

Referee report on “How much do perceptions of corruption really tells us” by Claudio Weber Abramo

The paper consists mainly in a statistical exploration of data presented in the *Global Corruption Barometer 2004* published by Transparency International. Their basis is a public opinion survey performed on about 50 000 respondents distributed across 64 countries. The reason why the author has chosen this survey for further study is that it asks the respondents both about their individual household experience of corruption together with a set of questions about macro issues involving corruption within the same survey, some of which the author interprets as reflecting the respondents' perception of corruption. Since most empirical research on corruption has been based on indexes that to a large degree reflect perceptions of corruption levels, not actual incidence, it has become exceptionally important to explore whether, to what extent and how perceptions may reflect actual corrupt transactions.

Several attacks on the problem have been made. One has focused on the construction of the leading indexes themselves, such as TI's CPI index or the Kaufmann Kraay index (KKI). Most of that debate has been outlined in several papers by Kaufmann early in 2007 where he defends his own approach. A second one has tried to develop alternative aggregate indexes based on observable phenomena that presumable is closely correlated with corruption such as construction costs (Golden and Picci, 2006) or cement consumption (Dreher, Kotsogiannis and McCorrison 2005). A third approach is to look into corruption perceptions and incidence and to study their correlation for a delimited sector such as corruption in road construction in indonesia (Olken, 2006), and, eventually build generalisations from there. Cabelcova and Hanousek from 2004 on Ukraine may also be located here although the situations considered are less clearly defined than in Olken. Even in this, the most promising case for relating perceptions to experience, perception psychology warns us that the relationship may be fuzzy and difficult to disentangle. Finally, we have survey information where the respondents also report their corruption experience mainly from a household setting. (Surveys based on enterprises' experiences rarely ask direct questions about corruption experience, since no honest answers are to be expected in this case due to fears of spoiling their reputation. In a number of World Bank surveys they have been asked about the average experience in their branch, and the surveyors have interpreted this as indicating experience, but to interpret this literally as indicating their expectations, is probably closer to the mark.)

The business barometer from 2004 has here the advantage that it may be used for cross country comparisons since the number of countries involved is fairly large. To my knowledge the author is the first to make serious use of the Global Barometer 2004 for analytical purposes. In addition to the 2004 edition both the 2005 and 2006 (but not the 2002 one) editions contain both reports of the respondents' experience of and opinions about corruption. The author only uses the 2004 edition, however. The International Crime Victimization Surveys (ICVS) contain similar reports on household experience from roughly a similar number of countries. This survey series has been used for analysis a number of times, also for analysing of the relationship between corruption perception and experience. The 2000 edition also contains individual data about the respondents' assessment of the corruption situation that might be interpreted as their expectations. Based on ICVS surveys Mocan (2004) relates the ICVS country reports on experiences to the aggregate CPI and KKI measures. Since Mocan only uses ICVS reports before the 2000 survey he cannot relate experience and perceptions at the individual levels. Here the author may

contribute something new by having used the Corruption Barometer.¹ Like Mocan the author also relates his individual experience and perception data to the aggregate KKI and CPI perception indicators, since the validity of those are actually the key question in the present econometric corruption research.

An obvious issue that arises for comparative questions is the fact that the experience data are restricted to household observations, extremely petty forms of corruption. In most OECD countries household corruption is hardly an issue, and the extent of corruption since it consists mainly of other forms may hardly been gauged from these data. Moreover, since few reports of experience are made the ones actually reported may be exceptionally unreliable. The single report may due to misunderstanding of the question, person considering it fun to cross in a 'yes' and so on. Mocan adjusts for this by assuming that corruption perception is a concave function of corruption experience, hence that many low perception levels will be clustered around close to zero corruption experience. Otherwise he found that corruption experience might explain the corruption perception fairly well, if no other explanatory variable was included. If the quality of institutions was introduced, however, there appeared to be little explanatory power left in the experience variable. How to interpret this result is not obvious, however.

The author seeks to solve this lack of discriminatory power of experience data at the lower corruption end in a different and more drastic manner. He divides the material into two groups, basically divided by a GDP/capita level at 10,000\$ and relates the single experience variable to a large number of individual expectation variables that he reads into the survey separately for the two groups. That the results for the two groups are quite different is interesting. Experience is low among the richer countries while it varies widely and rather unsystematically with GDP with the poorer countries. Rather surprisingly, expectations about levels of petty corruption are better explained by experience for the richer countries than for the poor, but variation of experience is not a good predictor for either. Being based on simple correlations, this also implies that expectations are not a good predictor for corruption experience either. The author makes a large number of correlation studies within each group between experience and a number of expectation variables directed towards different institutions, testing for coherence of results. Finally he compares the experience ranking with the aggregate TI's CPI rankings. Overall the results are rather negative and more so than in Mocan's case.

The reason for this might be either that the Global Barometer survey may itself be rather unreliable. And even if reliable, the author has not made sufficiently note of the fact that the survey does not ask about the respondent assessment of the extent of corruption at institution A, but whether corruption is a big problem of institution A. Hence a respondent having paid a bribe may by *that fact* think that petty corruption is not a problem. If so, many of the strange and negative results may become less surprising.

Summing up, I found this paper interesting. A closer empirical analysis of the relationship between corruption experience and expectations that may apply to cross-country situations is strongly needed. It makes several interesting tests of internal coherence of results, of which I, alas, have not sufficient competence to make a final judgement of. To divide the countries into two separate groups for further analysis looks quite fruitful. It is difficult to believe wholly in the very negative conclusions in

¹ Recently, in a brief paper by Donchev and Ujhelyi (2007) the recent ICVS data on individuals' perception has been used.

the paper since the respondents were not asked about their expectations. I also believe that the results from 2004 should be compared to the 2005 and 2006 barometers, and the barometer survey to be compared with the ICVS'es that appear somewhat more reliable. It would also be interesting to see how the comparison with the index in Dreher, Kotsogiannis, McCorrison (2005) would look like. Finally I miss some references to the most recent discussion of the KKI and CPI indicators as, for example summed up by Kaufmann.

With such extensions the discussion of the issues in this paper is so fresh and the methodology so imaginative that the author should consider to resubmit although the transition from 'problem' to 'expectation' looks rather problematic.