

Does Corruption Discourage Trade in Cultural Goods?

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Overview

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Introduction and motivation

- ▶ UNESCO defines cultural goods as “consumer goods that convey ideas, symbols and ways of life, i.e. books, magazines, multimedia products, software, recordings, films, videos, audio-visual programmes, crafts and fashion” .
- ▶ Highly differentiated goods expected to provide personal and emotional utility to the consumer.
- ▶ Disdier et al (2010): Trade in cultural goods higher between more culturally similar countries:
 - ▶ Travel shorter distance than non-cultural trade;
 - ▶ More sensitive to common language variable.
- ▶ Large ‘gravity effect’ for cultural goods.

Introduction and motivation

- ▶ Why might 'gravity effects' be disproportionately larger for cultural goods:
 - ▶ High search costs.
 - ▶ Fewer bulk shipments.
 - ▶ Cultural similarity.

Introduction and motivation

- ▶ Relationship between corruption and trade has been analysed extensively.
 - ▶ Corruption can be seen as a 'tax on trade', (Dutt and Traca, 2010), or 'sand the wheels'.
 - ▶ Also evidence of 'grease the wheels' effects of corruption, especially at customs (Dutt and Traca, 2010).
- ▶ Not many papers analysing the effects of corruption on product-level trade.

Related literature

- ▶ Felbermayr and Toubal (2010) find evidence cultural proximity enhances bilateral trade volumes (using Eurovision voting scores). Kokko and Tingvall (2014) make similar findings using Eurovision voting scores.
- ▶ Fensore, Legge and Schmid (2017) use ancestral / genetic distance.
- ▶ Heid and Lu (2022) similarly use genetic distance between countries as a proxy for cultural distance, but in the context of a linear probability model to estimate the probability of trade agreements.

Corruption and cultural goods

- ▶ Why might corruption affect cultural trade disproportionately?
 - ▶ Transaction scrutiny.
 - ▶ Demand and supply side implicit boycott.

Corruption variables

- ▶ Corruption Perceptions Index (CPI) from Transparency International
 - ▶ Measured from 1 to 100 (higher number corresponds to less corruption).
- ▶ Index of Public Integrity (IPI) from corruptionrisk.org
 - ▶ Measured from 1 to 10 (higher number corresponds to less corruption)
- ▶ International Country Risk Guide (ICRG)

Data and methodology

- ▶ Product-level trade from UN Comtrade.
 - ▶ Cultural goods identified from UNESCO's formal definitions at HS6 level of aggregation.
 - ▶ Using 44 European countries:
 - ▶ Sample restriction due to high disaggregation.
- Period: 2000-2020 (five year intervals) for CPI and 2015, 2017 and 2019 for IPI.

Data and methodology

- ▶ PPML estimation.
- ▶ We run the following regression:

$$\begin{aligned} \text{Imports}_{ijkt} = & \beta_0 + \beta_1 \ln \text{GDP}_{it} \times \ln \text{GDP}_{jt} + \beta_2 \text{Cultural trade} \\ & + \beta_3 \ln \text{Corruption} - \text{destination} + \beta_4 \ln \text{Corruption} - \text{origin} \\ & + \beta_5 \text{Cultural} \times \text{Corruption} (\text{origin}) \\ & + \beta_5 \text{Cultural} \times \text{Corruption} (\text{destination}) \end{aligned} \quad (1)$$

- ▶ Inclusion of various fixed effects.

Results

Table: Initial results using the Corruption Perception Index from Transparency International.

	(1)	(2)	(3)
$\ln \text{GDP}_{it} \times \text{GDP}_{jt}$	0.630*** (0.047)	0.630*** (0.047)	0.630*** (0.047)
Cultural trade	0.080*** (0.020)	-2.910*** (0.259)	-5.263*** (0.329)
$\ln \text{CPI} - \text{destination}$	0.080 (0.074)	0.081 (0.074)	0.061 (0.074)
$\ln \text{CPI} - \text{origin}$	0.299*** (0.100)	0.278*** (0.100)	0.282*** (0.100)
Cultural \times $\ln \text{CPI}$ (destination)			0.668*** (0.061)
Cultural \times $\ln \text{CPI}$ (origin)		0.711*** (0.061)	0.600*** (0.064)
Observations	44115434	44115434	44115434
R^2			
Country-pair fixed effects	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Robust standard errors in parentheses

Results

Table: Initial results using the Index of Public Integrity from corruptionrisk.org.

	(1)	(2)	(3)
$\ln \text{GDP}_{it} \times \text{GDP}_{jt}$	0.541*** (0.158)	0.541*** (0.158)	0.541*** (0.158)
Cultural trade	-0.216*** (0.030)	-3.276*** (0.496)	-6.611*** (0.627)
Cultural \times \ln IPI (destination)			1.866*** (0.223)
Cultural \times \ln IPI (origin)		1.437*** (0.234)	1.131*** (0.236)
\ln IPI – destination	-0.172 (0.427)	-0.172 (0.427)	-0.215 (0.427)
\ln IPI – origin	0.363 (0.754)	0.329 (0.755)	0.335 (0.755)
Observations	20183796	20183796	20183796
R^2			
Country-pair fixed effects	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Robust standard errors in parentheses