. Specifically, each PE is randomly matched to one Nurse, and is told that he can "overhear" conversations between this Nurse and other patients, so that he will know if this Nurse has exchanged any favors. PEs can then report this Nurse to the hospital administration, which may or may not impose a fine. If the Nurse is sanctioned, he forfeits any gifts he has received, and also pays a fine of 9 ECU, so that he retains only $24 - 9 = 15$ ECU at the end of the round.

However, reporting is always costly to the PE, who must pay a reporting "fee" of 3 ECU regardless of whether the Nurse is actually punished. In fact, from the PE's perspective, reporting is *never* rational in a one-shot game: even if the Nurse is fined, PLs who have skipped the line still remain at the front. In other words, PEs will always lose for every PL that skips the line, irrespective of their own actions. All players make their decisions simultaneously, and the one-shot game has a single equilibrium outcome: all PLs offer gifts, no PEs report corrupt exchanges, and all Nurses accept offers.

Finally, the experiment is implemented under two different conditions, which simulate two different levels of institutional effectiveness. In the "lax enforcement" version, the PE's report results in the imposition of a sanction only 50% of the time. The other 50% of the time, the Nurse pays no fine and keeps whatever gifts he has received. However, in the "strict enforcement" version, a Nurse who is reported by a PE is sanctioned 100% of the time. Importantly, although the incentives facing Nurses change across the two conditions, the monetary payoffs facing PEs remain identical: any indication of a willingness to punish corruption costs 3 ECU, regardless of whether the punishment is actually imposed.

Procedure

The experiments reported in this paper were conducted as part of a larger research project on corruption which I implemented at [Northern Italian university] in 2013.¹⁰ [Northern Italian university] maintains an electronic database of students who have signed up to participate in behavioral experiments (Greiner 2004). Several days prior to the start of the experiment, individuals in the database received an email informing them of the opportunity to take part in an upcoming research project, and inviting them to sign up for an experimental session at a particular date and time. The email also included information on the estimated length of each session, as well as the expected earnings per participant.

Once the participants arrived at the laboratory at the appointed date and time, they were provided with a randomly-drawn anonymous ID number, and assigned to a corresponding personal computer terminal.¹¹ The participants undertook all the experimental tasks via computer, and the terminals were partitioned to ensure that individuals could not communicate during the experiment, nor observe what other people were doing. The participants were also informed that they would have the opportunity to earn ECU during the experiment, which would be converted into real money at the end of the session. At this point, the participants were asked to sign a consent form informing them that their decisions and payments would remain anonymous, and that they could discontinue participation in the experiment at any time. Any individual who wishes to leave the experiment early could elect to receive a 3 euro show-up fee. However, in practice, every participant remained until the end of the session.

We begin the session by conducting a short computerized survey to capture basic demographic characteristics (e.g. gender, age, etc), before proceeding to explain the rules of the experiment. The participants make decisions for three rounds. In each round, players are randomly assigned to a new role, so that by the end of the game, the players have had the chance to play in all 3 roles. Importantly, the players were shown the results of each round only at the end of the entire session, i.e. after *all* of the experimental tasks had been completed. This feature, coupled with the fact that the participants are randomly rematched in each period, means that behavior in the game should be unaffected by signaling, reputation formation, wealth effects or serial correlation in decisions (Cameron et al. 2009). Finally, since the rules are somewhat complex and the payoffs hard to keep track of, at the moment of making their decision, the players were shown a summary of their choices and the possi-

ble consequences for themselves and for other participants. In general, the vast majority of participants rated their own understanding of the game as excellent.

Upon completion of the experimental tasks, the participants were shown feedback on their decisions, and informed of their total earnings. The participants then answered a short debrief questionnaire before receiving payment. On average, each session lasted 1 hour and 10 minutes and the participants were paid approximately 13 euros (USD 17.50).

Participants

I employ a version of Barr and Serra (2010)'s recruitment strategy to capture variation in corruption exposure. In particular, this strategy assumes that students in the same university may have been exposed to different levels of corruption in their home societies. If such differential exposure leads to the development of different norms, then such effects may manifest in behavior in the lab. Along these lines, [Northern Italian university] admits a large student body, and enrolls students not only from its surrounding region of [anonymized], but also from the South of Italy.¹² Furthermore, as shown in Table 1, citizens from the South tend to have much higher exposure to corruption (including with respect to the health sector) than their compatriots further North, which may be reflected in different accountability norms. Finally, if participants bring these norms into the experiment, then we should see differences in the reporting decisions of Northern and Southern Italians.

To ensure a rough geographic balance, recruitment to the experiment was stratified by participants' region of origin, and the institutional treatments were randomly assigned within each stratum. In all, the data reported in this paper are drawn from ten different experimental sessions involving a total of 156 participants (44% from the North, and 56% from the South). In the overall sample, 51.3% of the participants were male, and the average age was slightly over 25 (s.d. = 3.7 years). A large minority (39.7%) were undergraduate students, while the remainder were masters students.¹³

Table 2 compares demographic characteristics across Northern and Southern participants and treatment groups, and reports p -values for differences in means.¹⁴ Reading each row from left to right, we see that Northerners and Southerners are roughly balanced on almost all characteristics in each of the treatment groups. Reading each column from top to bottom, we see no statistically significant differences for Northerners across institutional treatments.

Table 1: Perceptions of Corruption across Italian Regions

Region		Others Corrupt (1)	Self Bribe (2)	Rating of Regional Health Care			Average (6)
				Quality (3)	Impartiality (4)	Corruption (5)	
Trento	N	0.87	-0.09	1.80	1.38	0.96	0.98
Bolzano	N	0.89	-0.02	1.77	1.35	0.91	0.98
Valle d'Acosta	N	0.55	-0.22	1.66	1.18	0.37	0.71
Friuli-Venezia Giulia	N	0.83	-0.58	1.10	0.91	0.25	0.50
Veneto	N	0.37	-0.93	0.69	0.41	-0.33	0.04
Emilia-Romagna	N	0.07	-0.90	0.76	0.48	-0.31	0.02
Lombardia	N	-0.31	-0.86	1.09	0.10	-0.99	-0.19
Toscana	N	0.42	-1.19	0.13	-0.03	-0.48	-0.23
Marche	C	-0.04	-0.38	-0.20	-0.27	-0.47	-0.27
Piemonte	N	-0.02	-1.00	0.37	-0.11	-0.82	-0.31
Umbria	C	-0.16	-0.64	-0.11	0.02	-0.79	-0.34
Liguria	N	-0.09	-1.29	-0.21	-0.03	-1.01	-0.53
Abruzzo	S	-0.44	-1.58	-0.87	-0.60	-0.91	-0.88
Sardegna	-	-0.25	-1.42	-0.87	-0.83	-1.07	-0.89
Lazio	C	-0.54	-1.67	-0.99	-0.44	-1.20	-0.97
Basilicata	S	-0.88	-1.65	-0.53	-1.11	-1.16	-1.06
Sicilia	S	-1.05	-1.49	-1.26	-0.68	-1.18	-1.13
Molise	S	-0.90	-1.78	-1.54	-0.97	-1.47	-1.33
Puglia	S	-1.18	-1.26	-1.46	-1.23	-1.64	-1.35
Calabria	S	-1.21	-1.62	-2.08	-0.87	-1.58	-1.47
Campania	S	-1.63	-2.03	-1.44	-1.31	-1.69	-1.62

Data from the 2013 European Quality of Governance Index (Charron, Dijkstra and Lapuente 2013*a,b*). Scores are based on survey responses about the following topics: (1) the amount of perceived bribery by others in the respondents' area; (2) the respondents' own experience with bribery in the public sector; (3) the quality of the public health care system in the respondents' area; (4) the impartiality of the public health care system in the respondents' area; and (5) perceived corruption of the public health care system in the respondents' area. All ratings have been standardized. Regional classifications are given by N = North, C = Central, and S = South.

However, for Southerners, there are fewer undergraduates in the strict enforcement treatment. I control for this fact in the analyses reported below.

Table 2: Difference in Means (t-tests): Regional and Treatment Groups

	Full Sample (N = 156)	North (N = 68)	South (N = 88)	<i>p</i> -values (regional effects)
				<u>North-South</u>
<i>A. Both Treatments Pooled</i>				
Male	0.513	0.500	0.523	0.780
Age	25.263	25.059	25.420	0.557
Undergrad	0.397	0.368	0.420	0.506
<i>B. Lax Enforcement Treatment</i>				
Male	0.534	0.500	0.565	0.546
Age	24.955	24.857	25.043	0.816
Undergrad	0.466	0.405	0.522	0.277
<i>C. Strict Enforcement Treatment</i>				
Male	0.485	0.500	0.476	0.852
Age	25.662	25.385	25.833	0.658
Undergrad	0.309	0.308	0.310	0.988
<i>p</i> -values (treatment effects)				
Male	0.549	1.000	0.410	
Age	0.244	0.614	0.300	
Undergrad	0.045*	0.422	0.044*	

Asterisks (*) denote statistically significant differences at the 5% level.

Research Questions

If all individuals are perfectly selfish, nobody would report corruption in either of the institutional conditions, since reporting leaves PEs strictly worse off. However, if PEs are motivated by a norm of accountability, they may choose to denounce corrupt Nurses despite the monetary disincentives.¹⁵ Moreover, the literature also shows that accountability norms can differ across societies (Herrmann, Thöni and Gächter 2008) in ways that may be related to the institutional environment (Bauhr and Grimes 2014; Persson, Rothstein and Teorell 2012). I therefore designed the experiment with the following research questions in mind:

1. Do participants from societies with higher levels of corruption report bribery less frequently than participants from societies with lower levels of corruption?

2. Do these effects depend upon the quality of enforcement institutions (i.e. the probability that these reports will be acted upon)?

Results and Discussion

How do norms and institutions interact to shape the reporting of corrupt behavior? Overall, 90 out of 156 participants (57.7%) indicated a willingness to report a corrupt Nurse. As a preliminary step, we can break this number down in two ways. First, pooling both institutional conditions, we observe very little difference in the choices of Northerners and Southerners: 57.4% of Northerners indicated that they would make a report, compared to 58.0% of Southerners (p -value = 0.94). Second, if we pool Northerners and Southerners, we find weak evidence of an institutional effect: while only 52.3% of participants in the lax enforcement treatment were willing to report, this number rises to 64.7% in the strict enforcement treatment. However, this difference is not statistically significant at conventional levels (p -value = 0.12).

These comparisons obscure the fact that Northerners and Southerners may behave differently, depending upon the institutional condition to which they have been assigned. This interaction effect is illustrated in Figure 2. Here we see that while an approximately equal number of Northerners (57% - 58%) chose to report in both the lax and strict enforcement regimes, the reporting rate amongst Southerners is lower under lax enforcement (48%), but higher under strict enforcement (69%). In other words, it seems that the institutional treatment effect is driven almost entirely by the behavior of Southern participants.

To check the robustness of these findings, I report the marginal effects and corresponding standard errors and significance levels from a series of Probit estimations in Table 3. Columns (1) and (2) confirm the null results from the *unconditional* comparison of reporting rates across cultural and treatment groups, respectively. In column (3), I add an interaction term between Northern participants and assignment to the strict enforcement condition. The positive coefficient on *North* suggests that under lax enforcement, Northerners are slightly more likely to report than Southerners, although this effect is also not statistically significant. By contrast, the estimated coefficient on *Strict* now indicates that *for Southern participants*, individuals in the strict enforcement treatment are significantly more likely to report than their peers in the lax enforcement treatment. Notice also that the coefficient on the interaction term is almost identical in size, except that it is negative, suggesting that the corresponding

Figure 2: Willingness to Report Corruption:
Northerners and Southerners by Treatment Conditions

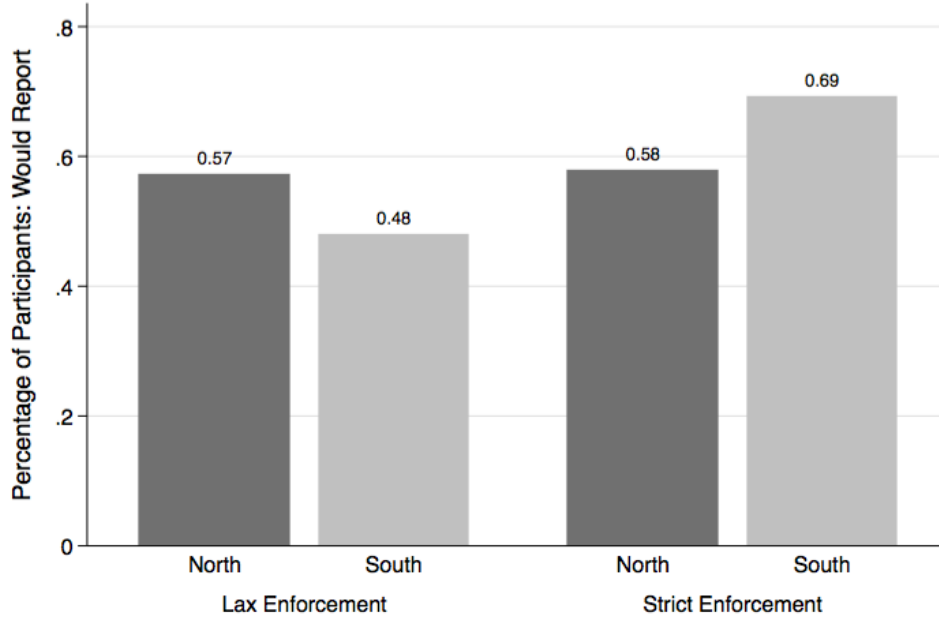


Table 3: Probit Analyses of the Willingness to Report

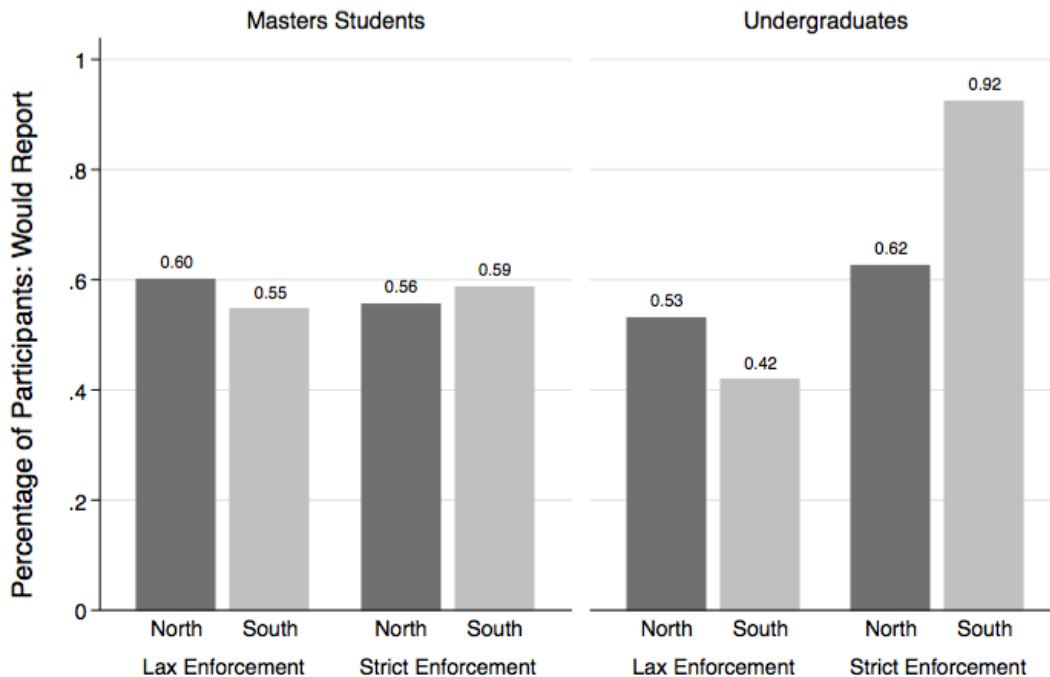
	Full Sample				Masters	Undergrads
	(1)	(2)	(3)	(4)	(5)	(6)
North	-0.006 (0.105)		0.091 (0.142)	0.088 (0.145)	0.059 (0.136)	0.065 (0.147)
Strict		0.124 (0.094)	0.212* (0.120)	0.220* (0.114)	0.051 (0.116)	0.517*** (0.148)
North*Strict			-0.212 (0.182)	-0.215 (0.186)	-0.101 (0.180)	-0.465* (0.242)
Age and gender	No	No	No	Yes	Yes	Yes
Observations	156	156	156	156	94	62

Note: robust standard errors, in parentheses, have been adjusted to account for clustering within sessions. I report the marginal effects of continuous variables and the effect of a change from 0 to 1 for dichotomous variables. * Significant at 10%; ** significant at 5%; *** Significant at 1%.

treatment effect for Northerners is close to zero (although the interaction is not significant at conventional levels).

Column (4) adds controls for age and gender (the results are unchanged), but does not control for undergraduate status. Instead, I have elected to rerun the above analysis separately for undergraduates and masters students (columns 5 and 6). This is because previous research has shown that the difference between undergraduate and graduate students may moderate “cultural” effects in corruption games, and therefore it may be appropriate to consider the two groups separately. For example, Barr and Serra (2010) find that although the behavior of Oxford undergraduate students reflects the corruption norms of their home countries, the same is not true for graduates.

Figure 3: North-South and Treatment Effects by Educational Level



As shown in Figure 3, I find a similar effect in my experiment. Specifically, amongst masters students, there are no significant differences in the propensity to report across regional and treatment groups. However, the main patterns from Figure 2 are even more starkly displayed amongst undergraduates: compared to the lax enforcement condition, the reporting rate is a whopping 51.7% higher amongst Southerners in strict enforcement condition, and this effect is much stronger than the corresponding effect for Northerners (as indicated by the

now significantly negative coefficient on the interaction term in column (6) of Table 3.) In summary, it appears that the institutional effect of stronger enforcement is region-specific, and applies only to the undergraduates in my sample.

Why might masters students from Southern Italy behave differently from their undergraduate counterparts? Barr and Serra (2010) outline two possible explanations: selection and secondary socialization. Selection may account for the split results if the types of individuals who become masters students hold different values and norms than the types of individuals who are not masters students. Selection presents a problem because it indicates that the experimental findings do not generalize to the larger population of Italians. However, in my sample, undergraduates and masters students are not drawn from two mutually-exclusive segments of the population. Instead, undergraduates all have the potential to become masters students; they have simply not yet been presented with the option of continuing their studies. Therefore, there is likely to be substantial overlap in terms of the types of individuals who fall into the two categories. For this reason, it is unlikely that the split results are an artifact of selection bias.

Secondary socialization presents us with a different issue: in particular, it may be the case that individuals from the South of Italy gradually assimilate Northern norms of accountability as they spend more time at [Northern Italian University]. Socialization may well explain why the behavior of Southern masters students is indistinguishable from that of Northerners in general (both masters and undergraduates). Furthermore, since undergraduates from the South are less exposed to Northern norms, their decisions in the experiment are more likely to reflect the patterns prevailing in their native region. Importantly, in this case, the split results do not compromise the generalizability of the findings, since it is the behavior of undergraduates that captures most faithfully the effects of early-life exposure to varying corruption levels.

Overall, the main results are largely consistent with the indignation hypothesis, and demonstrate that greater exposure to corruption does not necessarily lead to greater corruption tolerance. Rather, the lesson seems to be that Southern Italians are, as a whole, even *less* accepting of corruption than their Northern counterparts, considering the greater harm it causes in their everyday lives. However, although Southerners are willing to act on their indignation, they may only do so *provided* that they have the institutional means to effectively sanction the perpetrators.

Can any alternative explanations account for these findings? One possibility may be that the results merely reflect differing propensities to punish *in general* across societies, rather than different norms of accountability specific to corruption. For example, writing in the U.S. context, Nisbett and Cohen (1996) argue that individuals growing up in the American South are socialized into a “culture of honor” that makes them more likely to retaliate against perceived personal offenses. While the issue of whether Southern *Italians* are more honor conscious is certainly an interesting question worthy of additional research, this account cannot explain why Southern participants in this experiment are more likely to make a report *only* in the strict enforcement condition. Neither can this interpretation explain why the behavior of Northerners does not change under the different institutional settings.

A more plausible objection might attribute these results to sample selection of a different sort than that previously discussed. In particular, it may be the case that the Southerners who choose to migrate to the North of Italy are especially fed up with corruption in their home regions, and therefore seize upon the opportunity to punish it. But here again, the fact that Southern participants in the “lax enforcement” condition act no more scrupulously than Northerners suggests that selection is unlikely to drive the effects we observe. However, future research might address this possibility directly by replicating the present experiment at a Southern university.

Conclusion

This paper has sought to understand how norms and institutions shape citizens’ decisions to hold corrupt actors accountable. It investigates how the propensity to report corrupt behavior in an experimental setting varies between Northern and Southern Italians, two groups that experience very different levels of corruption in everyday life. The experiment also varies the strength of enforcement institutions, which many scholars believe to significantly influence the willingness to denounce malfeasance. I find that while institutional quality does not affect the behavior of Northern participants, Southern participants are significantly more likely to report corruption under a strict enforcement regime. More specifically, this effect seems to be driven by the behavior of undergraduate participants - i.e. those individuals who have most recently moved from the South to [Northern Italian university]. Overall, the study shows that individuals from a “high corruption” society can indeed be engaged in the fight against corruption, provided that the right institutional arrangements are in place.

More generally, the findings argue for an endogenous model of accountability where “bottom-up” and “top-down” enforcement efforts are mutually reinforcing. In particular, at the outset, the enforcement authorities demonstrate their credibility by acting upon citizen reports and punishing high-profile perpetrators. These actions serve to strengthen the belief that citizens are now facing a “strict enforcement” regime, and thereby generate more frequent “fire alarms” from the public. The loop is closed as greater civic engagement multiplies the investigatory and prosecutorial capacities of the formal authorities.¹⁶

Yet while the experimental results suggest that such a virtuous cycle is indeed possible, they also raise several questions about the scope conditions under which such a process might occur. How representative are North and South Italy of “honest” and “corrupt” societies more generally? Even controlling for the institutional environment, might exposure to widespread malfeasance breed indignation in some societies, but corruption acceptance in others? And how might these results depend upon the specific situational context (i.e. the hospital setting) examined?

As Cameron et al. (2009) note, the relationship between norms of accountability and corruption exposure is extremely complex, and this paper is one of the first to study this phenomenon with an eye towards incorporating institutional effects. However, more research on a wider range of societies with differing levels of corruption and institutional effectiveness is needed to fully resolve these outstanding questions.

Notes

¹The correlation is significant only for undergraduate students, but not graduate students. One explanation may be that home-country norms converge to the UK norm over time.

²Although standard practice is to use neutral language, I deliberately chose to frame my experiment in order to simulate a real-life corrupt transaction. As noted by Harrison and List (2004), abstract context-free experiments do not necessarily provide more general findings if the context itself is relevant to the decision-problem facing participants. On the other hand, Abbink and Hennig-Schmidt (2006) find that loaded language does not make a difference in the corruption game they study.

³A 2013 survey by Transparency International revealed that 54% of Italians rated the medical services in their country as either “corrupt” or “very corrupt.”

⁴As one participant noted in a follow-up survey: “...in real life, I encountered a similar example [to the one described in the game].”

⁵Another participant stated, “I pretended to place myself in exactly the same situation as described in the game. If in real life I had to confront such a scenario, I would behave [in the way I did in the game].”

⁶By contrast, in a multi-period game, individuals may choose to punish in the hope of deterring corruption and decreasing future harm (Heckathorn 1989).

⁷A technical note on the matching procedure: every PL is assigned to play with exactly one Nurse. However, it could very well be the case that a particular Nurse has more than one PL matched to him, and also that some Nurses have no PLs matched with them.

⁸All exchanges are phrased as “gifts” or “favors” in the game. At no point in the experiment was the word “bribe” used.

⁹Recall that Nurses can have more than one PL matched to them, and so receive more than one offer of a gift. To be exact, Nurses must decide whether to accept all gifts that are offered, or to accept none.

¹⁰The data and .do files used to produce the results reported in the paper are available directly from the author.

¹¹The experiment was programmed in zTree (Fischbacher 2007).

¹²Universities in the North tend to be much better than those in the South. As a result, northward migration is quite common, but few Northerners make the opposite trek South.

¹³Importantly, none of the students considered here are economics majors. This was done to maximize behavioral variation across the two populations. Many studies have shown that economists tend to look for the profit maximizing strategy in lab experiments, so including economists in the analysis would reduce the influence of normative factors. Although I attempted to exclude economists at the recruitment stage, some showed up at the sessions nonetheless. I allowed them to participate in order to have a full session, but I exclude their data from the analysis.

¹⁴I also conducted Z-tests and non-parametric rank sum tests of differences in distribution. The results were very similar to the t-tests reported.

¹⁵For more general research in behavioral economics on costly punishment of anti-social behavior, see Fehr and Gächter (2000, 2002); Henrich et al. (2006).

¹⁶See Manion (2009) for a description of a similar process in 1970s Hong Kong.

References

Abbink, Klaus and Heike Hennig-Schmidt. 2006. “Neutral versus Loaded Instructions in a Bribery Experiment.” *Experimental Economics* 9(2):103–121.

- Adserà, Alicia, Carles Boix and Mark Payne. 2003. "Are You Being Served? Political Accountability and Quality of Government." *Journal of Law, Economics, & Organization* 19(2):445–490.
- Andvig, Jens Chr, Odd-Helge Fjeldstad, Inge Amundsen, Tone Sissener and Tina Søreide. 2001. *Corruption. A Review of Contemporary Research*. Bergen: Chr. Michelsen Institute.
- Banfield, Edward. 1958. *The Moral Basis of a Backward Society*. Glencoe: Free Press.
- Barr, Abigail and Danila Serra. 2010. "Corruption and Culture: An Experimental Analysis." *Journal of Public Economics* 94(11):862–869.
- Barr, Abigail, Magnus Lindelow and Pieter Serneels. 2009. "Corruption in Public Service Delivery: An Experimental Analysis." *Journal of Economic Behavior & Organization* 72(1):225–239.
- Bauhr, Monika and Marcia Grimes. 2014. "Indignation or Resignation: The Implications of Transparency for Societal Accountability." *Governance* 27(2):291–320.
- Besley, Timothy. 2006. *Principled Agents: The Political Economy of Good Government*. New York: Oxford University Press.
- Cameron, Lisa, Ananish Chaudhuri, Nisvan Erkal and Lata Gangadharan. 2009. "Propensities to Engage in and Punish Corrupt Behavior: Experimental Evidence from Australia, India, Indonesia and Singapore." *Journal of Public Economics* 93(7):843–851.
- Chang, Eric, Miriam Golden and Seth Hill. 2010. "Legislative Malfeasance and Political Accountability." *World Politics* 62(2):177–220.
- Charron, Nicholas, Lewis Dijkstra and Victor Lapuente. 2013a. "Mapping the Regional Divide in Europe: A Measure for Assessing Quality of Government in 206 European Regions." *Social Indicators Research* doi: 10.1007/s11205-014-0702-y.
- Charron, Nicholas, Lewis Dijkstra and Victor Lapuente. 2013b. "Regional Governance Matters: Quality of Government within European Union Member States." *Regional Studies* 48(1):68–90.
- Fehr, Ernst and Simon Gächter. 2000. "Cooperation and Punishment in Public Goods Experiments." *The American Economic Review* 90(4):980–994.

- Fehr, Ernst and Simon Gächter. 2002. "Altruistic Punishment in Humans." *Nature* 415(6868):137–140.
- Fischbacher, Urs. 2007. "z-Tree: Zurich Toolbox for Ready-made Economic Experiments." *Experimental Economics* 10(2):171–178.
- Fisman, Raymond and Edward Miguel. 2007. "Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets." *Journal of Political Economy* 115(6):1020–1048.
- Golden, Miriam and Lucio Picci. 2005. "Proposal for a New Measure of Corruption, Illustrated with Italian Data." *Economics & Politics* 17(1):37–75.
- Greiner, Ben. 2004. "The Online Recruitment System ORSEE 2.0. - A Guide for the Organization of Experiments in Economics." *University of Cologne, Working Paper Series in Economics* 10(23):63–104.
- Grimes, Marcia. 2013. "The Contingencies of Societal Accountability: Examining the Link Between Civil Society and Good Government." *Studies in Comparative International Development* 48(4):380–402.
- Harrison, Glenn and John List. 2004. "Field Experiments." *Journal of Economic Literature* pp. 1009–1055.
- Hasty, Jennifer. 2005. "The Pleasures of Corruption: Desire and Discipline in Ghanaian Political Culture." *Cultural Anthropology* 20(2):271–301.
- Heckathorn, Douglas. 1989. "Collective Action and the Second-Order Free-Rider Problem." *Rationality and Society* 1(1):78–100.
- Henrich, Joseph, Richard McElreath, Abigail Barr, Jean Ensminger, Clark Barrett, Alexander Bolyanatz, Juan Camilo Cardenas, Michael Gurven, Edwina Gwako, Natalie Henrich, Carolyn Lesorogol, Frank Marlowe, David Tracer and John Ziker. 2006. "Costly Punishment Across Human Societies." *Science* 312(5781):1767–1770.
- Herrmann, Benedikt, Christian Thöni and Simon Gächter. 2008. "Antisocial Punishment Across Societies." *Science* 319(5868):1362–1367.
- Klitgaard, Robert. 1988. *Controlling Corruption*. Berkeley: University of California Press.

- Manion, Melanie. 2009. *Corruption by Design: Building Clean Government in Mainland China and Hong Kong*. Cambridge: Harvard University Press.
- McCubbins, Mathew and Thomas Schwartz. 1984. "Congressional Oversight Overlooked: Police Patrols versus Fire Alarms." *American Journal of Political Science* pp. 165–179.
- Miller, William. 2006. "Corruption and Corruptibility." *World Development* 34(2):371–380.
- Mungiu-Pippidi, Alina. 2006. "Corruption: Diagnosis and Treatment." *Journal of Democracy* 17(3):86–99.
- Nisbett, Richard and Dov Cohen. 1996. *Culture of Honor: The Psychology of Violence in the South*. Boulder, CO: Westview Press.
- Olivier de Sardan, Jean-Pierre. 1999. "A Moral Economy of Corruption in Africa?" *The Journal of Modern African Studies* 37(1):25–52.
- Olken, Benjamin. 2007. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115(2):200–249.
- Paldam, Martin. 2002. "The Cross-Country Pattern of Corruption: Economics, Culture and the Seesaw Dynamics." *European Journal of Political Economy* 18(2):215–240.
- Persson, Anna, Bo Rothstein and Jan Teorell. 2012. "Why Anticorruption Reforms Fail: Systemic Corruption as a Collective Action Problem." *Governance* 26(3):449–471.
- Peruzzotti, Enrique and Catalina Smulovitz. 2006. *Enforcing the Rule of Law: Social Accountability in the New Latin American Democracies*. Pittsburgh: University of Pittsburgh Press.
- Putnam, Robert. 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.
- Rose-Ackerman, Susan. 1978. *Corruption: A Study in Political Economy*. New York: Academic Press.
- Rose-Ackerman, Susan. 1999. *Corruption and Government: Causes, Consequences, and Reform*. New York: Cambridge University Press.
- Rothstein, Bo and Davide Torsello. 2013. "Is Corruption Understood Differently in Different Cultures? Anthropology meets Political Science." *Journal of Anthropological Research* 70(2):263–88.

- Smith, Daniel Jordan. 2010. *A Culture of Corruption: Everyday Deception and Popular Discontent in Nigeria*. Princeton: Princeton University Press.
- Sunshine, Jason and Tom Tyler. 2003. "The Role of Procedural Justice and Legitimacy in Shaping Public Support for Policing." *Law & Society Review* 37(3):513–548.
- Treisman, Daniel. 2000. "The Causes of Corruption: A Cross-National Study." *Journal of Public Economics* 76(3):399–457.
- Tyler, Tom. 2010. *Why People Cooperate: The Role of Social Motivations*. Princeton: Princeton University Press.
- World Bank. 2004. *Making Services Work for Poor People*. World Development Report. Washington, DC: World Bank.