

OSTROM WORKSHOP RESEARCH SERIES

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“Does Firm Size Increase Corruption?
Evidence from a Quasi-Experimental Design”

Wednesday, October 4, 2017

12:00 – 1:00 p.m.

Ostrom Workshop, 513 N. Park



Despite the extensive discussion on the role that firm size plays in corruption, it is not clear from prior literature whether increased firm size truly causes greater corruption and bureaucratic burdens on firms. In order to address reverse causality between firm size and corruption, this paper utilizes the instrumental variable strategy based on price shocks in international commodity markets. Applying this innovative identification strategy to surveys of firms, primarily in transition economies, this paper provides some of the first rigorous evidence on the positive impact of firm size on corruption. It was determined that a one standard deviation increase in sales leads to approximately one standard deviation increase in bribes as percentage of revenue, at the 99 percent confidence level, and to 1.1 standard deviation increase in the proportion of management time spent dealing with public officials, at the 95 percent confidence level. This paper also provides evidence for the diminishing positive effect of firm size on corruption burdens. The positive effect of firm size on corruption burden is highest at the lowest levels of firm size such as micro and small firms, and becomes diminished as firm size increases to medium and large.



Thuy Nguyen joined SPEA as a postdoctoral researcher in 2016, where she had been a visiting scholar in 2015 and obtained her MPA in 2012. Thuy earned her PhD in Economics from Maastricht University, The Netherlands. Her dissertation focused on firm-level empirical and theoretical models that cover broad issues of corruption, such as cross-country corruption measures assessment and determinants of corruption from firm perspectives. Thuy’s current projects tackle the consequences of the US anti-fraud legislation in the healthcare sector and cross-border anti-corruption regulations ([website](#)).

Presentations are open to the public (see our website for papers). You are welcome to bring your lunch. For questions, contact Allison Sturgeon (sturgeon@iu.edu; 812/855–3151).