Policy Reforms May Increase Petty Corruption

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A study in the *International Journal of Economic Theory* published by Wiley-Blackwell finds that certain proposed reforms intended to reduce petty corruption can actually have the opposite effect and increase the occurrence of corruption and bribes.

The paper titled "Petty Corruption: A Game-Theoretic Approach" explores a game theoretic model of petty corruption that occurs when entrepreneurs have to deal with low level bureaucrats to get approvals of specific privileges, from approval of loans from state owned banks to getting a passport.

The authors – Dr. Roy Radner, Dr. Ariane Lambert-Mogiliansky and Dr. Mukul Majumdar – use this 'game theory' to assess proposed policy reforms intended to lower the level of corruption, and find that not all are effective in reducing corruption levels.

"Situations that are identical from an economic point of view can lead to significantly different levels of bribery. Therefore certain proposed 'reforms' may actually lead to an increase in the level of bribes", says Dr. Radner.

Petty corruption refers to small bribes given to officials to expedite a transaction or increase the chances of an application's approval. Such corruption has been shown to lower the level of economic activity, especially in developing countries, thus slowing their rates of economic growth.

Dr. Radner adds. "The total impact of small and petty bribes on the efficiency and welfare of an economy is substantial and has been described as 'anti-poor, anti-development, anti-growth and anti-investment'. More importantly, it creates an environment that undermines the legitimacy of the state."

Source: Wiley

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