

"Status, Incentives and Corruption"

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Abstract

We re-examine the hypothesis that increasing compensation to public sector officials reduces corruption, defined as bribe-taking. We introduce heterogeneity among agents on the dimension of how much they are motivated by "status" or prestige of a profession vs purely monetary compensation. We show that increasing wages in this setting may increase corruption under realistic conditions on parameters. On the other hand, using "prestige" as a choice variable for policy may have reinforcing effects in reducing corruption: it reduces both bribe taking behaviour as well as improves the selection of workers in the public sector. We show too that the media, by emphasising the "bad news" about corruption may cause a worse selection in the future.