



Department SEMINARS

"Breaking bad: Malfunctioning institutions erode good behavior"
(with Rustam Hakimov)

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12:00 PM

Seminar Room Bruguier Pacini, DEM



A B S T R A C T

This paper studies whether malfunctioning institutions erode good behavior. We use a large-scale online experiment, in which participants play a repeated observed cheating game. When we ask participants to report honestly and promise no control, we find low cheating rates. When control of truthful reporting is introduced, low cheating rates remain.

In our main treatment with a malfunctioning institution, participants do not know whether they are in the treatment with or without control. In this treatment, participants who do not face control for some rounds start cheating significantly more often, reaching highest cheating rates. That is, a malfunctioning institution leads to more cheating than no institution at all, which indicates that the development of cheating behavior is endogenous to the institutions. Our findings suggest a novel negative effect of unenforced laws.

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