Indirect effect of corruption: evidence from heterogeneity in corruption experience and tax morale
Abu Bakkar Siddique

1. Research Question
- Direct effect of corruption (loss of revenue)
- Indirect effects (tax morale)
- Does corruption experience matter for tax morale?

2. Tax morale is not tax compliance
- Intrinsic motivation to comply with tax systems,
- Non-pecuniary factors that influence tax behavior.

3. Corruption & tax morale
- Contractual relation between states and taxpayers.
- States trade services for tax revenues from citizens.

3.1. Perception versus experience of corruption

4. Data descriptions
- The WVS-7, collected during 2017 to 2020, covering 49 countries, 751 regions, and 70,867 individuals.
- Other administrative data from WBG, TI, IMF etc.

5. Empirical design

6. Results

7. Potential mechanism

8. Alternative explanation

8.1. Reduced expected cost of cheating after being exposed to corruption.

8.2. Tax morale peer effects (results holds after controlling for local average tax morale)

8. Conclusion
- If individual experiences corruption, his/her odds of showing full tax morale declines by 23.5%.
- Corruption experiences affect tax morale through ethnic diversity & welfare/public goods but not institutions
- Government corruption indirectly creates dishonest taxpaying citizens

Contract: Abu Bakkar Siddique (email: asiddi@gmu.edu; Cell: 5712745328)