

Libman, Alexander; Vollan, Björn

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## Anti-Western conspiracy thinking and expectations of collusion: Evidence from Russia and China

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Alexander Libman and Björn Vollan

Anti-Western conspiracy thinking  
and expectations of collusion:  
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Alexander Libman and Björn Vollan

## Anti-Western conspiracy thinking and expectations of collusion: Evidence from Russia and China

### Abstract

Anti-Western conspiracies are frequently used by Governments to strengthen their power. We investigate the impact of conspiracy thinking on expectations of collusion among individuals in Russia and China. For this purpose, we conduct a novel laboratory experiment to measure expectations of collusion and several survey items related to conspiracy thinking. Our survey results indicate that anti-Western conspiracy thinking is widespread in both countries and correlates with distrust. We find a significant effect of anti-Western conspiracy thinking in China: Anti-Western conspiracy thinking correlates with lower expectations of collusion. We explain this result by stronger in-group feeling emanating from the anti-Western sentiment. Our paper provides a first step in analyzing the economic implications of conspiracy thinking for society.

Keywords: conspiracy thinking, Russia, China, trust, collusion experiments.

JEL Codes: C91; D83; O17.

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**Alexander Libman**, German Institute for International and Security Affairs.

**Björn Vollan**, University of Innsbruck.

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# 1 Introduction

In this study we examine how conspiracy thinking, especially anti-Western conspiracy thinking, influences interactions of the participants in an economic experiment carried out in China and Russia. A general belief in conspiracies and conspiracy thinking is widespread in many countries. For example, in 2006 more than one-third of the American population believed that the 9/11 terrorist attack happened with assistance of federal officials (or at least they took no action to stop it).<sup>1</sup> Since conspiracy theories can easily be used for scapegoating, they are often deliberately used by authoritarian regimes to preserve their power. This mobilization of the population against the supposed enemy often seems to pay off for autocrats. Using the language of conspiracy theorists, autocrats can blame their failures on interventions of hidden forces from abroad. For regimes that build their ideology on confrontation with the West, it is typical, for propaganda purposes, to paint a picture of Western conspiracies threatening the country, as was done in the USSR and Nazi Germany as well as in other countries (Conquest 2007; Hert 2006; Byford and Billig 2001; Swami 2012; Golunov 2012). This conspiracy thinking often survives after the fall of the respective regimes (Kuzio 2011; Ortmann and Heathershaw 2012; Golunov 2015).

Conspiracy thinking is typically defined as ‘attempts to explain the ultimate causes of events as secret plots by powerful forces rather than as overt activities or accidents’ (Jolley and Douglas 2014:35). Thus, conspiracy theories are, by definition, theories of cooperation or collusion among others. The experiment we conduct elicits expectations of collusion among others. We ask whether subjects, while interacting with each other, expect their counterparts to collude against them or instead think that a lack of collusion is the more likely case. We conduct our experiment in two large non-democratic countries, designing it to capture the interactions of people with fairly homogenous backgrounds within a well-defined group (students of the same university). In our experiment, there is no explicit political context; neither foreigners nor Westerners participate in the interaction or as experimenter. We demonstrate that anti-Western conspiracy thinking has a strong effect on a subject’s behavior in China; those believing in conspiracies are less likely to expect collusion among people with whom they interact. We explain this result by the link between anti-Western conspiracy thinking and stronger in-group feeling. For Russia, we find no

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<sup>1</sup> <http://www.911truth.org/new-poll-a-third-of-u-s-public-believes-911-conspiracy-theory/>, accessed June 26, 2014.

significant effect of anti-Western conspiracy thinking on behavior, which we explain thusly: due to the overall low level of trust in the Russian society the in-group feeling remains low, in spite of the widespread belief in Western conspiracies.

Although public interest in conspiracy theories may be increasing, there has been surprisingly little empirical research on this topic. A number of studies have investigated issues of conspiracies in terms of psychology (Goertzel 1994; Abalakina-Paap et al. 1999; Swami et al. 2010; Douglas and Sutton 2011; Swami et al. 2011; Wood et al. 2012; van Prooijen and Jostmann 2013), political science (Uscinski et al. 2011; Einstein and Glick 2013; Oliver and Wood 2014) and philosophy (Clarke 2002; Sunstein and Vermeule 2009). To our knowledge, our paper is the first in the economics literature to address the issue of conspiracy thinking and the first to study the impacts of anti-Western conspiracy thinking in particular.<sup>2</sup> Furthermore, our paper is among the first to design an experiment eliciting expectations of collusion among others. These expectations play an important role in many decision-making situations and deserve detailed investigation. For example, in markets, assessing the likelihood of collusion of one's opponents is critical for determining a business strategy; in regulatory agencies, it can influence the way bureaucrats prefer to monitor the businesses and households with which they deal.<sup>3</sup>

The remaining part of the paper is organized as follows. The second section presents the main hypotheses. The third section describes our experiment. The fourth section reports the results, and the last section concludes.

## 2 Hypotheses

Anti-Western conspiracy thinking could influence human behavior in non-political situations for two interrelated reasons. First, authoritarian and post-authoritarian societies are often 'politicized' in a sense that politics is perceived as an important and omnipresent fac-

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<sup>2</sup> There are several studies in economics that look at related topics, e.g., superstition (e.g., Leeson and Coyne 2012; Leeson 2012a; 2012b; Hadnes and Schumacher 2012). Conspiracy thinking, however, presents a very special form of world perception – it does not merely explain the world through intended design by some hidden forces (as superstitions often do), but ascribes malevolence to these forces – their intent to harm the conspirator.

<sup>3</sup> In theoretical terms, the situation we investigate resembles that of a common agency framework, when an agent has to deal with several principals, and the behavior of agents changes massively depending on whether they expect principals to cooperate with each other (Bernheim and Whinston 1986; Siqueira et al. 2009); experimental evidence on common agency has been rare (with the notable exception of Kirchsteiger and Prat 2001).

tor affecting the everyday lives of individuals. This is not surprising: frequent, unpredictable and unconstrained interventions by autocratic governments in the lives of their subjects make it impossible for ordinary people to distance themselves from politics (Oleinik 2011). From this point of view, even a supposedly non-political setting is in reality perceived as a political one in these societies.<sup>4</sup> Second, government propaganda itself does not differentiate between political and non-political topics – conspiracy thinking sees the enemy as everywhere present. Propaganda may force people to perceive the entire world through the glasses of political stereotypes and, as a result, consciously or unconsciously apply them even in politically innocent settings. If propaganda is successful, its impact lasts even after the regime change or policy change (Furman 1996). Regimes in both China (under Mao) and Russia (during the Soviet era) each used a powerful propaganda machine to spread the Western conspiracy ideas and were characterized by omnipresent political interventions in everyday life (to some extent, these features were present already in Imperial times in both country) – hence, in both countries searching for implications of politically driven conspiracy thinking in non-political circumstances is reasonable.<sup>5</sup>

Based on the extant literature, it is possible to develop three hypotheses regarding the effect of (anti-Western) conspiracy thinking on expectations of collusion among others. Two hypotheses treat anti-Western conspiracy thinking merely as a form of conspiracy thinking in general. The final hypothesis concentrates on its anti-Western nature.

First, an individual who sees manipulation and intention in any area of social life may be more likely to expect collusion among the people with whom she interacts, this collusion being merely one more example of the ‘secret design’ of the world. Furthermore, Douglas and Sutton (2011) argue that belief in conspiracies is correlated with the individual’s own willingness to engage in conspiracies. There is substantial evidence in psychology that prior other-regarding expectations often are formed as projections of one’s own behavior and attitudes (e.g., Kenny and DePaulo 1993; Lochman and Dodge 1998); this form of

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<sup>4</sup> In Russia, for example, since the launch of a massive propaganda campaign following the annexation of Crimea in 2014, there have been numerous cases of aggressive and emotional propaganda-driven behavior in the circumstances of ordinary life; see, e.g., [http://slon.ru/russia/nevropatrioty\\_kakim\\_budet\\_novoe\\_putinskoe\\_bolshinstvo-1152699.xhtml](http://slon.ru/russia/nevropatrioty_kakim_budet_novoe_putinskoe_bolshinstvo-1152699.xhtml), accessed 8 September 2014

<sup>5</sup> It is of course also reasonable to hypothesize that conspiracy thinking of this sort should have implications for interaction with people against whom it is directed – e.g., foreigners or members of a particular ethnicity (see also Grzesiak-Feldman and Suszek 2008 and Kramer and Schaffer 2014 on conspiracy thinking in the presence of a distinctive disliked out-group). In this paper, however, we look at whether anti-Western conspiracy thinking affects the interaction between individuals in the same society in non-political settings, where they clearly do not deal with Western actors or agents and where no members of stigmatized out-groups are present or in any way involved.



belief formation should be particularly pronounced in the case of a background that is common to the individual and other subjects with whom she interacts. Being herself inclined to conspiratory behavior, an individual may expect other people to behave likewise.

*Hypothesis 1: An individual believing in conspiracies should ascribe a higher probability to collusion among people with whom she interacts.*

Second, conspiracy thinking is typically correlated with or even induces certain other psychological features. One of the most robust findings in the literature is that those believing in conspiracies exhibit higher levels of distrust (Goertzel 1994; Abalakina-Paap et al. 1999; Einstein and Glick 2013). If that is the case, given the above-described propensity of humans to form other-regarding expectations based on own behavior, an individual with a low level of trust should also expect other people to be characterized by low trust in each other and hence not to cooperate (i.e., not collude).

*Hypothesis 2: An individual believing in conspiracies will show less trust and project low trust onto others and thus ascribe a lower probability to collusion among people with whom she interacts.*

Third, anti-Western conspiracy thinking may include certain features that differ from conspiracy thinking in general. The objective of anti-Western propaganda (and cultivation of anti-Western conspiracy thinking) is to strengthen the in-group feeling among people of a certain society by creating a common enemy. The relationship between out-group hate and in-group cohesion is well-established in psychology and political science (Druckman 1994; Brewer 1999; De Figueiredo and Elkins 2003); for the anti-Western conspiracies in the developing world, this argument was made by Mashuri and Zaduqisti (2014) for Indonesia. Recently, a number of researchers have begun to experimentally study parochial altruism, i.e. kindness towards members of the own group and spite towards members of an ‘out group’ (e.g. Abbink et al., 2012; Choi and Bowles, 2007; De Dreu et al. 2012). This literature highlights that exposure to intergroup competition (and hence the existence of a joint opponent) can foster social cohesion and within-group cooperation. In our experiment, stigmatized out-groups, against which conspiracy thinking is directed and which are expected to have substantial internal cohesion in regard to harming the subjects (Kofta and Sedek 2005), are excluded from the sample. Thus, subjects interact with the members of

their own in-group. The experiment is designed so that collusion among opponents is harmful to the individual. Stronger in-group feeling should render the individual less likely to believe that other people in the group will harm her. Therefore, strong in-group feeling should be correlated with lower expectations of collusion.

*Hypothesis 3: An individual believing in anti-Western conspiracies should ascribe a lower probability to collusion among people with whom she interacts, given that members of the stigmatized out-group are not involved.*

While testing the hypotheses, a further point must be taken into account. As mentioned above, Russia and China exhibit a number of common features, which make them suitable for our investigation. However, they are dissimilar in terms of other characteristics and, in particular, the overall trust levels in the society. It seems to be a point of consensus of a very broad literature that general trust is higher in China than in Russia (Buchan and Croson 2004; Buchan et al. 2006; Herrmann et al. 2008; 2001; Oleinik 2005; Herrmann et al. 2008, Gaechter and Herrmann 2011; Herrmann-Pillath 2010). It is possible to argue that if our effect is driven by Hypothesis 1 it will be harder (easier) to detect in a high (low) trust environment such as China while Hypotheses 2 and 3 are harder (easier) to detect in a low (high) trust country such as Russia, for the following reasons:

- Hypothesis 1 suggests that conspiracists are more likely to expect cooperation among those with whom they interact; but in a society where the trust level is high (and this is widely known), people are likely to expect cooperation among those with whom they interact in any case, since high trust strengthens cooperation; thus, conspiracists may be insufficiently different from the rest of the population (in our experiment, there is a clear conflict of interests and no communication mechanism between the individual and those whose willingness to cooperate she has to assess; thus, even if the overall level of trust in the society is high, the individual and the group she interacts with have neither reason nor means to agree not to harm each other).
- For Hypothesis 2, the situation is the opposite: conspiracists, given their lower trust levels, should expect little cooperation among those with whom they interact. However, if the overall level of trust in the society is low, such expectations should be

generally widespread, and there should be little difference between those who believe in conspiracies and those who do not.

- Hypothesis 3 is built on stronger in-group feeling: however, in a low-trust society formation of the in-group feeling may be more difficult or impossible, and therefore the effect of anti-Western conspiracy thinking on human behavior may be limited. This is particularly the case if people are generally very skeptical to their own country and its institutions (as in Russia; see Shlapentokh 2006), which again limits the in-group feeling formation and the possibility of the government to promote an outside enemy

Summing up, a positive correlation between conspiracy thinking and assessment of the likelihood of collusion (Hypothesis 1) is more likely to be found for Russia than for China; a negative correlation (Hypotheses 2 and 3) is more likely to be found for China than for Russia.

## 3 Experiment

### 3.1 Design

Our experiment consists of four stages built around a one-pay first-price auction (see experimental instructions in the Appendix). Each player starts with an endowment of 10 units. There are three players: two bidders (player B) and one auctioneer (player A).

- In the first stage two potential bidders can anonymously communicate with each other, unobserved by the auctioneer. The communication happens in written form through exchange of ‘communication sheets’; the players B are allowed to exchange the sheets three times. The auctioneer is aware that the bidders communicate ex-ante and can potentially agree to collude. Collusion means that B-players make the lowest possible bids at the auction, thus minimizing their costs (and the gain of the auctioneer), and then split the surplus, as described below.
- In the second stage the auctioneer decides whether she wants to pay a fee of 2 units in order to invite both players to the bidding stage. If the auctioneer decides not to make the payment, only one bidder (randomly) is invited. The bidders are informed of how many of them were invited to the auction.

- In the third stage the bidders submit their bids in sealed envelopes. Only bids of 2 or 8 units are permitted; this is done to simplify the analysis and the logic of the experiment (bidding 0 is impossible). The bidder making the higher bid (or the only bidder in case only one player B was invited to the auction) wins. In case of a tie, the winner is determined randomly, with a probability of 0.5 for each player to win. The winner receives a prize of 20 units. The auctioneer only keeps the winner's bid amount.
- In the fourth stage, the winner B can transfer some of the money to the other B player.
- Thus, the situation for the bidders resembles a sequential prisoners' dilemma (i.e. a trust game) in which it is in the interest of each to trust the other (none of them will bid high) and then share the earnings in the last stage. The payoff matrix of stage 3, presented in *Table 1*, clearly shows that bidding 8 dominates bidding 2 for both players B.<sup>6</sup>

Table 1 Expected payoff matrix for players B, auction with two participants (stage 3 only)

		Bid of the second player B	
		2	8
Bid of the first player B	2	19/19	10/22
	8	22/10	16/16

Note: The payoffs reported in Table 1 include not only the gains from winning the auction (i.e., the prize minus the bid), but also the initial endowment of 10 units.

Our primary interest is in whether the auctioneer will forego potentially higher earnings and invite only one bidder to the auction. Specifically, if the auctioneer expects bidders B to cooperate, she can earn at most 2 units from the bids of players B (plus 10 units of initial endowment), regardless of whether one or both are invited – therefore, paying an extra fee for inviting two participants is unreasonable. If the auctioneer expects bidders B to defect, her income from inviting one participant is still 2 units (single bidder will never bid more) plus the initial endowment, but if two participants are invited, the winner will bid 8 (prisoners dilemma). Hence, the revenue of the auctioneer is 8 minus 2 (fee for inviting two

<sup>6</sup> Our calculations yield an expected payoff of 9 when both players bid 2: For winning, a player receives 20 (prize) - 2 (bid) = 18; for losing, 0. Each outcome has a probability of 0.5 if bids are equal, yielding an expected payoff of 9. Similarly, the expected payoff for each player is equal to 6 if both players bid 8 (winning: 20-8=12; losing =0). If one player bids 8 and the other 2, the low bidder gets 0 and the high bidder gets 12. These payoffs, in fact, allow us to obtain the solution of the game in dominant strategies. Adding an endowment of 10 to each outcome yields the payoffs in *Table 1*.

participants) plus the initial endowment, and it is reasonable to invite two players B. Hence, the income of the auctioneer is 16 if there is no cooperation and two players B were invited, 10 in case of cooperation among players B in an auction, where two players B were invited, and 12 in case one player B was invited. Player A invites one player B only if she believes that the other two players will trust each other and thereby cooperate and harm her (see *Table 2*). We can elicit A's expectations regarding collusion between the Bs, which is the variable we are most interested in. Although we do not explicitly trigger in-group sentiments in the design of our experiment, a player A can perceive two players B as opponents (in line with Hypothesis 1) or as partners (Hypothesis 3). In order to understand the incentives correctly, Player A, needs to understand that it is potentially beneficial for B-players to cooperate but that this is not achieved easily. Thus, A-players need to form a belief as to whether the hidden communication enabled them to overcome the dominant strategy of free-riding.

Table 2 Expected payoff matrix for player A

		Winning bid of player B	
		2	8
Number of B's invited	1	12	irrational
	2	10	16

Note: The payoffs reported in Table 2 include the bid of player B, the fee for inviting 2 players and the initial endowment of 10 units.

### 3.2 Implementation

The game is played for three rounds (after one or two training rounds) with changing roles for each player (each player is A once and B twice) using pen-and-paper. In each round the participants are divided into new groups of three (one A player and two B players). For each round, the groups are reassigned, so that no reputation building can occur. While communicating, players are not allowed to provide information on their names or any other identifying details – only their randomly assigned ID number (this was checked by the assistants). In each round, half of the groups use 'open' communication sheets for participants B: participants B are simply handed a piece of paper on which they can write anything. Half of the groups use 'closed' sheets, where, in addition to the unspecified message part, there is also a preprinted set of options, where participant B could ask another participant to bid in a certain way and, in response, promising to bid in certain way. Participant A

is uninformed as to whether the Bs with whom she interacts use open or closed questionnaires, so that this cannot affect her behavior. Nor does this option seem to affect the behavior of participants B.

For Russia, we have one session with 60 participants; for China, the experiment was run in two sessions, each with 45 participants. The subjects were seated in a large classroom, so that not only were players B unable to see each other but, more importantly, players A had no way of identifying which group of players B they were assigned to. Each seat in the classroom was assigned a number; participants, upon arriving, had to draw a number and then take the corresponding place. The communication sheets were all collected at the front desk before they were handed out again.

In the last round, we implemented a modification. After the communication stage, we asked participants B to fill out a form so as to indicate to each other whether they will ‘cooperate’ during the auction (we did not specify what ‘cooperation’ means). Each participant B had to fill out this form separately, and they were aware that this sheet was also given to the auctioneer. The results were reported to participant A before she made her decision (specifically, if both players B indicated that they are going to cooperate, player A was informed that players B will cooperate; if at least one of the players B indicated that she is not willing to cooperate, player A was informed that no cooperation will take place). We denote this treatment as ‘collusion signaling treatment’. The idea is to check how participants A will respond to additional information about the likelihood of cooperation of participants B (knowing that this information may be imprecise) and whether this response depends on a belief in conspiracies. In terms of the main results of the paper, however, we find no effect here.<sup>7</sup>

The experiment was implemented in November 2012 in Moscow (with subjects being undergraduate students of the Finance University under the Government of the Russian Federation, studying international economics) and in December 2012 in Beijing (with subjects being undergraduate students of the Beijing Normal University). In both cases subjects were recruited from students of top national universities in the capital cities of Russia and China. High status of the universities is important not only to insure comparability of samples across countries, but also to be sure of homogeneity of backgrounds of the participants; top universities are at least informally selective in terms of the social sta-

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<sup>7</sup> Some observations we could extract from this treatment are reported in Appendix A8.

tus and origin of their students. Thus, it was clear to the students that they interact with people of similar backgrounds, which is crucial for our experiment (of course, there were no foreigners from the West among participants in either country). The entire experiment was carried out in the native language of the respective country, with assistants being the graduate students of the respective universities. The payoffs for both countries were adjusted after intensive consultations with local partners, to represent (given differences in price levels and remuneration for a typical one-day student job) roughly the same value for students in both countries. On average, participants earned 610 RUR and 81 RMB for a maximum of two hours of experimentation.

### 3.3 Key variables

To measure belief in conspiracies, as well as other individual-specific characteristics, potentially affecting human behavior, we ask our subjects to respond to an anonymous questionnaire, to assess several statements (whether they ‘strongly disagree’, ‘disagree’, ‘agree’ or ‘strongly agree’ with them). We aggregate the responses to the questions in a form of an additive index. We also use separate responses to each of the questions as a robustness check (measuring the response on the scale from 0 – ‘strongly disagree’ to 3 – ‘strongly agree’) and entirely confirm our results.

For testing Hypothesis 1 we introduce a question on general conspiracy thinking, unrelated to the Anti-Western ideologies. We ask our subjects to evaluate three statements: (1) ‘I sometimes feel that people are conspiring against me’; (2) ‘In any group or organization there are always people manipulating any decision without the knowledge of others’; and (3) ‘One has to be very cautious in telling others what you think or they will take advantage of you’. The questions are evaluated using the above stylized approach. We generate an aggregated index, equal to 3 if the individual agrees or strongly agrees to all three statements, 2 – to two statements etc.; and use individual questions as robustness checks. For testing Hypothesis 2, we introduce a measure of trust, asking the subjects to evaluate the statement ‘Most people in my country are basically honest and can be trusted’. The trust measure is instrumental for distinguishing between Hypotheses 2 and 3. For testing Hypothesis 3 we rely on two questions concerning anti-Western political conspiracies and financial conspiracies. For the first type of conspiracy thinking we ask the respondents to evaluate the statement ‘International politics and political events in many countries are se-

cretly manipulated by the CIA’; for the second ‘The current financial crisis was secretly orchestrated by a small group of Wall Street bankers to extend further their control of the world's economy’. The aggregate index is equal to 2 if the individual ‘believes’ or ‘strongly believes’ in both conspiracies, 1 – in at least one of the conspiracies and 0 – in none of the anti-Western conspiracies.

The questions about conspiracies were put in the middle of the questionnaire among numerous other questions and did not stand out in any way; this was done to make sure that we do not frame the behavior of the subjects. Questions on (anti-Western) conspiracies were designed by the authors of the experiment and phrased to be relatively distant from the everyday life of the subjects and, in particular, not to affect how subjects interact with other experimental participants (all being their countrymen and students of their universities).

We also use a number of further questions to measure other characteristics of our subjects. Specifically, we extract the following information (using questions that have been used in the extant literature):

- Obedience: We look at the response to the question ‘Obedience and respect for authority are the most important values children should learn’ (subjects had to use a four-point scale from 0 (strongly disagree) to 3 (strongly agree)).
- Collectivism: We look at the response to the question ‘I respect the majority’s wishes in groups of which I am a member’, using the same scale to quantify the responses.
- Optimism: The question we use is formulated as ‘Optimists are people who look to the future with confidence and who mostly expect good things to happen. Are you an optimist?’ (with the same scale)
- Risk preferences: To measure this variable, we ask participants to rate themselves on a scale from 1 (not willing to take the risk) to 9 (highly willing to take the risk), in response to the question ‘How do you rate yourself: Are you willing to take risk or do you prefer avoiding a risk in general?’
- Happiness: We use the question ‘Consider your possible life situation. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say



you personally feel you stand at this time?', and ask the subjects to evaluate themselves on the ladder from 1 (worst possible life) to 9 (best possible life).

In addition, we also collect information on responses to questions whether subjects receive regular income and whether they 'put some money aside from time to time' (savings), as well as ask them about how many friends they have ('About how many close friends, relatives and former classmates do you have these days? These are people you feel at ease with, can talk to about private matters, or call on for help'). Given the overall interest in the role of social networks in autocracies in the literature (Diamond 2010), we also collect information on whether our subjects have social network accounts, which, however, turns out to be less interesting for our main research question. Finally, standard demographic data (e.g., gender and age) were collected.

Appendix A7 reports the summary statistics for the key variables. The samples for both countries are roughly comparable with each other in terms of the socio-demographic characteristics of the participants, except that Chinese subjects are significantly older than the Russian ones. We acknowledge this difference, but do not believe it affected our results. First, as we will show in what follows, our empirical estimates are based on *within-country* variation of belief in conspiracies (e.g., whether Chinese who believe in conspiracies behave differently from Chinese who do not believe in conspiracies) and are obtained after controlling for age. Second, while biological age is different, the social status of the subjects in both countries is the same; in fact, the only reason why the age of the subjects is different is that in Russia the typical admission age to the university is lower than in China. This is important in particular because the life experience (and sources of conspiracy beliefs) for both Russians and Chinese are comparable. In fact, we see very similar patterns of beliefs in conspiracies in both countries. In *Table 3* we check whether anti-Western conspiracy belief is correlated with age of the subjects, but do not find any such evidence for Russia or China.

Appendix A5 reports the differences between subjects in terms of responses to key questions we asked across countries. The Chinese display a significantly higher level of interpersonal trust than the Russians; Russians, on the contrary, display a more favorable attitude towards risk. We find no difference in terms of other characteristics, with the exception of the spread of friendship networks: they seem to be substantially broader in Russia than in China. One could explain this as a necessary tool to deal with the lower lev-

els of trust in the Russian society than in the Chinese one. Generally, the results are hardly surprising given the available evidence on both countries.

## 4 Findings

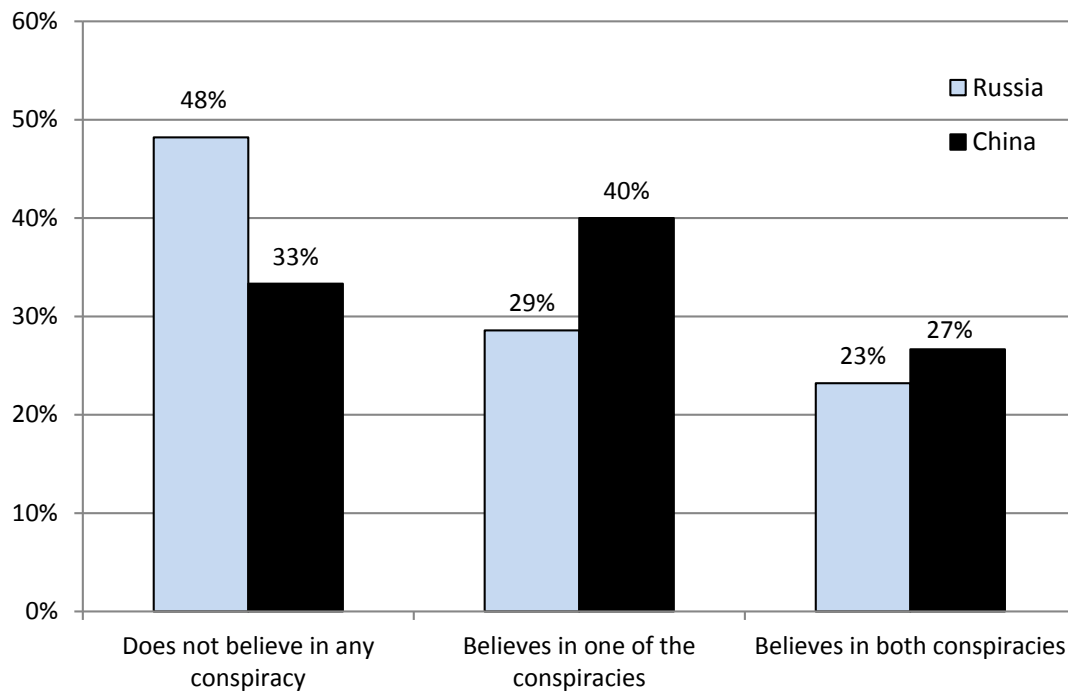
### 4.1 Preliminary observations

As *Figure 1* shows, both Russia and China are characterized by a high level of belief in Western conspiracies. More than 50% of the Russians and more than 60% of the Chinese believe in at least one of the conspiracies. Appendix A1 reports the extent of belief in individual conspiracies, as well as cross-country differences in this respect. Both Russians and Chinese are more likely to believe in the CIA conspiracy than in the Wall Street conspiracy: it may be because of strong legacies of the Cold War and the demonization of the CIA of that era. We find no differences in the belief in the Wall Street conspiracy as between the countries; Chinese are more inclined to believe in the CIA conspiracy than Russians do (this may be due to the stronger cultural imprint of Perestroika, when the anti-Western thinking in Russia was challenged).<sup>8</sup> Interestingly, if we look at the general conspiracy thinking index (Appendix A9), the two countries are more dissimilar. In both Russia and China, every subject agreed at least with one of the three statements presented. In China, however, more than 50% of all subjects agreed with just one statement, whereas in Russia, 56% agreed with two statements. Thus, overall, Russians are more predisposed to conspiracy thinking, but not to the anti-Western conspiracy thinking (where the countries are similar).

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<sup>8</sup> For China, an intriguing observation (see Appendix A6) is that beliefs in anti-Western conspiracies seem to differ across majors. Those studying economics and law are less likely to believe in conspiracies than those in the sciences. One may speculate about the reasons for these differences: it may be that the students of economics are better informed about how society works (and thus, for example, less likely to expect Wall Street bankers to rule the world economy); social sciences, however, score almost as high as sciences in terms of conspiracy thinking (possibly, because their ideological nature is more strongly preserved). For general conspiracy thinking, social sciences and economics seem to stand out.

Figure 1 Belief in anti-Western conspiracies in Russia and China



*Table 3* reports the correlations between individual-specific characteristics and beliefs about anti-Western conspiracies in Russia and in China. The results generally agree with what one would expect based on the previous literature and our hypotheses. In China, belief in anti-Western conspiracies is associated with lower levels of trust and obedience. For Russia, interestingly, we found no correlation between anti-Western conspiracy thinking and trust: this is consistent with our argument that in a society where trust levels are generally very low, conspiracists may not be sufficiently dissimilar from the rest of the population. For the general conspiracy measure, there is a strong negative correlation with the level of trust in both sub-samples, again, as theory predicts (but again, the effect is quantitatively larger and has higher significance level for China than for Russia). For Russians, there is also a negative correlation with optimism.<sup>9</sup>

<sup>9</sup> If we look at individual components of the general conspiracy index, two of them for China ('I sometimes feel that people are conspiring against me' and 'One has to be very cautious while telling others what you think or they will take advantage of you') and one for Russia ('One has to be very cautious while telling others what you think or they will take advantage of you') are significantly and negatively correlated with trust and with optimism.

Table 3 Correlates of conspiracy thinking in Russia and in China

	Russia	China
<b>Anti-Western conspiracy thinking</b>		
Obedience	-0.136	-0.205*
Trust	-0.212	-0.189*
Happiness	-0.101	0.082
Optimism	0.000	0.013
Friends network	-0.133	-0.110
Social network account	NA	-0.155
Age	0.091	0.085
<b>General conspiracy thinking</b>		
Obedience	-0.107	-0.111
Trust	-0.224*	-0.307***
Happiness	-0.101	-0.082
Optimism	-0.327**	-0.177
Friends network	-0.143	-0.139
Social network account	NA	-0.058
Age	-0.155	-0.058

Note: \*\*\* significant at 1% level; \*\* 5%; \* 10%. For the binary variable social networks account we also estimated the mean comparison test of the level of belief in conspiracies for sub-samples with and without social network accounts; the results were consistent with findings reported in the table.

## 4.2 Main results

In order to test the main hypothesis of the paper, we use the following approach. We carry out several distinct regressions, using each player A as a unit of observation (since we played three games, it means that each subject took the role of player A once; this would give us 90 observations for China and 60 for Russia, but we had to drop some of the observations, since not all the subjects answered all the questions). As the dependent variable, we use a dummy equal to one if the player A decided to invite two participants B to the auction; again, this means that player A did not expect them to collude. The key explanatory variables are our conspiracy thinking indices. We run two sets of regressions: using the anti-Western conspiracy index and the general conspiracy index separately. To present our results in a concise form, we report full results only for the former specification; for the latter we only report the sign and the standard errors for the general conspiracy index itself in the last row of the regression tables. Since we predict conspiracy thinking to have a different effect on decision-making of subjects in Russia and in China, we run logit regressions separately for each of the sub-samples.

Specifically, we use the following models. Specification (1) applies the simplest possible model, where we do not use any control variables except for the number of the game round, to account for possible changes in behavior during the experiment. Specification (2) adds two standard demographic characteristics (age and a dummy for female participants), as well as a dummy for participants who reported receipt of permanent income. Specification (3) replaces the last variable by the dummy for participants who reported to have savings. In specification (4), we control for the risk preferences of the participants. In the main set of regressions reported in the paper, we drop all other covariates to reduce the impact of multicollinearity; in the robustness checks (Appendix A3) we also run regressions including all the other covariates, and our main results (for conspiracy variables) remain entirely robust. Specification (5) includes all control variables and adds four more, measuring the character features of the subject: trust, obedience, collectivism, as well as reported number of friends. The last specification (6) controls in addition the subject's assessment of current and future life situation - optimism and happiness.<sup>10</sup>

*Table 4* reports the results for the Chinese sample, and *Table 5* for the Russian sample. The findings are unequivocal. For China, we find a robust and significant correlation between belief in anti-Western conspiracies and behavior: those subjects, who are more likely to believe in anti-Western conspiracies are more likely to invite two participants. This is consistent with Hypotheses 2 (low trust and projection of one's own behavior onto others) and 3 (stronger in-group feeling). To differentiate between these two hypotheses, we apply two approaches. First, we replicate the main results, controlling for the generalized trust indicator. The significance and sign of the anti-Western conspiracy thinking indicator does not change. Since trust is the main mechanism through which Hypothesis 2 works, the results make Hypothesis 3 more likely. Second, we replicate all regressions, replacing the anti-Western conspiracy thinking indicator by the general conspiracy thinking indicator. Since the general conspiracy thinking indicator is insignificant Hypothesis 3 seems to be more plausible.<sup>11</sup> We would stress that we are particularly cautious in interpreting this correlation as a causal link: since the conspiracy thinking indicator cannot be

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<sup>10</sup> We understand that some of these variables may be correlated to each other, so that in Appendix A3 we add variables one by one and run specifications keeping only one of the potentially collinear variables (e.g., happiness and optimism); we also replicate regressions for each of the conspiracy theories separately; results remain entirely the same as in the baseline regressions, which are discussed below.

<sup>11</sup> If we use responses to individual questions instead of the aggregated general conspiracy index, we still do not get significant results.

interpreted as a random treatment, we cannot exclude the presence of omitted variable effects. Still, a broad array of controls does not change our findings.

Table 4 Impact of conspiracy thinking on expectations of collusion, Chinese sample, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)
Anti-Western conspiracy	0.720** (0.297)	0.808** (0.321)	0.805** (0.317)	0.703** (0.302)	0.892** (0.350)	0.891** (0.358)
Game round	0.071 (0.230)	0.007 (0.256)	-0.008 (0.246)	0.067 (0.231)	0.142 (0.316)	0.169 (0.360)
Age		-0.209 (0.164)	-0.174 (0.162)		-0.163 (0.187)	-0.172 (0.210)
Gender		0.345 (0.570)	0.459 (0.582)		0.137 (0.593)	0.169 (0.613)
Income		1.085 (0.698)			0.457 (0.854)	0.452 (0.871)
Savings			0.105 (0.494)			
Risk				0.051 (0.132)	0.193 (0.146)	0.205 (0.152)
Trust					-0.001 (0.425)	0.014 (0.459)
Friends networks					0.118 (0.107)	0.121 (0.108)
Obedience					-1.138* (0.602)	-1.132* (0.615)
Collectivism					-0.403 (0.529)	-0.423 (0.533)
Optimism						0.197 (0.538)
Happiness						-0.1 (0.186)
Constant	-0.823 (0.908)	3.222 (3.416)	2.54 (3.343)	-1.028 (1.186)	2.388 (4.023)	2.632 (4.117)
Observations	90	85	85	89	80	80
Pseudo R-squared	0.05	0.1	0.08	0.05	0.15	0.16
Replacing anti-Western conspiracy by general conspiracy thinking						
General conspiracy	0.163 (0.328)	0.219 (0.351)	0.230 (0.355)	0.105 (0.334)	0.186 (0.408)	0.189 (0.411)

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

In *Table 5* we find no significant effects of conspiracy thinking on the behavior of Russian subjects. For Russia, we find that the decision to invite two participants is significantly more likely to be made by subjects with high risk preference; by male subjects; and by subjects who have no savings. The last two variables can be interpreted as proxies for risk preference as well. Thus, ultimately, in Russia those who are more willing to take risk invite two bidders (indeed, this is a scenario where the maximum possible payoff for player A is the highest), while those who are less willing to take risk prefer one-bidder setup

(where the outcomes of the game are more predictable). The fact that we find no significant results for anti-Western conspiracy thinking in Russia is consistent with our predictions as well; if Hypothesis 3 is driving our results, we should be more likely to detect the effects of anti-Western conspiracy thinking in a high-trust country such as China; in Russia overall low trust levels undermine the formation of in-group feeling.

Table 5 Impact of conspiracy thinking on expectations of collusion, Russian sample, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)
Anti-Western conspiracy	0.090 (0.338)	0.078 (0.391)	0.663 (0.467)	-0.022 (0.352)	0.033 (0.408)	0.050 (0.408)
Game round	0.314 (0.333)	0.188 (0.383)	0.231 (0.415)	0.282 (0.347)	0.183 (0.386)	0.249 (0.388)
Age		0.65 (0.544)	1.185* (0.694)		0.474 (0.539)	0.44 (0.540)
Gender		-1.219** (0.599)	-3.463*** (1.117)		-1.023 (0.694)	-0.953 (0.685)
Income		0.506 (1.030)			0.654 (1.227)	0.601 (1.493)
Savings			-3.909*** (1.126)			
Risk				0.347* (0.182)	0.233 (0.203)	0.272 (0.229)
Trust					0.431 (0.416)	0.639 (0.493)
Friends networks					0.012 (0.050)	0.018 (0.054)
Obedience					0.051 (0.649)	0.228 (0.691)
Collectivism					-0.36 (0.502)	-0.118 (0.517)
Optimism						-0.589 (0.580)
Happiness						-0.026 (0.241)
Constant	-1.311 (1.363)	-11.619 (9.705)	-18.201 (12.065)	-3.314** (1.659)	-9.902 (9.725)	-9.382 (9.825)
Observations	56	54	54	55	53	53
Pseudo R-squared	0.01	0.1	0.34	0.06	0.15	0.17
Replacing anti-Western conspiracy by general conspiracy thinking						
General conspiracy	0.332 (0.413)	0.186 (0.421)	0.402 (0.552)	0.022 (0.459)	-0.030 (0.519)	-0.254 (0.529)

Note: see Table 4.

### 4.3 Robustness checks

We subject the results of the study to a number of robustness checks (see *Table 6*).<sup>12</sup> A more detailed description can be found in Appendix A10. Here we address only the most important findings. As already explained we tested whether our results are sensitive to the construction of our two conspiracy indexes. Using single questionnaire items does not change the results nor does controlling for both general and anti-Western conspiracy indices in a single specification. We check whether design features of the experiment, such as within-subject design, or the information signaling treatment are driving our results or whether the experiment was particularly demanding and led to irrational behavior. Thus, we re-estimated the regressions using only the results from the first game round to exclude the effect of possible learning effects over the course of the game and found qualitatively similar results. Also, excluding the information signaling treatment does not alter our results. Lastly, only nine of our subjects ( $n=1$  in China) behaved clearly irrationally by bidding 8 even though no other B-player was invited. Excluding those cases does not change the results. From analyzing giving behavior of player B's (Appendix A4) it seems further that transfers are in accord with equalizing payoffs, as one would expect. Thus, irrationality is unlikely to be a major concern in our experiment.

A set of checks is applied to respond to a number of concerns associated with our main explanation regarding results – the strong in-group feeling derived from Hypothesis 3. We claimed that Russian and Chinese samples are homogenous, and this should drive the in-group feeling. However, The Russian and Chinese populations are heterogeneous; it is possible that for minority groups the in-group feeling is weaker in spite of the broadening conspiracy beliefs. To deal with this problem, we re-estimated our regressions excluding the minority groups that we could identify. For both countries, we excluded religious minorities: for China, we exclude all subjects who have identified their religion as ‘Christianity’ or ‘Islam’ (we have a negligible number of subjects of this type, which, however, may have weaker in-group feeling; all other subjects indicated that they have ‘no’ religion); and for Russia, we exclude all subjects who reported their religion to be other than ‘Christianity’ (most of the observations are Christians, but some say they have no religion or are Buddhists or Muslims). The results do not change. For the Russian sample, we also exclude ethnic minorities: we exclude all subjects who did not identify themselves as eth-

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<sup>12</sup> The detailed results of the tests are not reported due to space constraints, but can be provided on request.



nic Russians (we have several Tatars and Armenians, one Kurd, as well as some cases where no ethnicity was reported), again confirming our results.<sup>13</sup>

Table 6 Robustness checks

	Russia	China
Replacing additive conspiracy indexes with single variables	Confirmed	Confirmed
Irrational bidding excluded	Confirmed	Confirmed
First round only	Confirmed	Confirmed
Collusion signaling treatment (last round only)	Confirmed	Confirmed
All rounds except collusion signaling treatment	Confirmed	Confirmed
Controlling for game round dummies	Confirmed	Confirmed
Controlling for game rounds trend (without taking training rounds into account)	Confirmed	Confirmed
Controlling for game rounds dummies (without taking training rounds into account)	Confirmed	Confirmed
Controlling for group dummy	Not applicable	Confirmed
Excluding non-ethnic Russians	Confirmed	Not applicable
Adjusting sample in terms of religion	Confirmed	Confirmed
Robust regressions (excluding the impact of outlyingness)	Confirmed	Confirmed
Pooled regressions for all subjects with interaction term 'China*AW-conspiracy'	Confirmed	Confirmed
Controlling for major dummies	Not applicable	Confirmed
Controlling for social network account	Not applicable (all subject but one have it)	Confirmed
Controlling for general and anti-Western conspiracy thinking at the same time	Confirmed	Confirmed

Note: all robustness checks implemented controlling for age, gender and income dummy, as well as for the game round number; in the collusion signal treatment we also control for a dummy for those auctioneers who received a positive signal regarding collusion among bidders. Confirmed: conspiracy variable remains significance and, if significant, keeps its sign

<sup>13</sup> For China we did not collect information on ethnicity: admission of recognized minorities to top universities is governed by a unified central policy and most likely implies a high level of loyalty to the existing system (and hence strong in-group feeling). Russia, on the contrary, has no systematic policy on how to deal with ethnic minorities in the educational system.

## 5 Conclusions

It remains to summarize the main results of our study. We intended to check whether belief in conspiracies influences expectations of collusion among subjects. For this purpose, we construct an experiment that elicits expectations of subjects regarding the likelihood of collusion among others, and perform it for Russia and China in a homogeneous group of students of top universities in an explicitly non-political environment. As a first result, we do not find that general beliefs of conspiracies influence behavior in this experiment.

For China, two findings stand out. First, both general conspiracy thinking and anti-Western conspiracy thinking are negatively correlated with generalized trust – as the existing psychological research would suggest. Second, anti-Western conspiracy thinking reduces the belief in collusion among others, even when controlling for trust and general conspiracy. We explain the last result by the correlation between anti-Western conspiracy thinking and in-group feelings. Authoritarian governments, while spreading the idea of foreign conspiracy, do reduce the overall level of trust in the society, which can be very costly for the economy (La Porta et al. 1997; Zak and Knack, 2001; Zak and Fakhar 2006). However, this effect is over-compensated by very strong in-group feelings, tying the society together by the perception of a mutual enemy. In this sense, Western conspiracy mythology indeed seems to achieve the goal authoritarian regimes pursue – to ‘unite’ people under their banner.

Another interesting observation of our paper is that the results are different for Russia and China. For Russia no effect of anti-Western conspiracy thinking was observed: we argue that this is due to the overall low trust levels and highly critical attitude toward the country and the government present in Russian society. As a result, anti-Western conspiracy thinking fails to achieve the goal of creating a strong in-group feeling. We would stress, however, that we performed our experiment in 2012, that is, twenty years after the fall of Communism, when anti-Western conspiracy thinking was only sporadically used in the governmental rhetoric. The war in Ukraine in 2014–15, accompanied by massive use of anti-Western propaganda in Russia and a new wave of anti-Western conspiracy ideas, could have strengthened the effects of anti-Western conspiracy thinking.

One caveat associated with interpreting our results could be that what we describe as ‘anti-Western conspiracy thinking’ may merely be a proxy for a general set of anti-Western attitudes, including patriotism, nationalism or hostility towards the West. Howev-

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er, as mentioned, we also find significant and negative correlation between the anti-Western conspiracy thinking and trust – and while we can easily explain this if we interpret our main variable as ‘conspiracy thinking’, if we treat it merely as a proxy for ‘anti-Western sentiment’, the presence of this correlation cannot be explained (on the contrary, patriotism and nationalism should be associated with higher trust levels within the group of compatriots; see Robinson 2014).

Throughout the paper, we have stressed the limitations of our study; in particular, we are cautious in interpreting the results as causal effects, since ‘belief in anti-Western conspiracies’ was not randomly assigned to the experimental subjects. A next step could be to establish a causal link between conspiracy thinking (e.g. by priming subjects) and behavior, using both a broader set of lab experiments and/ or extending the study to non-anti-Western conspiracy thinking. Given the pioneering nature of this work there remain many possible areas of future research.

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## Appendix

### A1 Belief in different types of conspiracies in Russia and in China

Table A1.1 Mean comparison of responses to anti-Western conspiracy questions across Russia and China

	Russia	China	Difference
Wall Street	1.30	1.27	0.03
CIA	1.37	1.67	-0.30**
Aggregated indicator	0.75	0.93	-0.18

Note: \*\* significant at 5% level

Figure A1.1 Responses to the statement: The current financial crisis was secretly orchestrated by a small group of Wall Street bankers to extend further their control of the world's economy

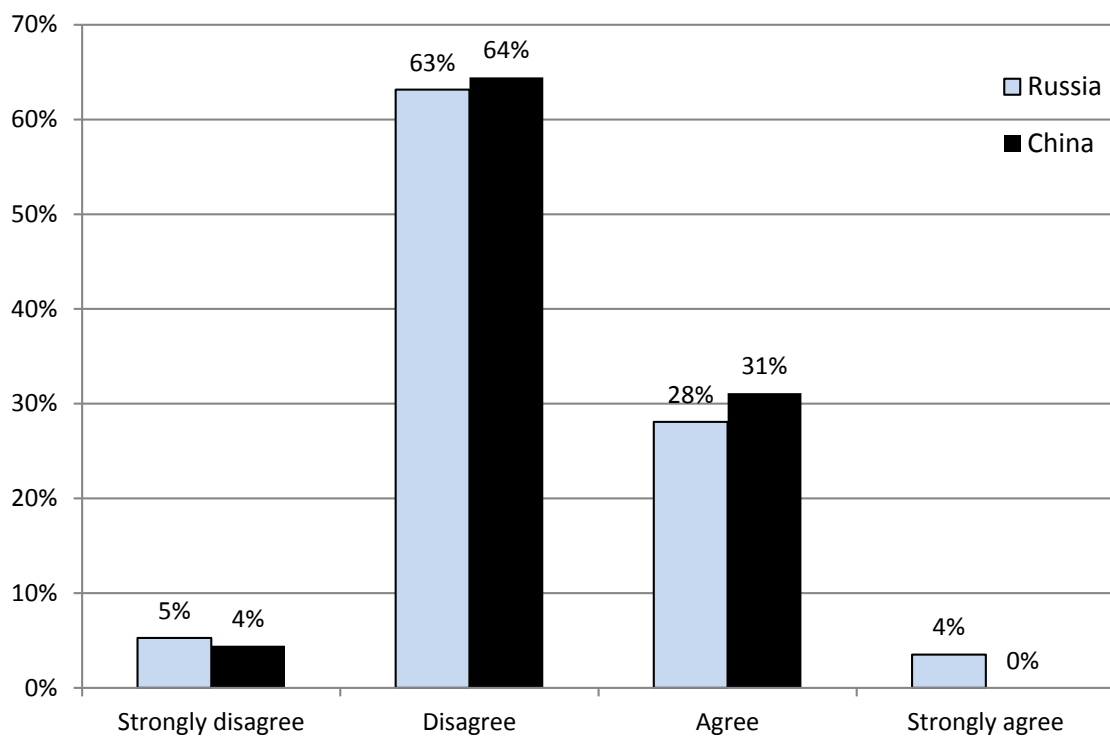
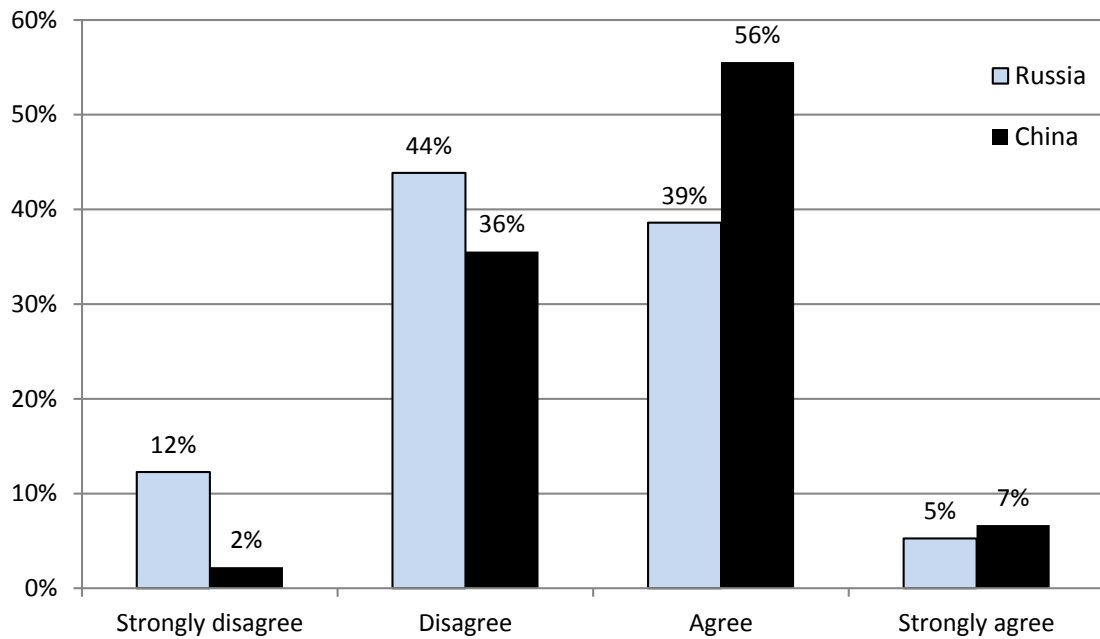




Figure A1.2 Responses to the question: International politics and political events in many countries are secretly manipulated by the CIA



## A2 Correlates of beliefs in different types of conspiracies in Russia and China

Table A2.1 Correlates of beliefs in Wall Street conspiracy

	Russia	China
Obedience	-0.011	-0.222**
Trust	-0.156	-0.220**
Happiness	0.018	0.026
Optimism	-0.078	-0.045
Friends network	-0.044	-0.087
Social network account	NA	-0.224**
Age	0.028	0.123

Note: \*\* significant at 5% level. For the binary variable social networks account, we also estimated the mean comparison test of the level of belief in conspiracies for sub-samples with and without social network accounts; results are consistent with findings reported in the table.

Table A2.2 Correlates of beliefs in CIA conspiracy

	Russia	China
Obedience	-0.154	-0.156
Trust	-0.175	-0.045
Happiness	-0.275**	0.148
Optimism	-0.020	0.027
Friends network	-0.153	-0.013
Social network account	NA	0.000
Age	0.131	0.021

Note: \*\* significant at 5% level. For the binary variable social networks account, we also estimated the mean comparison test of the level of belief in conspiracies for sub-samples with and without social network accounts; results are consistent with findings reported in the table.

## A3 Robustness to specification and choice of conspiracy variable

Table A3.1 Impact of conspiracy thinking on the expectation of no collusion, Chinese sample, aggregated belief in conspiracies, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Anti-Western conspiracy	0.720** (0.297)	0.804** (0.316)	0.808** (0.321)	0.805** (0.317)	0.824** (0.324)	0.703** (0.302)	0.812** (0.324)	0.920*** (0.339)	0.900*** (0.346)	0.892** (0.350)	0.877** (0.355)	0.911** (0.357)
Game round	0.071 (0.230)	0.012 (0.242)	0.007 (0.256)	-0.008 (0.246)	0.014 (0.256)	0.067 (0.231)	0.021 (0.261)	0.042 (0.288)	0.162 (0.316)	0.142 (0.316)	0.16 (0.349)	0.141 (0.318)
Age		-0.15 (0.156)	-0.209 (0.164)	-0.174 (0.162)	-0.208 (0.163)		-0.209 (0.163)	-0.22 (0.182)	-0.175 (0.185)	-0.163 (0.187)	-0.18 (0.213)	-0.149 (0.185)
Gender		0.481 (0.570)	0.345 (0.570)	0.459 (0.582)	0.365 (0.574)		0.371 (0.576)	0.303 (0.608)	0.114 (0.600)	0.137 (0.593)	0.117 (0.599)	0.187 (0.617)
Income			1.085 (0.698)		1.085 (0.729)		1.091 (0.736)	0.493 (0.799)	0.468 (0.846)	0.457 (0.854)	0.467 (0.860)	0.439 (0.859)
Savings				0.105 (0.494)								
Risk					0.073 (0.140)	0.051 (0.132)	0.075 (0.140)	0.153 (0.142)	0.21 (0.148)	0.193 (0.146)	0.193 (0.147)	0.204 (0.150)
Trust							-0.067 (0.362)	-0.209 (0.405)	0.001 (0.431)	-0.001 (0.425)	-0.048 (0.444)	0.07 (0.449)
Friends network								0.11 (0.092)	0.115 (0.106)	0.118 (0.107)	0.113 (0.106)	0.126 (0.110)
Obedience									-1.150* (0.590)	-1.138* (0.602)	-1.137* (0.609)	-1.133* (0.604)
Collectivism										-0.403 (0.529)	-0.411 (0.530)	-0.411 (0.530)
Optimism											0.129 (0.507)	
Happiness												-0.081 (0.176)
Constant	-0.823 (0.908)	2.039 (3.264)	3.222 (3.416)	2.54 (3.343)	2.788 (3.496)	-1.028 (1.186)	2.877 (3.535)	2.507 (3.793)	1.676 (3.873)	2.388 (4.023)	2.581 (4.184)	2.343 (3.950)
Observations	90	86	85	85	85	89	85	80	80	80	80	80
Pseudo R-squared	0.05	0.08	0.1	0.08	0.1	0.05	0.1	0.11	0.15	0.15	0.16	0.16

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

Table A3.2 Impact of conspiracy thinking on the expectation of no collusion, Chinese sample, Wall Street question, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Anti-Western conspiracy	0.729* (0.413)	0.908** (0.440)	0.998** (0.424)	0.938** (0.443)	1.007** (0.425)	0.711* (0.418)	0.983** (0.424)	1.074** (0.484)	1.062** (0.490)	1.129** (0.497)	1.127** (0.496)	1.153** (0.503)
Game round	0.052 (0.222)	0.007 (0.229)	0.006 (0.243)	-0.011 (0.233)	0.012 (0.242)	0.044 (0.223)	0.021 (0.245)	0.035 (0.265)	0.164 (0.294)	0.141 (0.293)	0.182 (0.330)	0.141 (0.295)
Age		-0.147 (0.155)	-0.217 (0.165)	-0.171 (0.161)	-0.216 (0.164)		-0.216 (0.164)	-0.249 (0.179)	-0.206 (0.182)	-0.193 (0.182)	-0.234 (0.208)	-0.184 (0.182)
Gender		0.662 (0.543)	0.527 (0.550)	0.635 (0.562)	0.537 (0.548)		0.543 (0.551)	0.541 (0.596)	0.357 (0.608)	0.356 (0.589)	0.314 (0.587)	0.389 (0.601)
Income			1.18 (0.735)		1.184 (0.761)		1.187 (0.763)	0.716 (0.890)	0.705 (0.874)	0.691 (0.873)	0.694 (0.866)	0.672 (0.868)
Savings				0.068 (0.490)								
Risk					0.056 (0.144)	0.03 (0.129)	0.058 (0.143)	0.11 (0.147)	0.165 (0.151)	0.143 (0.145)	0.146 (0.149)	0.151 (0.145)
Trust							-0.084 (0.360)	-0.17 (0.394)	0.013 (0.432)	0.03 (0.423)	-0.078 (0.437)	0.085 (0.455)
Friends network								0.079 (0.086)	0.084 (0.095)	0.091 (0.097)	0.082 (0.096)	0.098 (0.100)
Obedience									-1.146** (0.559)	-1.133* (0.587)	-1.132* (0.609)	-1.129* (0.587)
Collectivism										-0.653 (0.622)	-0.669 (0.630)	-0.663 (0.625)
Optimism											0.299 (0.488)	
Happiness												-0.065 (0.161)
Constant	-1.011 (0.980)	1.449 (3.291)	2.724 (3.463)	1.944 (3.372)	2.392 (3.543)	-1.087 (1.254)	2.503 (3.567)	2.703 (3.823)	1.906 (3.806)	3.053 (3.920)	3.447 (4.082)	3.044 (3.874)
Observations	90	86	85	85	85	89	85	80	80	80	80	80
Pseudo R-squared	0.03	0.05	0.08	0.06	0.08	0.02	0.08	0.09	0.13	0.14	0.14	0.14

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

Table A3.3 Impact of conspiracy thinking on the expectation of no collusion, Chinese sample, CIA question, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Anti-Western conspiracy	0.789** (0.386)	1.030*** (0.395)	0.956** (0.422)	0.996** (0.414)	0.986** (0.413)	0.790** (0.383)	0.964** (0.407)	1.048** (0.421)	1.042** (0.427)	1.049** (0.427)	1.028** (0.431)	1.086** (0.444)
Game round	0.063 (0.231)	-0.006 (0.247)	-0.006 (0.254)	-0.023 (0.248)	0.003 (0.255)	0.063 (0.233)	0.023 (0.260)	0.034 (0.282)	0.163 (0.312)	0.138 (0.313)	0.161 (0.349)	0.133 (0.318)
Age		-0.117 (0.163)	-0.164 (0.168)	-0.135 (0.166)	-0.163 (0.167)		-0.166 (0.167)	-0.155 (0.181)	-0.115 (0.183)	-0.102 (0.185)	-0.125 (0.216)	-0.086 (0.185)
Gender		0.363 (0.580)	0.283 (0.571)	0.386 (0.584)	0.302 (0.578)		0.312 (0.572)	0.171 (0.601)	-0.023 (0.582)	0.022 (0.577)	-0.003 (0.590)	0.081 (0.595)
Income			0.957 (0.728)		0.948 (0.759)		0.969 (0.774)	0.421 (0.852)	0.403 (0.937)	0.392 (0.947)	0.42 (0.961)	0.385 (0.956)
Savings				0.186 (0.493)								
Risk					0.079 (0.142)	0.073 (0.139)	0.087 (0.142)	0.172 (0.145)	0.219 (0.147)	0.197 (0.144)	0.195 (0.145)	0.208 (0.150)
Trust							-0.191 (0.348)	-0.355 (0.395)	-0.132 (0.410)	-0.134 (0.406)	-0.184 (0.421)	-0.051 (0.432)
Friends network								0.092 (0.092)	0.097 (0.108)	0.101 (0.111)	0.095 (0.110)	0.11 (0.113)
Obedience									-1.184** (0.598)	-1.156* (0.602)	-1.159* (0.614)	-1.161* (0.604)
Collectivism										-0.506 (0.519)	-0.511 (0.512)	-0.53 (0.520)
Optimism											0.154 (0.524)	
Happiness												-0.092 (0.191)
Constant	-1.443 (1.066)	0.54 (3.523)	1.582 (3.645)	0.91 (3.574)	1.064 (3.679)	-1.786 (1.348)	1.349 (3.718)	0.659 (3.953)	-0.046 (3.996)	0.861 (4.150)	1.148 (4.316)	0.798 (4.079)
Observations	90	86	85	85	85	89	85	80	80	80	80	80
Pseudo R-squared	0.04	0.08	0.08	0.07	0.09	0.04	0.09	0.1	0.14	0.14	0.14	0.15

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

Table A3.4 Impact of conspiracy thinking on the expectation of no collusion, Russian sample, aggregated belief in conspiracies, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Anti-Western conspiracy	0.09 (0.338)	0.09 (0.390)	0.078 (0.391)	0.663 (0.467)	0.011 (0.395)	-0.022 (0.352)	0.071 (0.399)	0.079 (0.402)	0.078 (0.407)	0.033 (0.408)	0.053 (0.407)	0.031 (0.408)	
Game round	0.314 (0.333)	0.222 (0.383)	0.188 (0.383)	0.231 (0.415)	0.175 (0.397)	0.282 (0.347)	0.177 (0.387)	0.163 (0.388)	0.164 (0.388)	0.183 (0.386)	0.244 (0.383)	0.188 (0.392)	
Age		0.669 (0.548)	0.65 (0.544)	1.185* (0.694)	0.541 (0.538)		0.546 (0.515)	0.527 (0.538)	0.53 (0.542)	0.474 (0.539)	0.454 (0.547)	0.461 (0.535)	
Gender		-1.223** (0.595)	-1.219** (0.599)	-3.463*** (1.117)	-1.072* (0.651)		-1.067 (0.669)	-1.066 (0.670)	-1.059 (0.677)	-1.023 (0.694)	-0.945 (0.679)	-1.029 (0.699)	
Income			0.506 (1.030)		0.534 (1.061)		0.637 (1.198)	0.652 (1.190)	0.676 (1.226)	0.654 (1.227)	0.587 (1.504)	0.667 (1.223)	
Savings				-3.909*** (1.126)									
Risk					0.212 (0.191)	0.347* (0.182)	0.224 (0.193)	0.218 (0.195)	0.223 (0.203)	0.233 (0.203)	0.269 (0.226)	0.235 (0.206)	
Trust							0.469 (0.407)	0.459 (0.414)	0.458 (0.417)	0.431 (0.416)	0.637 (0.492)	0.432 (0.417)	
Friends network								0.012 (0.041)	0.01 (0.050)	0.012 (0.050)	0.018 (0.052)	0.011 (0.053)	
Obedience									0.049 (0.656)	0.051 (0.649)	0.206 (0.672)	0.07 (0.695)	
Collectivism										-0.36 (0.502)	-0.136 (0.507)	-0.345 (0.503)	
Optimism											-0.588 (0.577)		
Happiness												-0.023 (0.244)	
Constant	-1.311 (1.363)	-12.03 (9.770)	-11.619 (9.705)	-18.201 (12.065)	-11.042 (9.491)	-	3.314** (1.659)	-11.74 (9.106)	-11.371 (9.535)	-11.5 (9.651)	-9.902 (9.725)	-9.715 (9.860)	-9.6 (9.767)
Observations	56	54	54	54	53	55	53	53	53	53	53	53	
Pseudo R-squared	0.01	0.1	0.1	0.34	0.12	0.06	0.14	0.14	0.14	0.15	0.17	0.15	

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

Table A3.5 Impact of conspiracy thinking on the expectation of no collusion, Chinese sample, Wall Street question, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Anti-Western conspiracy	0.34 (0.438)	0.318 (0.434)	0.291 (0.431)	1.095* (0.640)	0.28 (0.435)	0.254 (0.452)	0.345 (0.446)	0.345 (0.446)	0.34 (0.453)	0.296 (0.464)	0.284 (0.454)	0.297 (0.467)
Game round	0.283 (0.333)	0.2 (0.387)	0.168 (0.387)	0.334 (0.437)	0.157 (0.401)	0.252 (0.350)	0.168 (0.394)	0.157 (0.397)	0.161 (0.395)	0.17 (0.395)	0.225 (0.390)	0.174 (0.401)
Age		0.751 (0.541)	0.727 (0.536)	1.328* (0.712)	0.603 (0.529)		0.619 (0.507)	0.609 (0.523)	0.614 (0.526)	0.562 (0.521)	0.534 (0.525)	0.552 (0.514)
Gender		-1.222** (0.604)	-1.221** (0.607)	-3.401*** (1.083)	-1.072* (0.651)		-1.059 (0.671)	-1.059 (0.672)	-1.041 (0.684)	-1.012 (0.703)	-0.934 (0.686)	-1.017 (0.708)
Income			0.495 (1.042)		0.52 (1.108)		0.617 (1.254)	0.628 (1.246)	0.687 (1.262)	0.664 (1.272)	0.619 (1.536)	0.676 (1.269)
Savings				-4.006*** (1.083)								
Risk					0.211 (0.188)	0.351* (0.180)	0.227 (0.189)	0.222 (0.191)	0.233 (0.198)	0.241 (0.199)	0.279 (0.226)	0.243 (0.201)
Trust							0.495 (0.410)	0.488 (0.417)	0.486 (0.423)	0.458 (0.421)	0.654 (0.491)	0.46 (0.422)
Friends network								0.008 (0.040)	0.003 (0.046)	0.005 (0.046)	0.011 (0.048)	0.004 (0.048)
Obedience									0.122 (0.622)	0.124 (0.618)	0.28 (0.640)	0.14 (0.662)
Collectivism										-0.321 (0.517)	-0.109 (0.509)	-0.307 (0.519)
Optimism											-0.581 (0.573)	
Happiness												-0.019 (0.245)
Constant	-1.605 (1.526)	-13.762 (9.756)	-13.239 (9.659)	-22.069* (12.799)	-12.445 (9.421)	-3.603** (1.757)	-13.444 (9.066)	-13.238 (9.384)	-13.486 (9.437)	-11.958 (9.485)	-11.561 (9.524)	-11.727 (9.441)
Observations	57	55	55	55	54	56	54	54	54	54	54	54
Pseudo R-squared	0.02	0.11	0.11	0.36	0.14	0.07	0.16	0.16	0.16	0.16	0.18	0.16

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%

Table A3.6 Impact of conspiracy thinking on the expectation of no collusion, Chinese sample, CIA question, logit, dep. var.: two bidders invited

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(12)	(13)	(14)
Anti-Western conspiracy	0.195 (0.345)	0.403 (0.371)	0.395 (0.373)	0.830* (0.490)	0.371 (0.381)	0.193 (0.371)	0.411 (0.387)	0.422 (0.387)	0.426 (0.393)	0.381 (0.393)	0.393 (0.382)	0.398 (0.400)
Game round	0.34 (0.336)	0.242 (0.390)	0.215 (0.389)	0.287 (0.454)	0.197 (0.401)	0.302 (0.354)	0.202 (0.394)	0.189 (0.396)	0.188 (0.394)	0.197 (0.396)	0.251 (0.402)	0.185 (0.397)
Age		0.646 (0.548)	0.633 (0.544)	1.028 (0.679)	0.517 (0.529)		0.516 (0.506)	0.489 (0.529)	0.481 (0.537)	0.445 (0.535)	0.409 (0.547)	0.473 (0.530)
Gender		-1.306** (0.620)	-1.301** (0.627)	-3.633*** (1.208)	-1.094 (0.665)		-1.067 (0.679)	-1.068 (0.678)	-1.084 (0.706)	-1.036 (0.724)	-0.966 (0.702)	-1.031 (0.726)
Income			0.412 (1.080)		0.433 (1.172)		0.506 (1.299)	0.518 (1.283)	0.477 (1.344)	0.451 (1.343)	0.408 (1.704)	0.417 (1.351)
Savings				-3.793*** (1.149)								
Risk					0.254 (0.188)	0.369** (0.177)	0.276 (0.193)	0.27 (0.193)	0.261 (0.200)	0.266 (0.201)	0.304 (0.228)	0.26 (0.205)
Trust							0.403 (0.378)	0.389 (0.386)	0.394 (0.389)	0.371 (0.388)	0.6 (0.473)	0.371 (0.390)
Friends network								0.015 (0.041)	0.019 (0.049)	0.02 (0.049)	0.028 (0.052)	0.022 (0.051)
Obedience									-0.086 (0.654)	-0.084 (0.652)	0.099 (0.695)	-0.133 (0.705)
Collectivism										-0.305 (0.534)	-0.066 (0.528)	-0.345 (0.523)
Optimism											-0.654 (0.585)	
Happiness												0.059 (0.240)
Constant	-1.577 (1.479)	-12.087 (9.727)	-11.791 (9.663)	-16.212 (11.629)	-11.386 (9.330)	-3.777** (1.837)	-12.005 (8.953)	-11.524 (9.333)	-11.274 (9.535)	-10.056 (9.609)	-9.512 (9.747)	-10.766 (9.671)
Observations	57	55	55	55	54	56	54	54	54	54	54	54
Pseudo R-squared	0.195	0.403	0.395	0.830*	0.371	0.193	0.411	0.422	0.426	0.381	0.18	0.15

Note: robust standard errors in parentheses. \*\*\* significant at 1% level; \*\* 5%; \* 10%



## A4 Behavior of the bidders

First, we look at the extent of cooperation among the bidders (Table A4.1). For the case where two players were invited, we report the share of bilateral cooperation (both make a low bid); share of unilateral cooperation (only one makes a low bid, while the other ‘cheats’ and makes a high bid) and bilateral defection. Results reported for all rounds of the experiment. For the collusion signaling treatment, we also report the share of pairs who declared their willingness to cooperate. The results are different for the two countries. In China, more than 40% of the pairs actually cooperated; in less than 20% we observe bilateral defection. In Russia, bilateral defection was the typical outcome, with about 50% of the pairs selecting this option; bilateral cooperation occurred in just 20% of the cases. This is again consistent with low trust levels among the Russian subjects – they are less likely to be convinced by communication, and they simply play the dominant strategy of a prisoners’ dilemma. Furthermore, in China more than 70% of the pairs declared their willingness to cooperate (vs. only 50% in Russia) for the collusion signaling treatment; in both Russia and China the likelihood of bilateral cooperation was higher if the participants signaled their willingness to cooperate (Figure A4.1).

Second, we look at the size of the transfers made in different settings (Table A4.2). The values of the transfers seem to be very similar in Russia and China, with some minor exceptions. For completeness, we also report the ‘money at hand’: revenue of participants in individual cases before the transfer. In case of bilateral cooperation, the transfer exceeds 7 units, which comes close to ‘equalizing’ the revenues of the winner and loser (though the winner still keeps a larger share of revenue). In case of unilateral or bilateral defection, the transfer is substantially smaller. For the case of only one bidder invited to the auction, the transfer is smaller than for the bilateral cooperation, but larger than for defection; it may mean that occasionally player A invited only one participant B in cases where the Bs did not agree on cooperation (and thus the winner B made a small transfer), and occasionally player A invited only one participant B in case the Bs agreed on cooperation. If we look at transfers in the collusion signaling treatment, those participants B who signaled cooperation also made a larger transfer than those who signaled defection, in both countries – again, the findings are consistent with interpreting the cooperation signal as mainly informative.

Table A4.1 Cooperation

	Russia	China
Share of bilateral cooperation (both invited bid 2) for auctions with 2 participants	20.69%	41.30%
Share of unilateral cooperation (one invited bids 2 and one 8) for auctions with 2 participants	31.03%	39.13%
Share of bilateral defection (both invited bid 8) for auctions with 2 participants	48.28%	19.57%
Share of declared cooperation (collusion signaling treatment)	50.0%	73.3%

Table A4.2 Transfers

	Money at hand	Value (Russia)	Value (China)
Average transfer		4.01	4.08
Average transfer in case one bidder was invited to the auction	28/10	5.29	4.71
Average transfer in case two bidders were invited to the auction		2.66	4.11
Average transfer in case of bilateral cooperation	28/10	7.33	7.53
Average transfer in case of unilateral cooperation	22/10	2.22	0.22
Average transfer in case of bilateral defection	22/10	0.93	1.56

Note: money at hand indicates the revenue of participants B: the winner / loser of the game. For the case where one bidder was invited to the auction, we report the 'optimal' winnings: in some (very rare) cases, players B made a high bid even if they were invited to the auction alone.

Figure A4.1 Collusion signaling treatment: Likelihood of cooperation (both players bid '2') depending on the signal, conditional on two players being invited

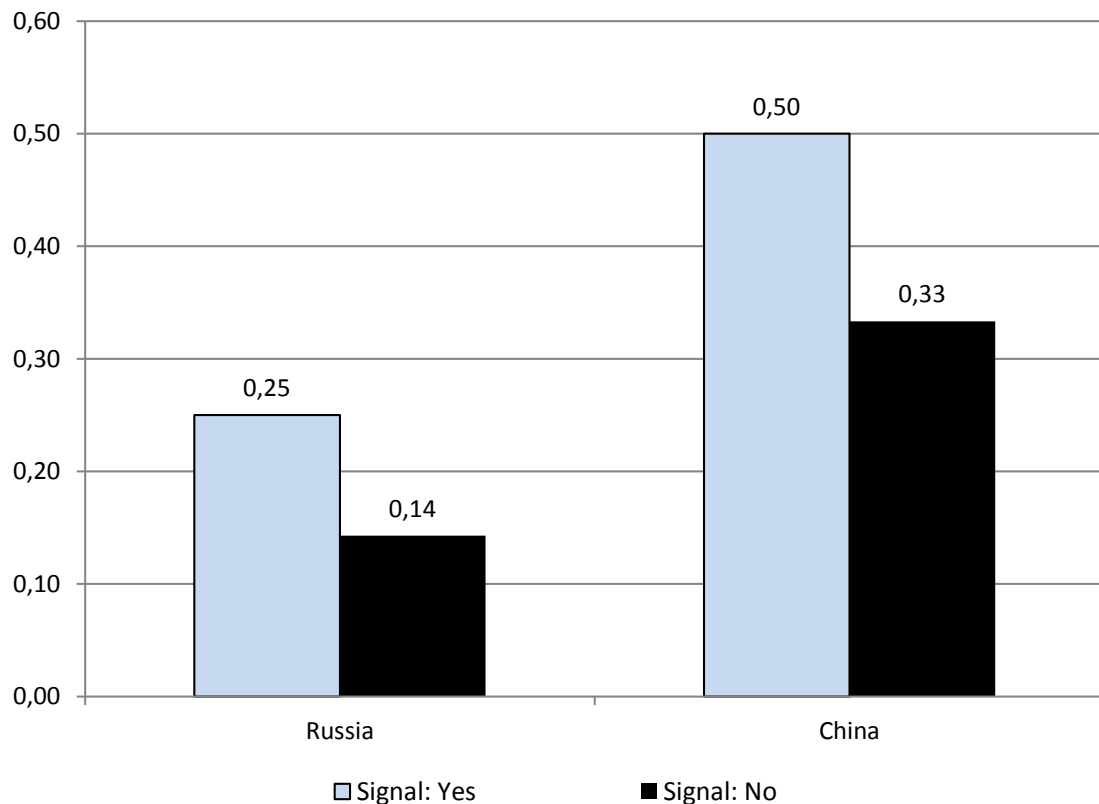
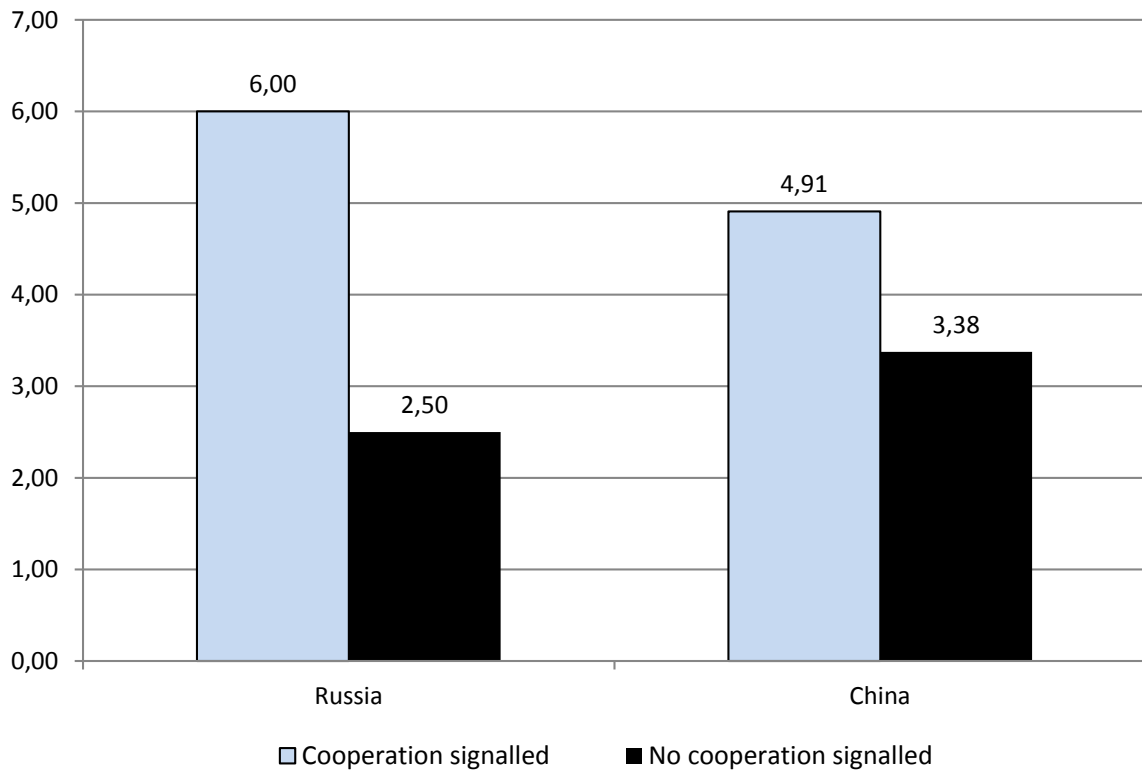


Figure A4.2 Collusion signaling treatment: Average transfer depending on signal sent and country (for both auctions with one and with two bidders)



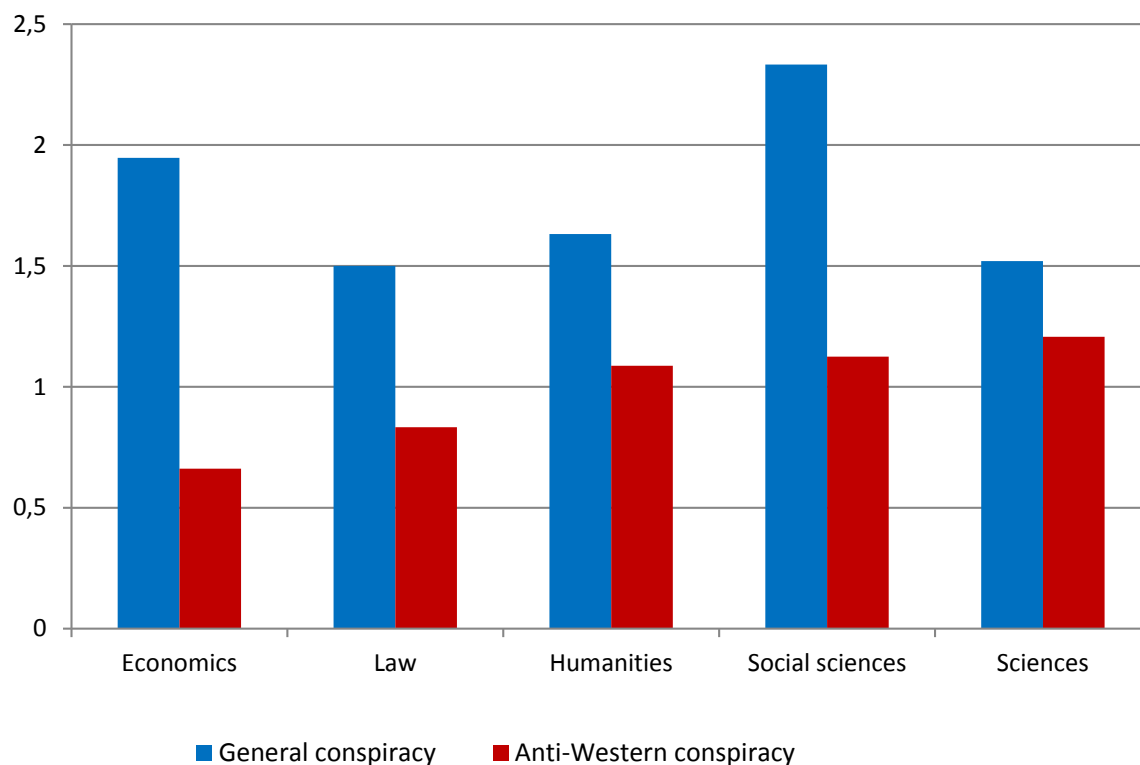
## A5 Attitudes of Chinese and Russian students

	Russia	China	Difference
Risk	6.254	4.933	1.321***
Trust	0.983	1.578	-0.595***
Obedience	0.717	0.833	-0.116
Collectivism	1.983	2.100	-0.117
Friends network	6.050	4.353	1.697**
Happiness	6.267	5.921	0.346
Optimism	2.000	1.933	0.067

Note: \*\*\* significant at 1% level, \*\* significant at 5% level

## A6 Conspiracy thinking among majors in China

Figure A6 Conspiracy thinking index for individual majors



## A7 Summary statistics

	Russia	China
Dummy two bidders invited	0.483	0.522
Age	17.638	20.698
Gender	0.600	0.775
Income	0.133	0.126
Savings	0.533	0.448
Risk	6.254	4.933
Trust	0.983	1.578
Friends network	6.050	4.353
Obedience	0.717	0.833
Collectivism	1.983	2.100
Optimism	2.000	1.933
Happiness	6.267	5.921

## A8 Cooperation signaling treatment

As mentioned in the main part of the paper, our last treatment included a modification: players B at the end of negotiations had to report whether they have agreed on cooperating or not, and the results of this reports were provided to player A (we did not provide any additional information to players B, but they could communicate with each other, as usual). Players B could have behaved strategically in attempting to misguide player A, yet as the discussion of the next section shows, those pairs who reported their willingness to cooperate actually were more likely to cooperate. Thus, an interesting question becomes whether the signals obtained by player A affected her behavior in a different way depending on the extent of beliefs in conspiracies. Given the small number of observations in the collusion signaling treatment, we limit ourselves to a number of descriptive observations in this case. Furthermore, we focus on China, for which the number of participants was larger and conspiracy thinking has been shown to have an effect. Therefore, we stress that the observations made for this treatment should be interpreted as anecdotal evidence supporting the main (statistically testable) findings of the paper reported above.

Figure A8.1 Behavior of auctioneers who received a positive signal about collusion from the bidders

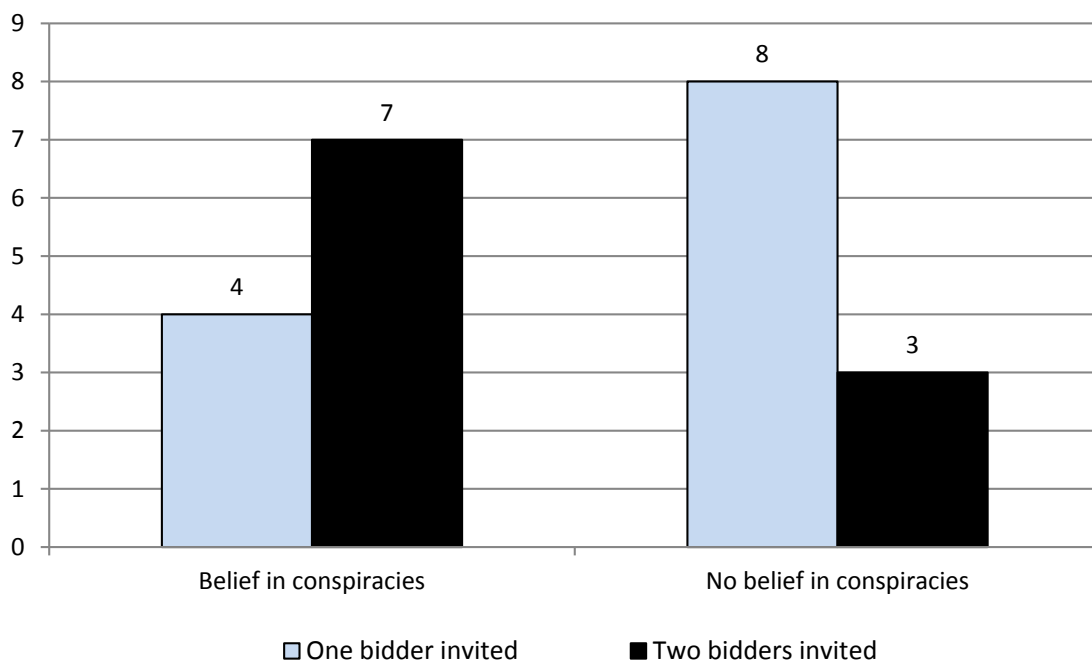


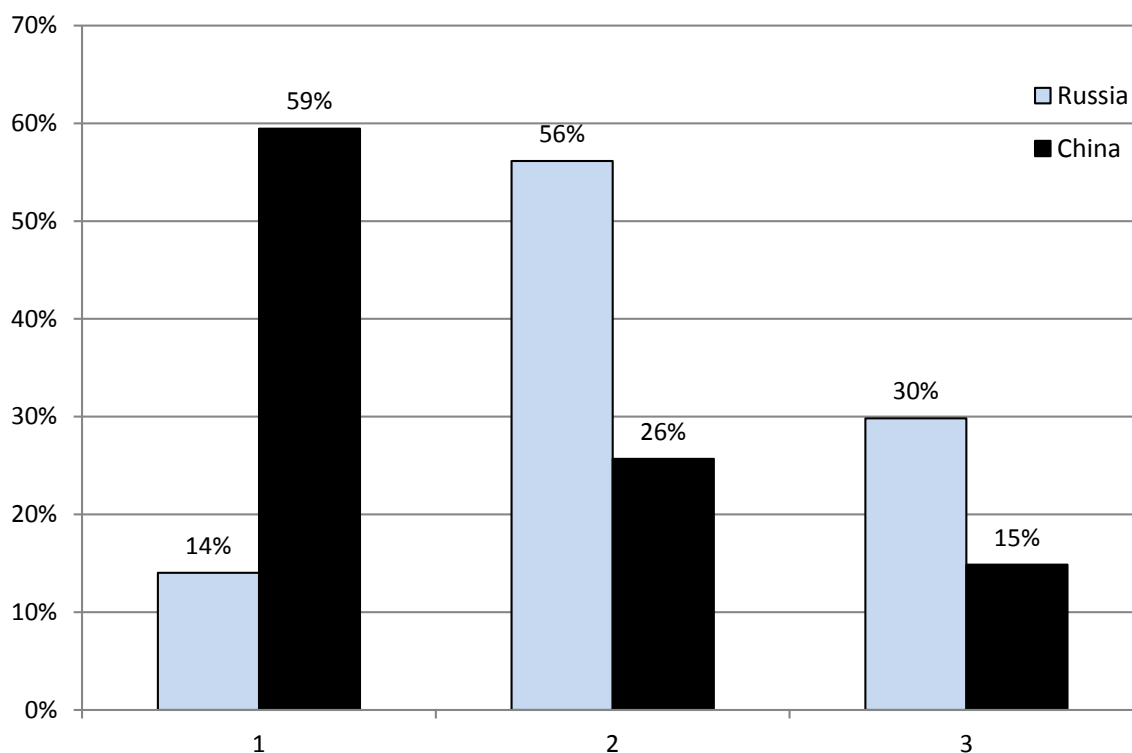
Figure A8.1 reports the number of participants A who, after having received a ‘cooperation’ signal from participants B, decided to invite one or two of them, separately for players A who believe in at least one anti-Western conspiracy and those who do not believe in any conspiracies. We observe a striking difference between these subjects. Those who did not believe in anti-Western conspiracies, after receiving the signal that players B were going to cooperate, indeed invited one player B much more frequently than two players – they interpreted the reported signal as true information and adjusted their behavior accordingly. Those who did believe in anti-Western conspiracies, however, behaved in exactly the opposite way: they mistrusted the information and invited one participant less often than two of them.

This result again fits into existing literature on conspiracy thinking. The existing evidence argues that conspiracy beliefs, even when wrong, are notoriously resistant to falsification and can take on the appearance of a ‘degenerating research program’ (Clarke, 2002: 136), with new layers of conspiracy being added to rationalize each new piece of disconfirming evidence. Those who believe in anti-Western conspiracies are therefore more likely to exhibit biases while processing the information they have at hand while making the decisions, rather misinterpreting it to fit their (conspiracy thinking driven) priors. This seems to be happening in our case as well; beliefs in conspiracies could make subjects misinterpret the signal of cooperation they receive (for example, expecting players B to lie about the willingness to cooperate).

Note that if players B agreed to cooperate and have reasons to expect that their counterparts will stick to the agreement, they should be indifferent between lying or telling the truth to A; in any case, they will play the game in the same way. If players B did not agree to cooperate or suspect that such an agreement will be violated, there are incentives to misguide player A: the expected payoff in case only one player B is invited is higher than the expected payoff in the game with two players B and bilateral defection. Thus, ignoring the signal is reasonable if one has a very strong prior that players B will not cooperate, as those players A who believe in conspiracies seem to have. Empirically, as mentioned, signals are to some extent informative rather than strategic.

## A9 General conspiracy thinking

Figure A9.1 Distribution of the general conspiracy thinking index in Russia and in China



## A10 Summary of robustness tests

This Appendix provides a more detailed description of our robustness checks, which are otherwise summarized in Table 6 of the main paper. The following robustness checks were implemented for both country sub-samples.

- (1) We substituted the number of game round ('trend') in our data by separate dummies for each round of the game.
- (2) We recomputed the game rounds trend and game round dummies, excluding the number of training rounds (in the Chinese sample, the number of training rounds differed – we had one training round for 45 subjects and two for other 45 subjects; we had two training rounds in Russia).
- (3) We re-estimated the regressions using only the results from the first game round (as we want to exclude any possible learning effects over the course of the game).
- (4) We separately estimated the regressions for the collusion signaling treatment.
- (5) We drop the collusion signaling treatment and estimate the regression for all other rounds.
- (6) Given the small sample, we had to make sure that our findings are not driven by outliers. For this purpose, we applied the robust regression estimator of Stata (which is an M-estimator re-weighting impact of the observations on the outcomes according to a measure of outlyingness, combined with exclusion of observations with a very large Cook's distance).
- (7) We estimated our regressions controlling for both general conspiracy thinking and anti-Western conspiracy thinking indicators at the same time. Results did not change for either of these variables.
- (8) We excluded all subjects which, if they were invited as a single participant, bid 8; this is a clearly irrational choice (since in an auction with single participant the winner is predetermined, and one should bid as little as possible), and therefore it is possible that these subjects failed to understand the game, which could distort our results. Only nine of our subjects ( $n=1$  in China) behaved clearly irrationally. From analyzing the giving behavior of players B (Appendix A4) it seems further that transfers are in line with equalizing payoffs, as one would expect.

For the Chinese sub-sample, we also perform a number of special tests: we control for group dummies (as mentioned, we have two groups with which the experiment was performed in China versus one group in Russia), we control for student major dummies (as mentioned, majors seem to differ in terms of belief in conspiracies, but may also be associated with unobserved student characteristics resulting in higher (or lower) expectations of collusion) and, we control for whether the subjects have a social network account.

Furthermore, an alternative to running two regressions separately is to estimate a specification for the pooled sample of Chinese and Russian students, controlling for the conspiracy thinking variable, the dummy for Chinese subjects, and an interaction term between these two variables. We find the results to be entirely consistent with what was reported above: the conspiracy variable as such is insignificant, but the interaction term is significant and positive, meaning that we find a significant (and positive) effect of conspiracy thinking on the number of invited participants to the auction only for Chinese subjects and no effect for Russian subjects.

## Basic instructions

Thank you all for coming today. You will be allowed to keep the money you earn in this experiment. We are interested in your decisions during the experiment. Hence, there are no 'right' or 'wrong' answers.

During the experiment we will not speak in terms of Yuan, but in Guilders. Your entire earnings will be calculated in Guilders. At the end of the experiment the total amount of Guilders you have earned will be converted to Yuan (Ruble) at the following rate:

$$1 \text{ Guilder} = 4.375 \text{ Yuan (30 Ruble)}$$

You will be paid 10 Yuan (120 Ruble) for taking part in the experiment plus the additional earnings that you have kept during one experimental game. The experiment is divided into **four (five)** separate games. The **first one (two)** games are test games, for getting you familiar with the rules and the mechanics of the experiment. The results of these games do not count for the final earnings. Of the remaining **three** games, just one will result in a payoff to you. Which one will be determined randomly, after the experiment over: you will draw a card with the number of the game in a sealed envelope. So the outcomes in one game have no influence on the outcomes in the other games and we will not reveal any information to you about your earnings and the earnings of the other players. The rules of the last game are slightly different, but they all build upon the rules of the first two games (three (four) games including test games), which we discuss now. We will inform you about the rules of the subsequent games before they start.

Some important remarks before we can start:

1. The experiment will take about two and a half hours, including waiting time. If you find that this experiment is something that you do not wish to participate in for any reason, **or you already know that you will not be able to stay for the two and a half hours**, please let us know immediately so that you can be replaced.
2. Before you receive your money at the end of the game, you will be asked to answer a questionnaire. You will receive your payment only after completing the questionnaire.
3. **If you have questions, always raise your hand and wait until one of us comes to you. Then you can ask your question and we will answer it. You are not allowed to talk to other participants during the experiment.** You are not allowed to leave the room without permission. Please switch off your mobile phones and PCs. If you violate this rule, you will be dismissed from the experiment and forfeit all payments.
4. It is very important that you understand the games. Therefore we will check your understanding by asking each of you test questions about the basic rules. If you do not understand the rules you may ask us to explain them by raising your hand. **But if you cannot answer the test questions after explaining them again, we will have to exclude you from the experiment.**

Thank you in advance for your effort and time.



## Experiment instructions

At the beginning of each game you will be matched with two other participants. In each game the participants are divided into groups of three. You will therefore be in a group with 2 other participants. The composition of the groups will be different in all three games. You will never learn with whom you interacted. Please be aware that you cannot transfer Guilder to the next game. In each game you start with a new endowment of 10 Guilder.

During the game there are two participants with role B and one participant with role A. Your role will change from game to game. The participants you will be matched with will also change from game to game. You will not know the identity of the other participants, and the other participants will not learn of your identity.

All participants (both A participants and B participants) start with an **endowment of 10 Guilder**.

In each game the following four stages take place consecutively: Communication, Invitation, Auction and Transfer. We will now explain the following four steps in detail.

1. In each game the two randomly matched B participants can write up to three messages between each other, within a maximum 9 minutes. You can write messages on a piece of paper that we will collect and hand over to the corresponding B participant. You have three minutes for writing a message. After each of the three minute periods, we collect your message and deliver to you the messages written by the other B participant. After the last three minutes we collect your final response and deliver to you the response written by other B participant once again.
2. After the discussion between participants B, participants A have to decide whether to invite one or two B participants to the auction. Inviting one participant B is free of charge. Inviting a second B participant costs 2 Guilder. If one B participant is invited we will randomly choose which one. We will inform in writing participants A and B of how many participants were invited and whether you were invited.
3. After participant A has decided whether to invite one or two B participants the auction takes place. Participants B invited to the auction will send a closed envelope with the bid they are willing to pay for the prize value. You may bid either 2 or 8 Guilder. In case only one participant B was invited her bid will automatically win the prize of 20 Guilder. In case two players have been invited the participant B who submitted the highest bid wins the auction and receives the prize of 20 Guilder. If both bid the same, we will randomly determine the winner. The decision you make at the end of each game is private, and the other participants B will not know your bid. You will always know how many other participants B were invited to the auction.
  - **Prize Value:** The money value (in Guilder) for the item being auctioned. Prize values are the same for all participants: **20 Guilder**
  - **Bid:** The money (in Guilder) a participant B wants to use to auction for the prize. If two participants B are invited, the other participant B will also choose a bid at the same time. You cannot see the bid of the player, and vice versa. You may bid either 2 or 8 Guilder.

- **Earnings:** The person with the high bid will obtain the prize value of 20 Guilder. A random "coin flip" will select the winner in the event of a tie bid. The winner will earn the prize value of 20 Guilder minus their own bid. The other bidder will keep the endowment of 10 Guilder for this game. The player in role A will receive the highest bid plus his endowment of 10 Guilder.
4. The payoffs are realized and participants with role B have the possibility to exchange any amount of money earned in this game: you can exchange 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 or 20 Guilder.

During the game, all participants will submit their decisions in written form. Always write the number of the game and your participant ID, and tick your choice.

**Here are five examples how to play the game. Please read them carefully!**

### **Example I**

Suppose A invites two participants B to the auction. Participant B1 bids 8, and Participant B2 bids 2. In this case Participant B1 wins the auction. The earnings of Participant B1 are  $(10-8) + 20 = 22$ . The low bidder B2 earns a profit of zero and will end this game with 10 Guilder. A will earn the highest bid = 8 Guilder plus his remaining money from the endowment. Since she invited two players to the auction his remaining money amount is 8 Guilders. In total, Participant A has  $10 + 8 - 2 = 16$  Guilders left in this game.

After the first three steps B1 can transfer some of her winnings to B2. Suppose B1 transfers 10 Guilder. Then B1 ends the game with  $22 - 10 = 12$  Guilder. B2 ends the game with  $10 + 10 = 20$  Guilder.

### **Example II**

Suppose A invites only one participant B1 to the auction. Participant B1 bids 2 and wins the auction automatically. The earnings of Participant B1 are  $(10-2) + 20 = 28$ . Participant B2 was not invited: so, he ends the game with 10 Guilder. A earns the bid of the participant B1, and, since A did not invite the second participant, in total Participant A has  $10 + 2 = 12$  Guilder left in this game.

After the first three steps, B1 can transfer some of her winning to B2. Suppose B1 transfers 4 Guilder. Then B2 ends the game with  $28 - 4 = 24$  Guilder. B1 ends the game with  $10 + 4 = 14$  Guilder.

### **Example III**

Suppose A invites only one participant B1 to the auction. Participant B1 bids 8 and wins the auction automatically. The earnings of Participant B1 are  $(10-8) + 20 = 22$ . Participant B2 was not invited: so, he ends the game with 10 Guilder. A earns the bid of the participant B1, and, since A did not invite the second participant, in total Participant A has  $10 + 8 = 18$  Guilder left in this game.

After the first three steps B1 can transfer some of her winning to B2. Suppose B1 transfers 8 Guilder. Then B2 ends the game with  $22 - 8 = 14$  Guilder. B1 ends the game with  $10 + 8 = 18$  Guilder.

**Example IV**

Suppose A invites two participants B to the auction, and both bid 8. Then the outcome of the auction is determined by random draw. Suppose B1 won. The earnings of Participant B1 are  $(10-8) + 20 = 22$ . Participant B2 has earnings of zero: so, he ends the game with 10 Guilder. A earns the bid of the participant B1, in total Participant A has  $10 + 8 - 2 = 16$  Guilder left in this game.

After the first three steps B1 can transfer some of her winning to B2. Suppose B1 transfers 12 Guilder. Then B2 ends the game with  $22 - 12 = 10$  Guilder. B1 ends the game with  $10 + 12 = 22$  Guilder.

**Example V**

Suppose A invites two participants B to the auction, and both bid 2. Then the outcome of the auction is determined by random draw. Suppose B1 won. The earnings of Participant B1 are  $(10-2) + 20 = 28$ . Participant B2 has earnings of zero: so, he ends the game with 10 Guilder. A earns the bid of the participant B1, in total Participant A has  $10 + 2 - 2 = 10$  Guilder left in this game.

After the first three steps B1 can transfer some of her winning to B2. Suppose B1 transfers 0 Guilder. Then B2 ends the game with  $28 - 0 = 28$  Guilder. B1 ends the game with  $10 + 0 = 10$  Guilder.

You have now 15–20 minutes to read the instructions again. After you have finished reading the instructions, please answer the questions in order to show that you have totally understood the procedure. At the end of these instructions you will find the control questions. This is not an exam. The questions only serve only to ensure the you understand how your earnings in this experiment will be calculated. You may now start reading the instructions.

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