

Increase in Fines and Enforcer's Behaviour: Evidence from Belgrade's Buses*

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Abstract

We study the punishment behaviour of inspectors in public transport in response to a change in the height of punishment. Theory suggests that enforcers may punish less when punishments are high as the cost of sentencing unintentional free-riders rise. Hence, inspectors in public transport could become more reluctant to punish free-riding due to differences in perception of passengers' "guilt". In a unique dataset of Belgrade's public transport, we investigate this proposition. We find that the share of punished free-riders decreases by roughly 12% due to the increase in fine. We also show that the lower frequency of punishment is driven by the inspectors' perception about the free-riders' type. Passengers without a valid travel ticket travelling to work have a 20% lower probability of being sanctioned after the increase in fines, where no effect is found for the fare evaders travelling for leisure. Further, groups of two inspectors that often work together are most likely to be lenient with free-riders.

Keywords: Fare evasion, Enforcement, Leniency, Public transport

JEL Codes: K42, R49, H41

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