International Business: Deal-making, beliefs, and local social norms
The team

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The problem

How to reduce bribery in international business
The problem

• **Bribery in international business is common:** It undermines competitive markets, hinders foreign investment, and slows economic development

• **The policy response has been to introduce laws against bribery in international business:** e.g., the US Foreign Corrupt Practices Act, UK Bribery Act, the OECD Anti-Bribery Convention

• **These laws prohibit the payment of bribes to foreign public officials:** the aim is to reduce bribe-paying by companies investing overseas
The logic behind anti-bribery laws is Optimal Deterrence Theory (Becker, 1968): individuals will be deterred from bribe-paying and taking if

\[ \text{risk of being caught} \times \text{penalty} > \text{benefits} \]

However, this gives little weight to the role of social context: i.e., to social norms and individuals’ beliefs about what others will do.
Research questions

How does an individual’s willingness to

a. engage in corrupt-like acts; and
b. initiate processes that lead to the punishment of others who engage in such acts

...vary depending on...

c. the social norms that prevail within the individual’s society
d. his/her/their beliefs about what others will do
Using incentivised experiments to identify how beliefs and social norms affect behaviour
Research design

The bribery game
The bribery game
Barr & Serra (2010)

Investor
Locations: Germany, China, UK, USA
Bribe/Not Bribe

Pub. Servant
Locations: China, Ghana, Uganda, Kenya, Nigeria, Bangladesh
Reject/Accept

Other Mem. Soc.
Location: always same as Pub. Servant
Passive
The bribery game
Barr & Serra (2010)

Monitor
Locations: Germany, China, UK, USA
Report/Not Bribe: Not report

Investor
Locations: Germany, China, UK, USA

Pub. Servant
Locations: China, Ghana, Uganda, Kenya, Nigeria, Bangladesh
Reject/Accept

Other Mem. Soc.
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The bribery game
Barr & Serra (2010)
Research design

The bribery game
- Treatment 1: Barr & Serra (2009) in/through 9 countries
- Treatment 2: Barr & Serra (2009) + Monitor in/through 9 countries
- Evaluations of the social acceptability of decisions
- Beliefs about what others will do

Other games
- Trust Game (Berg, Dickhaut & McCabe, 1995)
- Dictator Game (Roth et al, 1991)
- Mind Game (Jiang, 2013; Kajackaite & Gneezy, 2017)
- Gamble Choice Game (Grossmann & Eckel 2012)

Survey

Subjects: Students – 2,259 to date
Some key findings

Preliminary findings – the analysis is still work in progress!
Cross-country variation in the social acceptability of bribery

...plus a reassuring correlation with the TI Corruption Perceptions Index score
Presence of a monitor deters bribery...

…but only if Investors believe that Monitors will report and that fines will be levied.

Monitors’ reputations matter.
Presence of a German monitor most effective...

...because Investors believed that German Monitors would be most likely to report bribers

However...
German Monitors no more likely than others to report bribe-payers

Monitors’ reputations may not be well-founded
Monitors are less likely to report on compatriots.
The effect of public service experience

Those with public service experience are relatively:
- accepting of bribe taking and offering
- unaccepting of reporting

(A problem of selection or acculturation...?)
The effect of China’s Guanxi culture..?

Guanxi - an individual's social network of mutually beneficial personal and business relationships

Compared to German, UK and USA participants, Chinese participants are relatively:
- accepting of bribe taking and offering
- unaccepting of reporting
- more likely to take and offer bribes
- less likely to report bribe offering
What does this mean for how we enforce anti-bribery laws?
Policy Takeaways

• We need to do more enforcement and more high-profile enforcement if we want to reduce international bribery.
• Our current transnational approach to enforcement of anti-bribery laws, which relies heavily on cross-border enforcement by a few strong enforcers is likely to be more effective than relying on local enforcement (and local whistleblowers).
• But the focus on the supply side may not be as effective as we hope because there seems to be a pro-bribery subculture in public service.
• Chinese investment in Africa may be increasing the supply of bribes thereby perpetuating this subculture in Africa – but more research is required.