

Investigation of Corruption and Competition Nexus

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Abstract:

In an unregulated economy, competition is the primary mechanism to produce goods and services. It is expected that the unrestricted competition among many market players will enhance efficiency through optimally allocating scarce resources and triggering technical progress among others. Corruption is a pervasive phenomenon that poses a serious threat to democracy, development, and security. It also endangers the stable and effective functioning of free markets, protecting competitors rather than competition. Competitors should equally race in a level-playing field, not being distorted by such external factors as unfair governmental intervention, conflicts of interest, breach of the rules for private gain, unduly influencing of the decisions by bribery, and so on. Corruption may lead to gaining monopoly which enables powerful companies to buy or perform influence upon public officials to preserve a monopoly on their position through trade barriers, exclusive agreements, bid rigging, price fixing, law enforcement asymmetries and so on. This study attempts to analyse the link between corruption and competition using panel data. Main research question is whether corruption kills competition as proposed in theoretical models.

Keywords: Corruption, Competition, Efficiency

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