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# IMF Working Paper

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## “Does ‘Grease Money’ Speed Up the Wheels of Commerce?”

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**IMF Working Paper**

Fiscal Affairs Department

**“Does ‘Grease Money’ Speed Up the Wheels of Commerce?”**

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**Abstract**

The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.

In a general equilibrium in which bribe-extracting bureaucrats can endogenously choose regulatory burden and delay, the effective (not just nominal) red tape and bribery can be positively correlated across firms. Using data from three worldwide firm surveys, this paper finds evidence consistent with this hypothesis. Firms that pay more in bribes are also likely to spend more, not less, management time with bureaucrats in negotiating regulations. They also face a higher, not lower, cost of capital.

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