Identity & Corruption: A Laboratory Experiment

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Outline

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2. Preview
3. Literature
4. Model
5. Experimental Design
6. Results

Motivation

Elections allow voters to hold politicians accountable.

Voters are expected to sanction politicians who misuse public office for private gain.

Politicians should be less likely to engage in corruptive behaviour.

Yet, empirical evidence suggests that voters are often reluctant to punish corruptive behaviour.

Average Corruption Perception Index: 55

Motivation

Why?

- Reciprocity
  Voters ignore corruption when there are side benefits to it (Fernandez-Vazquez et al 2016)
- Identity
  Voters ignore corruption due to in-group loyalty (Solaz et al 2018)

What we do

- Electoral accountability model in a pure moral hazard framework: identical candidates, but unobservable action
- We bring this model to the lab
- Minimal group paradigm to induce identity
- Does identity make retention of corrupt politicians more or less likely?
- Does identity affect corruption levels?

What we find

- Social identity plays a role in voters' reluctance to vote out possibly corrupt politicians
- Voters tend to approve more often politicians of their same identity group
- This partly operates through beliefs of same identity representatives being more honest
- Politicians are substantially more honest than the equilibrium prediction

Related Literature

- Woon, J. (2012). Retention and sanctioning more relevant than selection
- Anduiza et al (2013), Eggers et al (2014), Ecker et al (2016), Breitenstein (2019): Partisanship mitigates the effect of corruption on electoral accountability
- Chen, Y., & Li, S. X. (2009). Social preferences are higher when individuals are paired with members of their own group
- Landa, D., & Duell, D. (2015). Relaxer retention standards for in-group representatives
- Solaz, H., De Vries, C. E., & de Geus, R. A. (2019). In-group loyalty weakens the punishment of corruption

Model

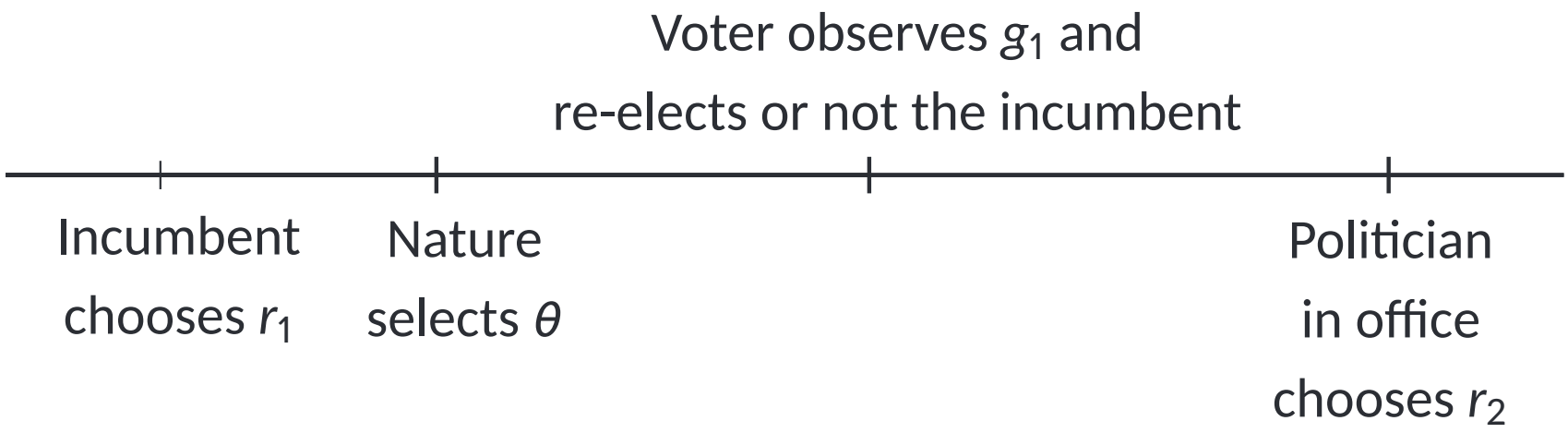
- Based on the two-period model of electoral accountability by Persson and Tabellini (2000)
- Politicians' utility: ego rents (B) and rent extraction (r_t)
- Voters' utility depends on private consumption and public good provision g_t
- Public good provision: $g_t(r_t, \theta) = \theta(y - r_t)$ where y is the available budget
  - $r_t = \{0, y\}$
  - $\theta = \{0, \overline{\theta}\}$ with equal probability

Model

- No public good provision $g_t(r_t, \theta) = \theta(y - r_t)$ for two reasons:
  - The politician is dishonest: $r_t = y$.
  - The politician is honest but project fails: $\theta = 0$. This happens with probability $\frac{1}{2}$.
- Upon observing $g_t(r_t, \theta) = 0$, the voter does not know whether the project failed or the politician was dishonest.
- This is public information.

Model

Timing



Model

Summary

- Strategies: The incumbent chooses whether to extract rents or not in each period (r_t) and the voter chooses retention probabilities $\{\alpha_L, \alpha_H\}$.
- Prediction: Multiple equilibria because all retention rules are sequentially rational and thus credible.
- The voter prefers the one in which the incumbent is honest.
- To support this equilibrium, the probability of approval if the voter does not receive any public good must be minimal, and maximal otherwise.

Model

Equilibrium

Proposition

There exists an equilibrium of the game where the incumbent is honest iff the citizen approves with probability $\alpha_L \leq \overline{\alpha}_L$ when she observes $g_1 = 0$ and with probability $\alpha_H = 1$ otherwise. In addition, there exists a continuum of equilibria where the politician is dishonest.

Model

Introducing identity

- If voters can see the identity of a politician, they can condition their approval strategy on it.
- Assumption: Voters feel a warm glow when they approve politicians of the same identity.
- Then, voters always approve politicians of same identity no matter the outcome of the project.
- Whether the politician is honest or not in equilibrium depends on the proportion of voters in their identity group.

▸ Equilibrium (identity)

From the theory to the lab

- One period version of the model to avoid reciprocity
- Same game theoretical predictions
- *Prediction 1*: In absence of identity an honest equilibrium exists iff $\{\alpha_L, \alpha_H\} = \{0, 1\}$
- *Prediction 2*: With in-group favouritism, an honest equilibrium does not exist.

Experimental Design

General

- Pre-registered in As Predicted
- Run in LexEcon lab at University of Leicester and BEEL at University of Birmingham
- Two treatments: Control (main game) and Identity (identity inducement + main game)
- Number of sessions: 3 Control and 6 Identity, 142 subjects in total
- Post-experiment questionnaire

Experimental Design

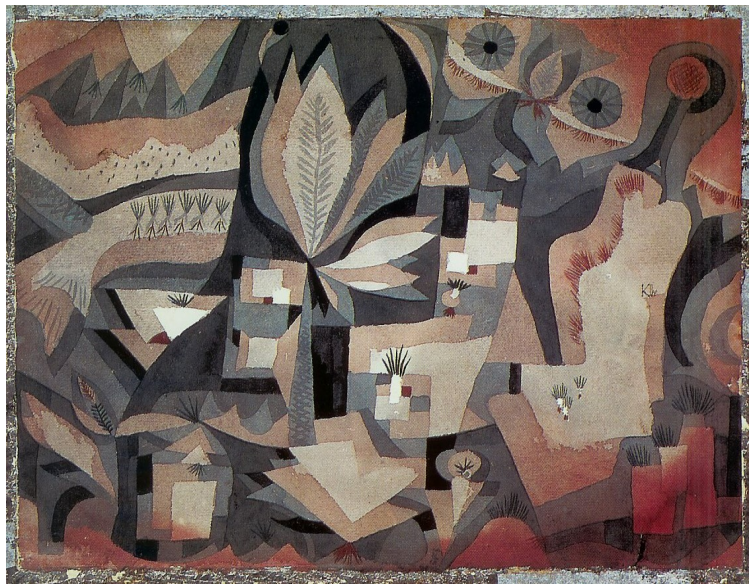
Main game

- Two roles: Representative (R) and Citizen (C)
- 36 rounds, half in each role, strangers matching
- R receives 16 tokens **for the pair** and decides whether to **keep** them or **send** them to the citizen
  - If R keeps the money, C receives 0 tokens
  - If R sends the money, C receives double the amount or 0 with probability $\frac{1}{2}$
- C observes the amount received and decides whether to approve R or not
- If R is approved, then receives 32 tokens; if not gets 0

Experimental Design

Identity stage

- We induce identity using the Minimal Group Paradigm (Tajfel et al., 1971).
- Each subject is given the same five pairs of paintings by Klee and Kandinsky, and chooses the ones that likes the most.



Experimental Design

Identity stage

- Subjects are divided in two groups, Klee and Kandinsky, according to the majority of their choices.
- Following Chen and Li (2009) and Landa and Duell (2015) we run an identity enhancement minigame.
- Members of each group are shown 2 more paintings and have to identify the painting that belonged to the painter of their group.
- If the majority of their group guesses correctly, then they all receive some additional tokens.

MGP & Identity assignment

- The MGP is used because artificial identities are supposed to be random and to not correlate with personal characteristics.
- This is not what we find.
- Klees are around 27% of subjects and personal characteristics correlate with taste.

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	Kandinsky
Female	-0.131
	(0.0663)
Age	-0.0630**
	(0.0163)
Centre Ideology	-0.247**
	(0.0711)
Right Ideology	0.000239
	(0.103)
Familiar with Klee	-0.357
	(0.216)
Familiar with Kandinsky	0.314*
	(0.154)
Degree FE	Yes
Obs.	94

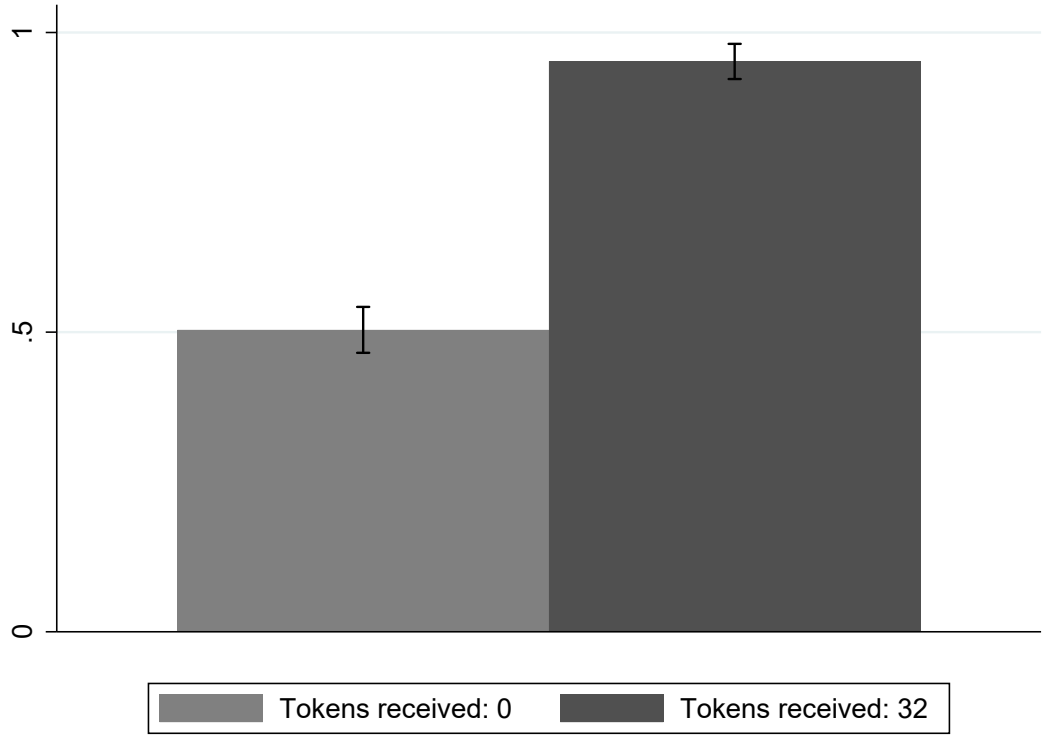
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Predictions

- C approves more often R when they share the same identity compared to when they do not *(prediction 1)*.
- R is honest less often in the identity treatment than in the control (*prediction 2*).
- If C approves R with positive probability when the project fails, honesty rates should be rather low *(prediction 3)*.

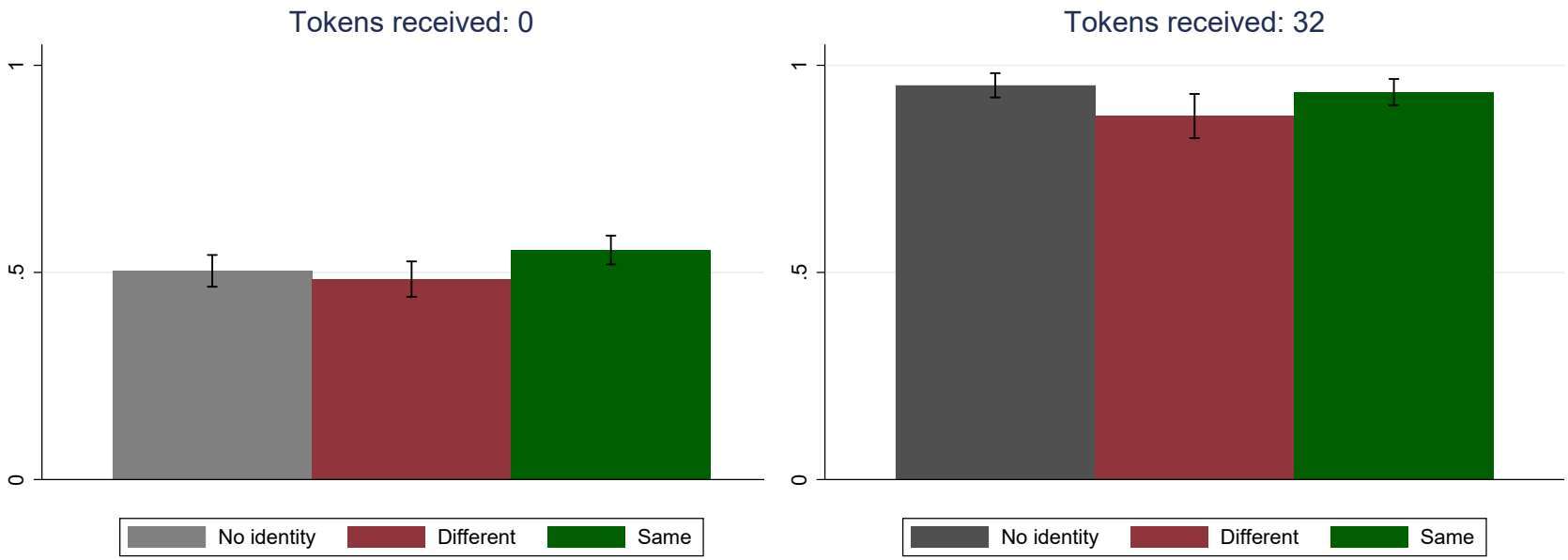
Approval rates

Control treatment



Approval Rates

All treatments



Approval rates

After receiving 0 tokens

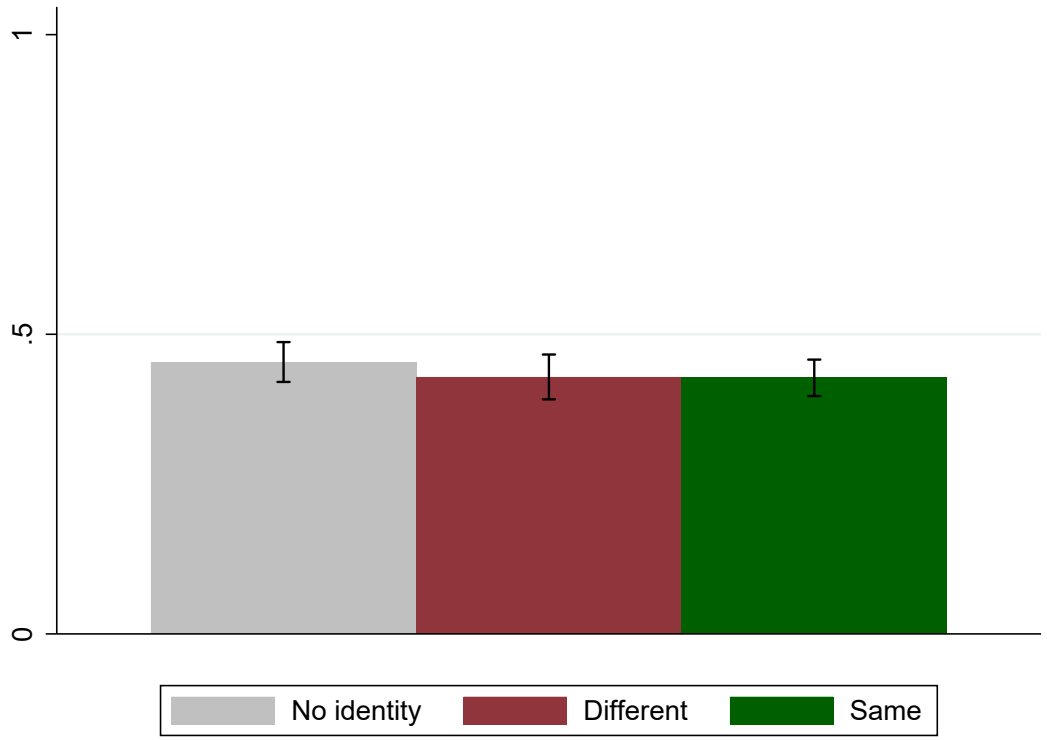
Approval choice (0 tokens)	(1)	(2)
Same Identity vs. Control	0.111**	0.129**
	(0.0524)	(0.0503)
Different vs. Same Identity	-0.0675**	-0.0716**
	(0.0294)	(0.0291)
Round	-0.00207*	-0.00213*
	(0.00126)	(0.00125)
Birmingham	0.324***	0.365***
	(0.0328)	(0.0311)
Controls	No	Yes
Observations	1971	1971

Robust errors clustered by session. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Controls include: ordering effects, ideology, age, gender, field of study

Honesty rates

All treatments



▸ LPM

- By sending, representatives lose around **28%** of the average earnings.

Beliefs

- Two reasons for the identity effect:
  - Extended utility
  - Motivated beliefs: citizens might believe that in-group representatives are more honest.

- To study this we ask the following:

  "From all the rounds in which you played as a citizen, the representative was a Klee/Kandinsky, and you received 0 tokens, what is the percentage of occasions in which you believe the representative kept the tokens for themself?"

Dishonesty beliefs

Compared to actual honesty

	Average Beliefs		Average Dishonesty		Beliefs ≠ Dishonesty
	Obs.	%	Obs.	%	(t-test)
Same	47	58.08	787	74.08	-33.5377
Different	47	65.72	527	73.05	-14.3983
Control	48	61.44	657	71.84	-22.3158

Dishonesty beliefs

Results

Dishonesty Beliefs (%)	(1)	(2)
Different Identity vs. Control	3.675	3.585
	(2.782)	(3.601)
Same vs. Different Identity	-8.607**	-8.815**
	(3.537)	(3.581)
Birmingham	-0.520	-1.296
	(3.154)	(3.917)
Average Honesty (%)	-0.364***	-0.369***
	(0.0491)	(0.0477)
Average Approval (%)	0.0246	0.0281
	(0.0583)	(0.0678)
Centre Ideology		-8.072**
		(3.355)
Right Ideology		-3.275
		(3.756)
Controls	No	Yes
Observations	142	142

Robust errors clustered by session. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Controls include: ordering effects, age, gender, field of study

Summary

- Setting with pure moral hazard, no reciprocity, no reputation effects, and no repeated interactions.
- Higher levels of honesty than equilibrium predicts. It costs to politicians around 28% of their earnings.
- Voters approve more often politicians of their same identity.
- Voters believe that candidates of the same identity are more honest.

Thank you very much!

Model

Equilibrium-Identity

Proposition

There exists an equilibrium of the game where the incumbent is honest iff the citizen approves politicians of a different identity with probability $\alpha_L^d \leq \overline{\alpha}_L^d$ when she observes $g_1 = 0$ and approves with certainty otherwise. In addition, there exists a continuum of equilibria where the politician is dishonest.

Back

Sending choice	(1)	(2)
Same Identity vs. Control	-0.0371	-0.0142
	(0.0423)	(0.0414)
Different vs. Same Identity	-0.00896	-0.00714
	(0.0116)	(0.0114)
Round	-0.00289**	-0.00289**
	(0.00133)	(0.00132)
Birmingham	-0.0808	-0.0708
	(0.0528)	(0.0789)
Start as Representative	0.0710**	0.0794**
	(0.0315)	(0.0322)
Centre Ideology		-0.0653
		(0.0712)
Right Ideology		-0.175***
		(0.0372)
Age		-0.0434***
		(0.0147)
Female		0.0758
		(0.0608)
Degree FE	No	Yes
Observations	2556	2556

Robust errors clustered by session. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Back