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## AWI This Week

### **Monday, 4.6.12**

17.15-18.45

AWI 00.010

### **Departmental Seminar**

Nikos Georgantzís, LEE, University Jaume I, Castellón

"Institutional, Idiosyncratic and Physiological Aspects of Corruption"

### **Wednesday, 6.6.12**

17.15-18.45

AWI 00.010

### **Departmental Workshop**

Christian Oldiges, University of Heidelberg

"Employment Guarantee in India and its Effects on Labour Markets and Household Welfare"

## Jour Fix

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

### Departmental Seminar

Nikolaos Georgantzís

"Institutional, Idiosyncratic and Physiological Aspects of Corruption"

We experimentally test a model of corruption where firms compete for obtaining the license for a project, and a town planner decides on the firm to obtain the license. Each firm has to split its resources between quality and a bribe. Quality entails a social externality that endogenously depends on the quality of the winner's project, positively affecting all players. The bribe is unfair (increases inequality), inefficient (it costs more to the sender than contributes to the receiver's utility) and antisocial. We report results from three studies. In the first study, the basic model is implemented showing that subjects exhibit a preference for quality and aversion to bribes. In the second study two new features are introduced: A citizen who is a passive receiver of the consequences of the potentially corrupt transaction and an option available to losers to investigate the deal between the planner and the winner of the licence. If the investigation reveals no bribe, the accusing firm loses all its profit, otherwise the accused firm and planner lose their profits. Despite the few times that the option is actually used bribes fall dramatically and efficiency increases, especially when a citizen is also present. Ethical behavior is associated with altruistic preferences and higher degrees of risk aversion. In the third study, we report results from a skin conductance control of subjects acting in the baseline and the whistle-blowing treatments. First, we show that firm-subjects acting in the absence of a whistle-blowing threat feel a higher emotional arousal when acting ethically than when sending bribes to the planners. The contrary is true in the whistle-blowing treatment. The anticipation of the loser's decision to blow the whistle also causes a higher arousal to those who have won a licence after bribing than those who did without bribing the planner. Planners show no arousal in either the decision or the anticipation moments of their and others' actions, confirming that passive bribery has no observable physiological impact.

\*with Tarek-Taher Jaber López, Aurora García-Gallego, Georgina Michailidou, Pandelis Perakakis

### Departmental Workshop

Christian Oldiges

"Employment Guarantee in India and its Effects on Labour Markets and Household Welfare"\*

In this paper, we empirically assess the effects of India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on rural wages, household consumption and poverty. The MGNREGA, which guarantees one hundred days of paid wage labor per year to every rural household, was initially introduced in 200 districts in 2006-07 and extended to all 640 districts of the Indian subcontinent in subsequent years. In 2010-11 more than 50 million household were employed and a total of \$8.8 billion, more than 0.5 per cent of India's GDP, was spent. For our district-wise analysis we combine householdlevel data from several rounds of India's National Sample Survey

(NSS) with information on the districtwise implementation of the Act. Exploiting the phase-wise introduction of the Act, we employ a difference-in-differences approach to estimate the effects of the MGNREGA. In accordance with existing empirical evidence, we find that the implementation of the Act increases contemporaneous rural wages by 5 per cent. We add to the existing literature in three ways. First, we establish that the wage increase does translate into higher consumption by rural households with a time lag - the lagged program effect figuring at 2 to 4 per cent. Second, we analyse changes in consumption baskets and find evidence that the quality of consumption baskets improves – manifested by an increase in non-staple food items. Third, we find an economically significant poverty-alleviating effect of the Act of about 4 per cent.

\*with Stefan Klonner

## Talks and Research Visits

**Alec Sproten** presented his paper "Age differences in the reaction to incentives – do older people avoid competition?" (joint work with Christiane Schwieren) at the NOeG annual meeting of the Austrian Economic Association, TU Vienna, May 19; at the Ciseps Workshop on Non-Monetary Incentives and Economic Behavior, University of Milano Bicocca, May 24; and at the ASFEE French Experimental Economics Association annual meeting, Montpellier I University, May 31.

**Alec Sproten** gave a talk on "Decision making and age: Factors influencing decision making under uncertainty", at the NOeG annual meeting of the Austrian Economic Association, TU Vienna, May 19.

**Christian Conrad** presented the paper "On the macroeconomic determinants of the long-term oil-stock correlation." (joint with Karin Loch and Daniel Rittler) in the Economic Risk Seminar, Humboldt Universität zu Berlin, May 14.

**Editorial deadline for issue 13/2012 of the newsletter:  
Wednesday, June 6, 2012, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,  
please contact the address above.