

## **S. Demichelis : "Is a tight knit community better in screening corruption?"**

### **Abstract:**

We study a society in which agents periodically decide whether to keep a ruler through voting. Agents operate within a given network structure which determines how "close" they are to other members of the community. Agents choose actions based on past observations of a public good and on the observations of their neighbours. The budget for the provision of the public good is, at each period, a realization of a random variable that is revealed to the ruler only. The ruler may take bribes out of the budget.

At the beginning of each period, the ruler decides how much of the budget should be devoted to public welfare and how much to keep for herself. Her utility is the discounted sum of the bribes until dismissal. Citizens, at the end of the period have a referendum to decide whether they should keep the ruler or vote for a challenger. Their vote is based upon their perceived level of welfare and also on the opinions expressed by their neighbours. We show that society in which the links among citizens form a "tightly" knit community tolerate higher level of corruption than societies which are not tightly knit.