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Self-Selection into corruption: Evidence from the lab

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journal homepage: www.elsevier.com/locate/jeboSelf-Selection into corruption: Evidence from the lab[☆]Pablo Brassiolo^a, Ricardo Estrada^{a,*}, Gustavo Fajardo^a, Juan Vargas^b^aCAF–development bank of Latin America, Avenida Eduardo Madero 900, Edificio Catalinas Plaza, piso 15, Ciudad Autonoma de Buenos Aires, Argentina^bSchool of Economics, Universidad del Rosario, Calle 12C 6-25 Bogota D.C. Colombia

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ABSTRACT

We study whether opportunities to extract rents in a job affect the type of individuals who are attracted to it in terms of their underlying integrity. We do so in a laboratory experiment in which participants choose between two contracts that involve different tasks. We experimentally introduce the possibility of graft in one of them and study the sorting of subjects across contracts based on an incentivized measure of honesty. We find that the corruptible contract changes the composition of subjects attracting the most dishonest individuals and repelling the most honest ones. In addition, we observe extensive graft when the opportunity is available. Our results have clear policy implications to curb corruption.

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1. Introduction

Corruption is one of the most pernicious problems of society (Mauro, 1995; Svensson, 2005; Olken, 2007). To understand what drives corruption, an important strand of empirical papers has studied the institutional features that shape the decisions of incumbent public officials to engage in illicit behavior. This work has contributed to the dominant view that corruption is mostly a problem of moral hazard (Olken and Pande, 2012). Theoretically, however, the institutional features that affect the decisions of incumbents might also shape corruption by affecting who joins the public sector in the first place. Notably, the potential to extract rents in a job might attract individuals with lower integrity standards, who are more prone to profit from the available corruption opportunities (Besley, 2005). Consequently, incentives can affect corruption through both moral hazard and adverse selection.

Despite this theoretical prediction, there is little empirical work on the relationship between selection and corruption. A recent strand of papers have used laboratory experiments to address this gap. Notably, Hanna and Wang (2017) use a

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