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*forthcoming, Journal of Public Economics*

**Corruption Perceptions vs. Corruption Reality**

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March 11, 2009

**Abstract**

This paper examines the accuracy of corruption perceptions by comparing Indonesian villagers' reported perceptions about corruption in a road-building project in their village with a more objective measure of 'missing expenditures' in the project. I find that villagers' reported perceptions do contain real information, and that villagers are sophisticated enough to distinguish between corruption in a particular road project and general corruption in the village. The magnitude of the reported information, however, is small, in part because officials hide corruption where it is hardest for villagers to detect. I also find that there are biases in reported perceptions. The findings illustrate the limitations of relying solely on corruption perceptions, whether in designing anti-corruption policies or in conducting empirical research on corruption.

\*I wish to thank Abhijit Banerjee, Esther Duflo, Amy Finkelstein, Ray Fisman, Irma Jeyachandran, Larry Katz, Aart Kraay, Michael Kraemer, Thomas Picketty, Susan Rose-Ackerman, Monica Singhal, and an anonymous referee for helpful comments. Special thanks are due to Victor Battisti, Richard Grogan, Susan Wong, and especially Scott Cunningham for their support and assistance throughout the project. The field work and engineering survey would have been impossible without the dedication of Rony Mahomed and Susanto Yano Oetomo, as well as the entire P2 field staff. This project was supported by a grant from the DfID-World Bank Strategic Poverty Partnership Trust Fund. All views expressed are those of the author, and do not necessarily reflect the opinions of DfID or the World Bank. Email: bollen@mit.edu

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