THE STATE AS ORGANIZED CRIME:
INDUSTRIAL ORGANIZATION OF THE POLICE IN
THE DEMOCRATIC REPUBLIC OF THE CONGO

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Abstract

Expropriation by state officials is often well organized in corrupt hierarchies. A challenge with current empirical research is that informal arrangements inside the administration are unobservable to data collectors outside the administration, thus debates have focused on the incentives of the lower-level administrators whose behavior is observable by the public. As a foundation for this project, we hire 160 individuals to penetrate the traffic police administration in the DRC, in order to systematically trace, and experimentally manipulate, the illicit rent-sharing agreements between traffic police officers and their commanders. First, we establish that organized crime permeates the police administration: police officers and their commanders derive respectively 95% and 97% of their total income from illicit transfers and officers systematically pass upwards a share of the rents they extract to their commanders, in the form of arrested cars. While some of these flows end up as formal fines collected by the Ministry of Finance, at least 77% are illicit, organized transactions for the private gains of commanders that do not end up in the Ministry of Finance. Second, we draw on the form of the illicit contracts that prevail to establish a theoretical framework of vertical contracting, and we use this framework to motivate income transfers to police officers and to their commanders. We unconditionally double the daily wage of randomly selected police officers in randomly selected days, and find that 49% of the supplement is extracted upstream by their commanders, the intervention only marginally reduces bribe taking by police officers. However, incentive compatible transfers to commanders, conditioned on commanders’ observable behavior, reduce extortion by police agents 10% more, and lead to large improvements in the quality of traffic, the main formal target of police officers. The results are consistent with a basic contracting framework in which civil servants contract transfers based only on predictable output. They suggest that commanders have significant power, that their power is the main source of lower-level bribe taking, and that constraints on contractible output create inefficiencies in the hierarchy, which can be addressed by conditional income transfers to commanders, but not through wage increases to police officers.

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