

Determinants of Whistle Blowing

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Abstract

Every once in a while a big scandal shakes the confidence in the integrity of corporate conduct and leads to public outcry. Law makers increasingly try to capitalize on individuals having acquired knowledge of such misconduct by inducing them to blow the whistle. In a laboratory experiment we find that fines for non-reporting potential informants, rewards and even simple commands increase the probability of whistleblowing. We find the strongest effect for fines. We also show that the probability to become a whistle-blower strongly depends on how the potential informant is affected by the fraud: Potential informants who are negatively affected are more likely to blow the whistle than non-affected or positively affected potential informants.