

Socially Embedded Corruption: An Experiment in The Public Transport Sector in the Congo*

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ABSTRACT: This paper analyzes the role of social relationships between private actors and enforcers for corruption in the context of the passenger transportation sector in Kinshasa, Democratic Republic of the Congo. We first document that stops by police officers in the street *can* lead to huge time waste in bribe negotiations. However, a socially accepted, frequent, small, and stable unofficial toll fee has replaced most bribe payments and purportedly relies on the drivers and the officers having a relationship. To analyze the role of these relationships on corruption, we randomly re-route drivers to lines in which they do not have relationships with the officers. To isolate the role of relationships in re-routing, we randomly extend protection provided by third-parties against police harassment to the drivers. To separately identify the cost of not having a relationship from the cost to create new ones, we randomize the time horizon of re-routing. Having a relationship with the officers in the street improves the drivers' bargaining position over passengers, presumably from lower risk of time waste, resulting in higher passenger prices and driving revenue. Drivers create new social relationships with officers in the street within three days of driving by investing time and resources in the first day. The findings emphasize the role of the social structure in the spread of corruption and suggest that separate market and reciprocal spheres of exchange exist in corruption. **Keywords:** Corruption, transaction costs, relational contracts. **JEL Codes:** D23, D73, D74, L14

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