

## Non-Technical Summary

Title: Investigating the Peer Effect of Corruption

### Abstract

When an individual believes that the majority of peers behave in a corruptive manner, is he/she more likely to corrupt? And if so, then what motivates an individual to follow the behavior of others more: knowing that the majority behaves in a corruptive manner or the willingness to fulfil the expectations of one's peers? The present article uses a one-shot reverse public goods experiment to provide answers to these questions. In the experiment, subjects have an opportunity to withdraw money from a Common Pool. Withdrawal of money benefits the subject but imposes small negative externalities on each member of the group. Before they make their withdrawal decision, subjects' beliefs about the behavior of other participants are manipulated. In general, the results suggest the existence of the peer effect of unethical behavior. A separate analysis for the amount of money withdrawn from the Common Pool and for the decision to withdraw any positive amount is conducted. When the amount of money withdrawn from the Common Pool is considered, the findings indicate that the peer effect:

- goes only in positive direction: knowledge about others' pro-social behavior leads to decrease in the amount withdrawn from the Common Pool
- originates in both empirical and normative expectations of the subjects which suggests that the information on pro-social choices made by peers force individuals to think also about morality of the act of money withdrawal which impels them to withdraw less
- of providing negative information exists but is statistically insignificant.

On the other hand, when the number of people who withdrew a positive amount is considered, the direction of the peer effect is opposite:

- subjects tend to withdraw some positive amount of money more often when they get the information about others' large withdrawals
- when faced with the information that peers behave pro-socially fewer individuals decided to withdraw the money but this effect is not statistically significant.

This result inspires optimism that when exposed to prevailing pro-social behavior of their peers individuals may tend to refuse being involved in corrupt behavior which entails large negative consequences for other people and in some time possibly stop being corrupt at all. When empirical and normative expectations are considered the former tend to be the main source of the peer effect of corruption.

*Keywords:* corruption; illegal behavior; peer effect; public goods game; social norms; expectation