

LITERATURE SURVEY ON CORRUPTION 2000-2005*

CONTENTS

Annotated Bibliography on Corruption, 2000-2006.....	1
Descriptions of Books on Corruption, 2000-2006.....	1
Descriptions of Edited Volumes on Corruption, 2000-2006	14
Abstracts of Journal Articles on Corruption, 2000-2005.....	33
Abstracts of Working Papers on Corruption, 2000-2005	75
Bibliography on Corruption, 2000-2006.....	109

* Updated March 28, 2006. This bibliography is compiled by Maks Kobonbaev under the guidance of Ed Campos and Colum Garrity. **Sources of Information:** Books and edited volumes are from the World Bank's JOLIS Library Catalogue and major university presses. Journal articles and working papers are from the EconLit, World Bank Publications, JSTOR, NBER Working Paper Series, Center for Economic Policy Research Publications and Social Science Research Network Databases.



**PUBLIC SECTOR GOVERNANCE
POVERTY REDUCTION & ECONOMIC MANAGEMENT (PREM)
THE WORLD BANK**



The World Bank

Annotated Bibliography on Corruption, 2000-2006

Descriptions of Books on Corruption, 2000-2006

Descriptions of Books on Corruption, 2005-2006

Nicholls, Colin, John Hatchard, Martin Polaine, Timothy D. 2006. *Corruption and Misuse of Public Office*. Oxford University Press.

Description: The book provides a comprehensive and detailed analysis of the law on the Anti-Terrorism, Crime and Security Act 2001 and the Proceeds of Crime Act 2002, which extend UK jurisdiction to corruption offences committed abroad by UK nationals and incorporated bodies, and strengthen the mechanisms to recover assets and wealth obtained as a result of unlawful activity. The book examines the legal and practical issues relating to the investigation and prosecution of corruption, providing the practitioner with a complete guide to handling a corruption case, including the coverage of international efforts to combat corruption, allowing practitioners to use the information confidently when dealing with cases involving foreign officials.

Contents:

- The Meaning and Scope of Corruption
- Offences of Bribery and Corruption
- Misconduct in a Public Office
- The Investigation and Prosecution of Corruption
- The Movement for Reform
- Civil Remedies
- Civil Recoveries
- The Regulation of Conduct in Public Life
- International and Regional Initiatives
- The Bribery of Foreign Public Officials
- The Corruption Laws of Other Jurisdictions

Johnston, Michael. 2005. *Syndromes of Corruption: Wealth, Power, and Democracy*. Cambridge University Press.

Description: Corruption is a threat to democracy and economic development in many societies. It arises in the ways people pursue, use and exchange wealth and power, and in the strength or weakness of the state, political and social institutions that sustain and restrain those processes. The book argues that the differences in these factors give rise to four major syndromes of corruption: Influence Markets, Elite Cartels, Oligarchs and Clans, and Official Moguls. The book employs statistical measures to identify societies in each group, and case studies to show that the expected syndromes do arise. Countries studied include the United States, Japan and Germany (Influence Markets); Italy, Korea and Botswana (Elite Cartels); Russia, the Philippines and Mexico (Oligarchs and Clans); and China, Kenya, and Indonesia (Official Moguls). A concluding chapter explores reform, emphasizing the ways familiar



measures should be applied - or withheld, with an emphasis upon the value of 'deep democratization'.

Contents:

- Wealth, power and corruption;
- The international setting: power, consensus and policy
- Participation, institutions and syndromes of corruption
- Influence markets: influence for rent, decisions for sale
- Elite cartels: How to buy friends and govern people
- Oligarchs and clans: we are family - and you're not
- Official moguls: reach out and squeeze someone
- From analysis to reform.

Sanja Kutnjak Ivković. 2005. *Fallen Blue Knights: Controlling Police Corruption*. Oxford University Press.

Description: The book provides a systematic, in-depth analysis of the subject of police corruption, while also addressing the question of what can be done to ensure successful corruption control. It argues that the current mechanisms for control--the courts, prosecutors, independent commissions, and the media, as well as the internal control mechanisms within a police agency itself--suffer from severe shortcomings that substantially limit their effectiveness. The book develops a model of corruption control.

Contents:

- Police Corruption and Its Control
- Defining Police Corruption
- Measuring Police Corruption
- Causes and Correlates of Police Corruption
- Corruption Control: Detection, Investigation, and Discipline
- Corruption Control: Other Functions
- A Step Ahead: A Multifaceted System of Comprehensive Corruption Control

Mishra, Ajit. 2005. *The Economics of Corruption*. Oxford University Press.

Description: The book deals primarily with the economic aspects of corruption, though political, social, and historical facets are touched upon as well. The volume covers both individual behavior and that of groups, classes and sub-cultures. While discussing the consequences of corruption on economic development, several readings focus specifically on India discussing aspects such as fiscal problems and informal black markets. Measures to combat corruption are also discussed by focusing on the incentives and institutional structures that are major factors in corruption.

Contents:

- Corruption: An Overview
II. Perspectives on Corruption
- Corruption: Its Causes and Effects,
- Hierarchies and Bureaucracies: On the Role of Collusion in Organizations,



- A Theory of Misgovernance,
- Pervasive Shortages under Socialism.
- Corruption and Growth,
III. Design of Incentives and Organization:
- Corruptible Enforcers: How should they be compensated?
- Notes on Bribery and Control of Corruption
IV. Government, Market and Competition:
- The Choice Between Market Failures and Corruption,
- Rents, Competition and Corruption,
- Electoral Competition and Special Interest Politics Postscript: Financial Misbehavior of Government Servants from Kautilyas Arthasastra.

Segal, Lydia. 2005. *Battling Corruption in America's Public Schools*. Harvard University Press.

Description: Drawing on ten years of undercover work and research in four major school districts, the book reveals how systemic waste and fraud siphon millions of dollars from urban classrooms. The book shows how money is lost in systems that focus on process rather than on results, and how regulations established to curb waste and fraud provide perverse incentives for new forms of both.

Contents:

Introduction: Corruption and the Future of America's Great City Schools
The Pathology: Laying the Record Bare
 Public Education as Big Business 3
 Charting Corruption, Waste, and Abuse 13
 Where the Money Goes 24
 The Toll on Education 28
The Remedies Tried: The Frenzied Search for Accountability
 The Quest for Accountability 41
 The Centralization Mess 53
The Diagnosis: Getting to the Root Causes
 Toward a Theory of School Waste and Fraud 63
 Watching the Pennies but Missing the Millions 73
 The Cost of Managerial Paralysis 87
 Creative Noncompliance: Informal Power Networks 101
 When Anticorruption Machinery Breeds Corruption 109
The Wrong Medication: How Not to Fix the Problem
 Lessons from Local Political School Control 119
 Lessons from Bureaucratic Autonomy 133
 Lessons from Resistance to Reform 140
The Prescription: How to Fix the Problem
 Establishing Independent Inspectors General 155
 Removing the Dominant Coalition 164
 Restructuring School Districts to Push Power Downward 170
 The Model of Edmonton, Canada 177
 Loosened Top-Down Controls and Trust 187



Varese, Federico. 2005. *The Russian Mafia Private Protection in a New Market Economy*. Oxford University Press.

Description: The book charts the emergence of the Russian Mafia in the context of the transition to the market, the privatization of protection, and pervasive corruption. The ability of the Russian state to define property rights and protect contracts is compared to the services offered by fragments of the state apparatus, private security firms, ethnic crime groups, the Cossacks, and the Mafia. Past criminal traditions, rituals, and norms have been resuscitated by the Mafia of today to forge a powerful new identity and compete in a crowded market for protection. The book draws on reports of undercover police operations; in-depth interviews conducted over several years with the victims of the Mafia, criminals, and officials; and documents from the Gulag archives. It also provides a comparative study, making references to other Mafia (the Japanese Yakuza, the Sicilian Cosa Nostra, the American-Italian Mafia, and the Hong Kong Triads).

Contents:

- The Transition to the Market and Protection in Russia
- The Transition to the Market
- The State as Supplier of Protection
- Varieties of Protectors
- Private Protection in Perm
- Searching for Protection
- The Contract and the Services
- The Russian Mafia
- The Mafia in Perm
- Mafia Ancestors: The vory-v-zakone, 1920s-1950s
- The Russian Mafia

Karklins, Rasma. 2005. *The System Made Me Do It: Corruption in Post-Communist Societies*. Armonk, N.Y.: M.E. Sharpe.

Description: Most people in post-communist societies believe that corruption is widespread, and that they must play along because "the system" compels them to do so. But what system exactly? What are the structures and mechanisms of corruption in post-communist societies? And why is this corruption so pervasive and hard to fight? The book is the first comprehensive study of the origin, nature, and consequences of corruption in post-communist societies. The book suggests innovative and practical institutional strategies for containing corruption.

Contents:

- Introduction: All Corruption Is Not the Same
- The Typology of Post-Communist Corruption
- The Experience of Corruption
- Attitudes and Discourses about Corruption
- Political Legacies: Old Habits Die Hard
- The Opposites of Corruption
- The Role of Institutions



- Implementing Institutional Accountability
- The Role of the Right Anti-Corruption Strategy
- Conclusion: How to Contain Corruption

Collier, Michael. 2005. *Political Corruption in the Caribbean Basin: Constructing a Theory to Combat Corruption*. New York: Routledge.

Description: The book focuses on the political corruption in the Caribbean Basin using historical and comparative approach.

Contents:

- Caribbean Political Corruption Issues
- Key Definitions
- Explanations for Political Corruption
- Research Design
- Limitations, Delimitations, Contributions
- The Constructivist Analytic Frame
- A Political Corruption Agency Analysis
- A Political Corruption Structural Analysis
- Corruption Across the Spanish Main
- Corruption in the Colonies of Spain's European Rivals
- US Caribbean Interventions
- Changing the Caribbean Political Corruption Rules
- Post-World War II Caribbean Structural Development
- Contemporary Caribbean Institutions
- Caribbean Political Corruption Behaviors
- Historical Setting
- Assessing Contemporary Jamaican Political Corruption
- Explaining Jamaican Political Corruption
- Historical Setting
- Assessing Contemporary Costa Rican Political Corruption
- Explaining Costa Rican Political Corruption

Descriptions of Books on Corruption, 2004

Manion, Melanie. 2004. *Corruption by Design: Building Clean Government in Mainland China and Hong Kong*. Harvard University Press.

Description: This analytically rigorous book contrasts experiences of mainland China and Hong Kong to explore the pressing question of how governments can transform a culture of widespread corruption to one of clean government. The book examines Hong Kong as the best example of the possibility of reform. Within a few years it achieved a spectacularly successful conversion to clean government. Mainland China illustrates the difficulty of reform. Despite more than two decades of anticorruption reform, corruption in China continues to spread essentially unabated. The book argues that where corruption is already commonplace, the context in which officials and ordinary citizens make choices to transact corruptly (or not) is



crucially different from that in which corrupt practices are uncommon. A central feature of this difference is the role of beliefs about the prevalence of corruption and the reliability of government as an enforcer of rules ostensibly constraining official venality. Anticorruption reform in a setting of widespread corruption is a problem not only of reducing corrupt payoffs, but also of changing broadly shared expectations of venality. The book explores differences in institutional design choices about anticorruption agencies, appropriate incentive structures, and underlying constitutional designs that contribute to the disparate outcomes in Hong Kong and mainland China.

Contents:

- Anticorruption Reform in a Setting of Widespread Corruption
- Corruption and Anticorruption Reform in Hong Kong
- An Explosion of Corruption in Mainland China
- Problems of Routine Anticorruption Enforcement
- Anticorruption Campaigns as Enforcement Mechanisms
- Institutional Designs for Clean Government Notes

Sun, Yan. 2004. *Corruption and Market in Contemporary China*. Cornell University Press.

Description: Is corruption an inevitable part of the transition to a free-market economy? The book examines the ways in which market reforms in China have shaped corruption since 1978 and how corruption has in turn shaped those reforms. The book suggests that recent corruption is largely a byproduct of post-Mao reforms, spurred by the economic incentives and structural opportunities in the emerging marketplace. The book finds that the steady retreat of the state has both increased mechanisms for cadre misconduct and reduced disincentives against it. Chinese disciplinary offices, law enforcement agencies, and legal professionals compile and publish annual casebooks of economic crimes. The cases, processed in the Chinese penal system, represent offenders from party-state agencies at central and local levels as well as state firms of varying sizes and types of ownership. The book uses these casebooks to illuminate the extent and forms of corruption in China. Unintended and informal mechanisms arising from corruption may take on a life of their own and undermine the central state's ability to implement its developmental policies, discipline its staff, enforce its regulatory infrastructure, and fundamentally transform the economy.

Contents:

- Introduction: the transition to the market and corruption
- The phenomenology of reform-era corruption: categories, distribution, and perpetrators 26
- Between officials and citizens: transaction types of corruption 53
- Between officials and the public coffer: non-transaction types of corruption 87
- Between the state and localities: the regional dynamics of corruption 120
- Between the state and officials: the decline of disincentives against corruption 158
- Conclusion: the transition to the market and post-socialist corruption



Gray, Cheryl, Joel Hellman, Randi Ryterman. 2004. *Anticorruption in Transition 2: Corruption in Enterprise-State Interactions in Europe and Central Asia, 1999-2002*. Washington, D.C.: World Bank Publication.

Description: Analyzing patterns and trends in corruption in business-government interactions in the transition economies of Central and Eastern Europe and the former Soviet Union, the work points to some encouraging signs that the magnitude and negative impact corruption exerts on businesses may be declining in many countries in the region. The long-term sustainability of recent improvements is not certain, however, and the challenges ahead remain formidable.

Contents:

- Patterns of Corruption, 1999 and 2002
- Understanding Corruption
- Summary and Conclusions: Are Changes in Corruption Sustainable?

Kallon, Kelfala M. 2004. *The Political Economy of Corruption in Sierra Leone*. Lewiston, N.Y.: Mellen Press

Description: This book's overriding theme is that Sierra Leone's problem of endemic corruption is due to the fact that the net benefit from corruption has been consistently positive and high throughout much of the post-independence period, and that economic analysis can offer useful insights into the problem of corruption, generally, and Sierra Leone's problem, specifically. It follows a multi-disciplinary approach, drawing heavily on economics, history, and political science. It is directed at scholars and policy makers interested in the problem of corruption in LDCs, and its findings are applicable to other African countries and corruption studies.

Contents:

I: Causes and Consequences of Corruption

- The Causes of Corruption
- The Consequences of Corruption

Part II: Corruption in the Political Economy of Sierra Leone

- A Review of the Political History of Sierra Leone, 1947-67
- Did Corruption Cause the 1967 Constitutional Crisis?
- Corruption and State Politics in Post-1967 Sierra Leone
- The Impact of the Post-Colonial Regimes on the Economy

III: Economic Models of Corrupt Behavior

- Corruption between Firms and Public Officials
- Corruption in the Market for Government Services
- A Comparative Evaluation of Corruption-Abatement Strategies
- Corruption-Abatement in Sierra Leone: History and Recommended Strategies
- Corruption-Abatement in Sierra Leone: History and Strategies



Jones, P. C. 2004. *Fraud and Corruption in Public Services: A Guide to Risk and Prevention*. Aldershot; Burlington, VT: Gower.

Description: The book provides public sector practitioners in auditing and financial management with a practical approach to combating and minimizing fraud and corruption. The book directly addresses the implications of fraud and corruption and suggests specific courses of action to be taken to combat such malpractices. The text is illustrated by detailed and realistic case studies, flow charts and control questionnaires, with appendices included for specific high-risk activities such as major contracts, means-tested benefits and financial accounting.

Contents:

- Characteristics of fraud and corruption 1
- The public sector 23
- Using risk and systems-based auditing 39
- Capital projects and major contracts 79
- Information technology and management 99
- Expenditure 125
- Income 141
- Transfer payments : benefits, claims, grants, and rebates 157
- The main accounting and reporting function

Sayed, Abdulhay. 2004. *Corruption in International Trade and Commercial Arbitration*. New York: Kluwer Law International.

Description: Issues of corruption turn up with disturbing frequency in commercial arbitration. Yet there is no uniformity in arbitral practice to tackle this phenomenon, despite a constant chorus of condemnation from all quarters. This book attempts to explain the discrepancy between the mountain condemnation of corruption in international trade and public procurement and the persistent resistance to such condemnation. It specifically describes how corruption uses duplicity in practice, and how such practice challenges the imperativeness of condemnation.

Contents:

- Judging Corruption in Arbitration 1
- A Brief Outline of the Underlying Paradigm of Arbitral Decision-Making 1
- The Main Attitudes In Evaluating Corruption 8
- The Repressive Tendency 9
- The Indifferent Tendency 19
- Concluding Remarks 24
- Arbitrability of Public Procurement-Related Matters 27



Descriptions of Books on Corruption, 2003

Arvis, Jean-Francois and Ronald E. Berenbeim. 2003. *Fighting Corruption in East Asia: Solutions from the Private Sector*. Washington, D.C.: World Bank Publication.

Description: The critical need for private sector involvement in the fight against corruption is now an accepted fact, particularly in East Asia, where there is a buoyant private sector and where corruption has often been equated with cronyism. Cutting off corruption's supply side is a vital step in limiting the economic damage inflicted by corrupt practices. Despite the importance of private sector efforts in this regard, little attention has been paid to company anticorruption programs and to trying to learn from company experience. This book, which is based on research cosponsored by the World Bank and the Conference Board, provides detailed documentation of the efforts of Western and Asian companies to develop good standards of business conduct in their East Asian operations. It provides evidence that a common set of principles for resisting corruption can be established notwithstanding the rich cultural diversity and ownership structure of firms based in that region.

Contents:

- Corruption: The Firm's Perspective
- The Spread of Corporate Compliance Programs
- Compliance Programs in Practice
- The Environment of Compliance Programs
- Building Knowledge and Resources for Better Business Ethics: Current Initiatives
- The Current Agenda

Feng, Yi. 2003. *Democracy, Governance, and Economic Performance: Theory and Evidence*. MIT Press.

Description: The book combines political and economic analyses to study the effects of political institutions on economic performance. The book examines the political determinants of economic growth, and, specifically, the controversial question of the relationship between democracy and quality of life. Feng systematically studies three variables of a political system - political freedom, political stability, and policy certainty -- and relates them to economic development.

Contents:

- The Fundamental Political Environment for Economic Growth 15
- Measuring Political Freedom, Stability, and Certainty 39
- Testing the Political Determinants of Long-Run Economic Growth 65
- Democracy, Stability, and Growth: A Simultaneous Approach 93
- Political Institutions and Inflation: An Evaluation of Three Models 123
- Political Institutions and Private Investment 157
- The Political Economy of Human-Capital Accumulation 189
- Democracy and Income Inequality Reconsidered 213
- Political Freedom and Economic Freedom 251
- Births and Politics 275



Marquette, Heather. 2003. *Corruption, Politics and Development: The Role of the World Bank*. Palgrave Macmillan.

Description: In 1997, the World Bank announced a strategy to help its borrowers combat corruption, despite earlier claims that work of this kind violated the Bank's non-political mandate. Despite many attempts to reshape corruption as an economic issue rather than a political one, the non-political mandate has never been satisfactorily addressed. Heather Marquette argues that the Bank should focus in its strengths and avoid the more controversial components of its anti-corruption program, which threaten its credibility.

Contents:

- The Emergence of a Development Agency, 1944-1981
- The Path to the World Bank's Anti-Corruption Programme, 1981-1997
- The World Bank's Anti-Corruption Programme
- The Significance of Comparative Advantage in Donor Work on Corruption

Quah, Jon S. T. 2nd ed. 2003. *Curbing Corruption in Asia: A Comparative Study of Six Countries*. Singapore: Eastern Universities Press.

Description: The nature of the corruption and counter-measures in Mongolia, India, the Philippines, Singapore, Hong Kong and South Korea are analyzed separately. The final chapter highlights factors that contribute to successful anti-corruption strategies. These countries illustrate between them three patterns of corruption control in Asian countries: Pattern 1 is demonstrated by Mongolia, which has anti-corruption laws but no independent agency. Pattern 2 is illustrated by India and the Philippines as they have many anti-corruption laws and anti-corruption agencies. Pattern 3 refers to the implementation of anti-corruption legislation by an independent anti-corruption agency and is best exemplified by Singapore and Hong Kong. South Korea has moved from Pattern 1 to Pattern 3 with the formation of the Korean Independent Commission against Corruption in January 2002.

Anderson, James H. and Ilene Photos. 2003. *The World Bank and Anticorruption in Europe and Central Asia: Enhancing Transparency, Voice and Accountability*. The World Bank Booklet.

Abstract: This booklet provides an introduction to some of the ways that the World Bank, in close collaboration with our clients and partners, helps the countries of Europe and Central Asia to address the challenge of reducing corruption. This is not meant to be an exhaustive inventory of activities; rather it provides an indication of the breadth of activities that help to address this vexing problem. The booklet leads off with a short introduction to key regional and country specific diagnostic work on governance and anticorruption. Selected analytical and lending activities that the World Bank has undertaken to reduce corruption in Europe and Central Asia are then described through the following five elements of a multi-pronged strategy, illustrated in Figure 1, around which this booklet is organized: building political and public accountability, strengthening competitiveness in the private sector, building capacity and institutions for public sector management, enhancing civil society participation, and fostering institutional restraints. Detailed information about specific projects can be found on the internet, and several web site addresses are listed at the end of this booklet.



Description of Books on Corruption 2002-2000

Kang, David C. 2002. *Crony Capitalism: Corruption and Development in South Korea and the Philippines*. Cambridge University Press.

Description: How can we reconcile the view of an efficient developmental state in Korea before 1997 with reports of massive corruption and inefficiency in that same country in 1998 and 1999? Politics is central to the answer. This study argues that both Korea and the Philippines experienced significant corruption throughout the post-independence era, and that political--not economic--considerations dominated policy making in both countries.

Contents:

- The puzzle and the theory
- Comparing Korea and the Philippines
- Institutions: bureaucrats and rulers
- Mutual Hostages in Korea: BIN-K-BIN, BU-IK-BU
- Bandwagon politics in the Philippines: BURGIS KA BA?
- Democracy in the 1980s and financial crisis of 1997
- Conclusion: corruption and development.

Neild, Robert. 2002. *Public Corruption: the Dark Side of Social Evolution*. London: Anthem.

Description: The issue of public corruption typically provokes two reactions: why does it occur and how can it be stopped? Implicit in these responses is the assumption that the absence of corruption is both right and normal. The book challenges this view, and states that the opposite is in fact the truth. Drawing on a wide range of historical sources, and examples from contemporary politics from around the globe, the work demonstrates that it is, rather, the "uncorrupt" government that is exceptional - and never totally achievable.

Contents:

- Prussia/Germany
- France
- The United States
- Britain in the 18th and 19th Centuries
- The British Scandals of 1809
- Britain's India Connection
- The Evolution of Independent Judiciaries
- The Twentieth Century
- Britain in the First Half of the 20th Century
- Britain in the Second Half of the 20th Century



Dr. Michel van Hulst 2002. *CORRUPTIE: onbekend, onbemind, alomtegenwoordig*, (in Dutch), ISBN 90 5352 854 7, Boom, Amsterdam (in English: *Corruption: unknown, unloved, omnipresent*).

Description: A general handbook covering definitions, history, costs, Third World, integrity, payers and payees, what to do, whistleblowers, codes, Dutch law and prosecution.

Akuter, Muhammad Yeahia. 2001. *Electoral Corruption in Bangladesh*. Ashgate.

Description: The book focuses on the nature of elections--a basic pillar of democracy--and electoral corruption in Bangladesh, both before and after independence from Pakistan in 1971. The study investigates aspects of electoral corruption under military, civilian, and nonpartisan caretaker-government rule, comparing the role of these governments in planning, organizing, and overseeing elections. And it explores how electoral corruption has affected the process of democratization in Bangladesh.

Contents:

- Elections and Electoral Corruption: An Introduction 1
- Political Change and Developments in Bangladesh 43
- Problems of Democratization Before Independence (1947-1970) 94
- Military Rule, Elections and Civilianisation 118
- Electoral Politics and Corruption Under Civilian Rule 143
- Caretaker Governments and the Myth of Free Elections 178

Lü. Xiaobo. 2000. *Cadres and Corruption: The Organizational Involution of the Chinese Communist Party*. Stanford University Press.

Description: The book reveals the long history of the party's inability to maintain a corps of committed and disciplined cadres. Contrary to popular understanding of China's pervasive corruption as an administrative or ethical problem, the book argues that corruption is a reflection of political developments and the manner in which the regime has evolved. Based on a wide range of previously unpublished documentary material and extensive interviews conducted by the author, the book adopts a new approach to studying political corruption by focusing on organizational change within the ruling party. The book argues that corruption among Communist cadres is not a phenomenon of the post-Mao reform period, nor is it caused by purely economic incentives in the emerging marketplace. Rather, it is the result of a long process of what the book calls organizational involution that began as the Communist party-state embarked on the path of Maoist "continuous revolution." In this process, the Chinese Communist Party gradually lost its ability to sustain officialdom with either the Leninist-cadre or the Weberian-bureaucratic mode of integration. Instead, the party unintentionally created a neotraditional ethos, mode of operation, and set of authority relations among its cadres that have fostered official corruption.

Contents:

- Introduction: Organization, Cadres, and Corruption
- Sugar-Coated Bullets from Enemies: Corruption in the Early Years
- The Great Leap Forward: The Beginning of Involution
- Political Mobilization and the Cadres
- The Post-Mao Reforms and the Transformation of Cadres



- The Economic Transition and Cadre Corruption

Miller, William Lockley, Ase B. Grodeland, and Tatyana Y. Koshechkina. 2000. *Culture of Corruption?: Coping with Government in Post-Communist Europe*. Central European University Press.

Description: Based upon surveys and in-depth interviews with government officials and citizens, the book focuses on issues such as bribery, corruption, inefficiency and freedom of information, in Ukraine, Bulgaria, Slovakia and the Czech Republic. The volume provides a comprehensive account of how citizens cope with state officials in post-communist Europe, how they feel about their dealings with these officials and what support they give to proposals for reform. The authors go beyond analyzing public perceptions and behavior and look at public attitudes towards proposals for reform. The book reveals how the problem of citizens' interactions with officials varies in kind as well as in degree across the countries of Central and Eastern Europe.

Contents:

- Coping with Government: Democratic Ideals and Street-Level Bureaucrats 1
- Context: An Unfinished Transition 39
- Public Perceptions and Public Experience of Officials 61
- Citizen Strategies for Dealing with Officials 93
- Willing Givers? 133
- 'Try Harder' or 'Give Up': The Choice for Ethnic Minorities? 169
- Street-Level Bureaucrats: Caught Between State and Citizen 205
- Willing Takers? 239
- A Culture of Corruption? Support, Priorities and Prospects for Reform

Pradhan, Sanjay, James H. Anderson, Joel Hellman, Geraint Jones, Bill Moore, Helga Muller, Randi Ryterman, and Helen Sutch. 2000. *Anticorruption in Transition -- A Contribution to the Policy Debate*. The World Bank.

Description: Corruption is increasingly recognized as a central challenge for many transition countries, undermining the credibility of the state, impeding investment and growth, and inflicting significant costs to the poor. Confronting corruption in transition countries requires a new approach that recognizes the diverse factors underlying the persistence of corruption and provides a foundation for tailoring strategies to the particular contours of the problem in different countries. This Report provides an approach to meeting these challenges. It begins by unbundling the problem of corruption, recognizing that what is generally treated as a unidimensional phenomenon encompasses a range of different interactions within the state and between the state and society, each with its own dynamics. Corruption is unbundled into two broad types, state capture and administrative corruption. State capture refers to the actions of individuals, groups or firms both in the public and private sectors to influence the formation of laws, regulations, decrees and other government policies to their own advantage as a result of the illegal transfer or concentration of private benefits to public officials. While state capture encodes advantages for particular individuals or groups in the basic legal or regulatory framework, administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules and regulations to provide advantages to either state or non-state actors as a result of the illegal transfer or concentration of private gains



to public officials. On this basis of state capture and administrative corruption, a new typology of corruption is developed for the transition countries, which is used to explore differences in the origins and consequences of corruption in distinct groups of countries. Specific policy recommendations are then tailored for each group drawing from a common set of institutional and policy reforms with emphasis on how to target anticorruption efforts, how to sequence reforms, and how to calibrate realistic expectations in different contexts.

Descriptions of Edited Volumes on Corruption, 2000-2006

Descriptions of Edited Volumes on Corruption, 2006-05

Campos, Jose Edgardo., ed. 2006. *Combating Corruption at the Operational Level*. World Bank Publication.

Description: The main objective of this volume is to provide guidance to practitioners and policy makers in the design of anticorruption reforms in such sectors as procurement, education, health, infrastructure, etc. The study intends (i) to identify the corruption vulnerable “spots or risk points” in each of several focus areas, (ii) to recommend quantitative indicators for each of these “spots” that can be used as a basis for evaluating progress in efforts to reduce corruption, and (iii) to test the efficacy of these indicators on completed or on going projects in the focus areas.

Preliminary Contents:

Introductory Chapter, Ed Campos & Vinay Bhargava

Part I: Corruption Prone Processes in the Public Sector

Public Procurement Glenn Ware, Gregory Noone and Diana Noone

Public Financial Management Bill Dorotinsky and Shilpa Pradhan

Part II: Selected Sectors

Tax Administration, Alberto Leyton and Enrique Fanta

Customs Administration, Carlos Feirrer and Michael Engelschalk

Roads Sector, Bill Paterson et al.

Electricity Sector, Mohinder Gulati & Mark Yeshwanth Rao

Health Sector, Loraine Hawkins, Monique Mrazek, Jillian Cohen

Education Sector, Sahr Kpundeh and Phyllis Dininio

Forestry Sector, Nalin Kishor and Richard Damania

Oil and Gas Sector, Charles Mcpherson & Stephen MacSearraigh

Part III: Special Areas

Anti-Money Laundering, Ted Greenberg, Maria Dakolias, Michael Levi/Bill Tupman

Edward L. Glaeser and Claudia Goldin., ed, 2006. *Corruption and Reform: Lessons from America's Economic History*. University of Chicago Press.

Description: The book explores the shadowy period of United States history in search of better methods to fight corruption worldwide today. It addresses the measurement and consequences of fraud and corruption and the forces that ultimately led to their decline within the United



States. It shows that various approaches to reducing corruption have met with success, such as deregulation, particularly “free banking,” in the 1830s. In the 1930s, corruption was kept in check when new federal bureaucracies replaced local administrations in doling out relief. Another deterrent to corruption was the independent press, which kept a watchful eye over government and business.

Contents:

Corruption and Reform: Definitions and Historical Trends

- Corruption and Reform: Introduction: Edward L. Glaeser and Claudia Goldin
- The Concept of Systematic Corruption in American History: John Joseph Wallis
- Limiting the Reach of the Grabbing Hand: Graft and Growth in American Cities: 1880 to 1930: Rebecca Menes
- Digging the Dirt at Public Expense: Governance in the Building of the Erie Canal and Other Public Works: Stanley L. Engerman and Kenneth L. Sokoloff

Consequences of Corruption

- Corporate Governance and the Plight of Minority Shareholders in the United States before the Great Depression: Naomi R. Lamoreaux and Jean-Laurent Rosenthal
- Water, Water Everywhere: Municipal Finance and Water Supply in American Cities: David Cutler,
- and Grant Miller

The Road to Reform

- The Rise of the Fourth Estate: How Newspapers Became Informative and Why It Mattered: Matthew Gentzkow, Edward L. Glaeser and Claudia Goldin
- Bank Chartering and Political Corruption in Antebellum New York: Free Banking as Reform: Howard Bodenhorn
- Regime Change and Corruption: A History of Public Utility Regulation: Werner Troesken
- *Reform and Regulation*
- The Irony of Reform: Did Large Employers Subvert Workplace Safety Reform, 1869 to 1930?: Price V. Fishback
- The Determinants of Progressive Era Reform: The Pure Food and Drugs Act of 1906: Marc T. Law, University of Vermont and Gary D. Libecap
- Politics, Relief, and Reform: Roosevelt's Efforts to Control Corruption and Political Manipulation during the New Deal, John Joseph Wallis, Price V. Fishback and Shawn Kantor

Spector, Bertram I., ed. 2005. *Fighting Corruption in Developing Countries: Strategies and Analysis*. Bloomfield Hills: CT: Kumarian Press.

Description: The volume argues that examining the issue through the lens of nine key development sectors--education, agriculture, energy, environment, health, justice, private business, political parties and public finance--will help us to understand the problem realistically and identify concrete initiatives that are likely to have an impact. The book concludes with practical and policy-oriented suggestions for corruption control that minimize the risk of "re corrupting" forces that often threaten to reverse gains.

Contents:

- Fighting corruption by Bertram I. Spector 1



- Justice system by Mary Noel Pepys 13
- Political parties by Verena Blechinger 27
- Health care by Taryn Vian 43
- Education by David W. Chapman 65
- Public finance by Michael Schaeffer 79
- Environment and natural resources by Svetlana Winbourne 97
- Energy by Matthias Ruth 115
- Private sector by Russ Webster 127
- Agriculture by Rodney J. Fink 145
- Sectoral synthesis by Stephen Schwenke 153
- Corruption and the delivery of health and education services by Omar Azfar 181
- Learning across cases : trends in anticorruption strategies by Bertram I. Spector, Michael Johnston, Phyllis Dininio 213
- The risks of recorruption by Phyllis Dininio

Sarre, Rick, Dilip K. Das, and H. J. Albrecht., ed. 2005. *Policing Corruption: International Perspectives*. Lanham: Lexington Books.

Description: The volume sheds light on the conditions under which corruption flourishes and its far-reaching consequences for individuals' safety and freedom as well as each nation's security, economy, and even sovereignty. Importantly, this volume also presents innovative anti-corruption strategies to be undertaken by governments, international organizations, and the media. Devoting special attention to malpractice within police forces, the volume is an important resource for all who work to undo corruption and its debilitating effects.

Contents:

- Introduction: policing of corruption: exploring practice through research by Dilip K. Das 1
- Corruption: the enemy of the state, the ally of organized crime by Mario D. Montoya 27
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- Fighting corruption: is Kenya on the right track? by John P. Mutonyi 69
- Corruption : a view from Lesotho by Borocho Matsoso 85
- Political corruption in Africa by Obi N. I. Ebbe 99
- Transparency in decision making: a Finnish perspective on corruption control by Anne Puonti, Sami Vuorinen 107
- Crime and corruption cases in societies in transition : a view from Macedonia by Trpe Stojanovski 121
- The threat of corruption in Poland with particular reference to public servants by Emil W. Plywaczewski, Wieslaw Plywaczewski 129
- Corruption : a perspective from Austria by Maximilian Edelbacher 137
- Corruption : theory and Russian reality by Yakov Gilinskiy 157
- Corruption in transitional Russia by Rama Sampath Kumar 169
- Corruption in Turkey : an overview by Recep Gultekin 189
- Economics and politics of corruption in Turkey: fighting for a "clean government and business" by Mehmet Ogutcu 207



- Policing corruption : an Australian perspective by Rick Sarre, Tim Prenzler 225
- The social organization of police corruption: the case of Bangladesh by Mohammed Bin Kashem 237
- Fighting police corruption in Brazil : the case of Rio de Janeiro by Jorge Da Silva 247
- Controlling police corruption : the Croatian perspective by Sanja Kutnjak Ivkovic, Carl B. Klockars, Irena Cajner-Mraovic, Drazen Ivanusec 259
- A historical review of methods used by American police to control police corruption by Michael J. Palmiotto 283
- Corruption and the blue code of silence by Jerome H. Skoluick 301
- The Anti-smuggling Investigation Bureau's war on smuggling in China by Benjamin C. Ostrov 317
- Borderland corruption: a binational study of policing the U.S.-Mexican border by Laurence Armand French 341
- Policing corruption inside the British parliament by Katie Strudwick, Bankole Cole 353
- The Belgian disease: Dutroux, scandal, and system failure in Belgium by Maurice Punch 367

Haller, Dieter and Cris Shore., ed. 2005. *Corruption: Anthropological Perspectives*. Pluto Press.

Description: The volume offers a radically different perspective, and looks at how anthropology can throw light on aspects of corruption. Taking a more grounded, empirical and holistic perspective, this text reveals how corruption operates through informal rules, personal connections and the wider social contexts that govern everyday practices. It looks at corruption in transitional societies such as post-Soviet Russia, and also explores efforts to reform or regulate institutions that are perceived to have a potential for corruption, such as the European Commission. The book also covers the Enron and WorldCom scandals.

Contents:

- Cris Shore and Dieter Haer ‘Sharp Practice: Anthropology and the Study of Corruption’
Part I. Corruption in ‘Transitional’ Societies
- Jane Schneider and Peter Schneider ‘The Intersection of Political Corruption and Organized Crime: A Comparison of Palermo, Italy and Youngstown, Ohio.’
- Michele Rivkin-Fish ‘Bribes, Gifts, and Unofficial Payments: Towards an Anthropology of Corruption in Post-Soviet Russia’
- David Lovell ‘Corruption as a Transitional Phenomenon: Understanding Endemic Corruption’
- Filippo M. Zerilli ‘Corruption, Property Restitution, and Romanianness’
Part II. Institutionalised Corruption and Institutions of Anti-Corruption
- Steven Sampson ‘Integrity Warriors: Global Morality and the Anticorruption Movement in the Balkans’
- Cris Shore ‘Culture and Corruption in the EU: reflections on Fraud, Nepotism and Cronyism in the European Commission’
- Carol MacLennan ‘Corruption in Corporate America: Enron – Before and After’
Part III. Narratives and Practices of Everyday of Corruption
- Akhil Gupta, ‘Narrating the State of Corruption’
- Dorle Drackle, ‘Where the Jeeps Come From: Narrations on Corruption in the Alentejo (Southern Portugal)’



- Sian Lazar 'Citizens despite the State: Everyday corruption and local politics in El Alto, Bolivia'
- Afterword: Dorothy Louise Zinn 'Anthropology and Corruption: the State of the Art'

Johnston, Michael., ed. 2005. *Civil Society and Corruption: Mobilizing for Reform*. University Press of America.

Description: This volume analyzes civil society and corruption from several perspectives and in several parts of the world. One section considers corruption as a fact of everyday life, a second analyzes techniques and incentives involved in mobilizing civil society, and a third provides a unique guide to information resources on corruption and reform.

Contents:

- Foreword by John Brademas
- Preface by Michael Johnston
- Part I: The Social Setting: Corruption, Experience, and Response:*
- Civil Society Mobilized Against Corruption: Russia and Ukraine: Louise Shelley
- Contributions, Covenants, and Corruption: Politicians and Society in Japan: Susan Pharr
- States, Networks, and Rents: Contrasting Corruption in Africa and Asia: Alice Sindzingre
- The Cultural Dimensions of Corruption: Reflections: Donald Sherk
- Part II: Building a Reform Presence:*
- Leadership, Participation, and Incentives: The Big Picture: Building a Sustainable Reform: Movement Against Corruption in Africa: Sahr J. Kpundeh
- Language, Culture, and Reform in Hong Kong: Jenny C.Y. Chan
- Can We Fit Corruption through Debt Relief?: Arvind Jain
- Seventy-One Years of PRI Come to an End?: Electoral Reform in Mexico: Andrea Suarez Falken
- Building Social Action Coalitions for Reform: Michael Johnston and Sahr J. Kpundeh
- Part III: Data and Research Resources:*
- Guide to Locating the Literature on Corruption: Mary Jane Walsh

Tarling, Nicholas., ed. 2005. *Corruption and Good Governance in Asia*. Routledge.

Description: The volume analyses the causes of corruption in East and Southeast Asia and considers the means of limiting and, wherever possible, eliminating the problem of corruption through better governance. Taking a country-by-country approach, the book explores the diversity in the quality of governance and patterns of corruption among countries and regions. Key principles of good governance and the policies and practices essential for their application are also outlined.

Quah, Jon S., ed. 2005. *Corruption and Accountability in Selected Countries*. Marshall Cavendish Corp.

Description: This book looks at key issues in governmental responses to both political and administrative corruption. The countries studied include Western democracies, Lithuania, New Zealand, Thailand, Bangladesh, and other Asian countries.



Descriptions of Edited Volumes on Corruption, 2004

Bhargava, Vinay. and Emil Bolongaita., ed. 2004. *Challenging Corruption in Asia: Case Studies and a Framework for Action*. Washington DC: World Bank Publication.

Description: Combating corruption is now high on the policy agenda across Asia. However, many policymakers are handicapped by the lack of useful analytical tools. Existing models have proved inadequate in assessing the relevance and effectiveness of anti-corruption initiatives. Why do some policies and programs work in some countries, and fail in others? What accounts for their success or failure? How can policymakers develop and deliver anti-corruption strategies that work? This volume provides an analytical framework to explore and attempt to answer these questions.

Contents:

- Introduction: Challenging Corruption in Asia 1
- An Analytical Framework for Improving the Effectiveness of Anticorruption Policies and Programs 17
- Anticorruption Initiatives in the Philippines: Breakthroughs, Limits, and Challenges 77
- State Capture under Good Governance: The Challenge of the Republic of Korea's Experience 135
- Controlling Corruption in Thailand: Transforming the Problems and Paradoxes 171
- The State of Corruption: Indonesia 209
- Conclusion: Lessons and Issues from Challenging Corruption in Asia 237

Lambsdorff, Johann Graf, Markus Taube and Matthias Schramm., ed. 2005. *The New Institutional Economics of Corruption*. Routledge.

Description: Examining the institutional foundations of corrupt transactions, the book provides a new perspective towards the analysis of corrupt behavior as well as the design of anti-corruption policies. It does so by identifying institutions that may facilitate corruption, such as particularistic trust, social norms that foster reciprocity, intermediaries, hierarchies and network-type organizations.

Contents:

- Corrupt contracting: exploring the analytical capacity of New Institutional Economics and New Economic Sociology
- Corruption: its spread and decline
- Why should one trust in corruption? The linkage between corruption, norms and social capital
- Corruption trends
- Trust and corruption
- Self-enforcing corruption: information transmission and organizational response
- The use of intermediaries and other alternatives to bribery
- Corrupt relational contracting
- The governance mechanisms of corrupt transactions
- Private ordering of corrupt transactions: the case of the Chinese guanxi networks and their challenge by a formal legal system



- Inefficient property rights and corruption: the case of accounting fraud in China
- Corruption in international trade: pleading for a responsible WTO
- The case of corruption in Nigeria

Sarre, Rick, Dilip K. Das, and H.J. Albrecht., ed. 2004. *Policing Corruption: International Perspectives*. Lexington Books.

Description: The volume sheds light on the conditions under which corruption flourishes and its far-reaching consequences for individuals' safety and freedom as well as each nation's security, economy, and even sovereignty. Importantly, this volume also presents innovative anti-corruption strategies to be undertaken by governments, international organizations, and the media. Devoting special attention to malpractice within police forces, the book is an important resource for all who work to undo corruption.

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- Corruption: a view from Lesotho by Borotheo Matsoso 85
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- Policing corruption inside the British parliament by Katie Strudwick, Bankole Cole 353
- The Belgian disease : Dutroux, scandal, and system failure in Belgium by Maurice Punch 367
- App International Police Executive Symposium (IPES) notes

Roberta Ann Johnson. 2004., ed. *The Struggle against Corruption: A Comparative Study*. Palgrave Macmillan.

Description: The volume offers a general overview of the nature, pattern, and differing perspectives on political and economic corruption. Providing detail and depth, the book examines and compares corruption in four countries: the United States, Israel, Russia, and India. Each country Contents explores how corruption is defined and understood in that country and provides case material illustrating corrupt practice and responses to it. The country Contents also cover whistle-blowing activities, their prevalence, importance, and impact. A comparative analysis presents the most prominent factors contributing to a reduced level of corruption and the factors that lead to whistleblower success.

Contents:

- About corruption by Roberta Ann Johnson, Shalendra Sharma 1
- The United States : in search of the perfect law by Roberta Ann Johnson 21
- White corruption in Israel by Chaim Kalchheim 53
- Russia and her ghosts of the past by Jasmine Martirosian 81
- India : between majesty and modernity by Maya Chadda 109
- Corruption in four countries by Roberta Ann Johnson 145

Heffernan, William C. 2004., ed. *Private and Public Corruption*. Rowman & Littlefield Publishers, Inc

Description: The various essays in this volume explore the development of ideas of corruption, employing a range of disciplinary approaches. Although we are accustomed to think of corruption as the misuse of public office for private gain, corruption has its deeper roots in the idea of a standard that has been eroded. That standard, however, need not be construed idealistically: much of what is asserted to be corruption takes the form of a departure from conventional standards. In inveighing against corruption, therefore, it is necessary first to examine the presumptions that underlie its imputation. As well as exploring the ethical issues that must be confronted in identifying corruption, the volume addresses some of the ethical issues that challenge attempts to root out corruption.

Contents:

- The Corruptibility of Corruption, John Kleinig and William C. Heffernan
The Evolution of an Idea
- Corruption and Justice: The View from Ancient Athens, Arlene W. Saxonhouse
- Pure Corruption, J. Peter Euben
- The Contract from Hell: Corruption in Marlowe's Doctor Faustus, Paul A. Cantor
- Ideas of Corruption in Eighteenth-Century England, Shelley Burt
Ethical and Conceptual Conundrums



- When Is a Campaign Contribution a Bribe? Daniel H. Lowenstein
- A Market in Liberty: Corruption, Cooperation, and the Federal Criminal Justice System, Adina Schwartz
Responding to Corruption
- Struggling Against Corruption, John T. Noonan, Jr.
- On Systemic Corruption in China and Its Influence, He Qinglian
- Comparing Corruption: Participation, Institutions, and Development, Michael Johnston
- Corruption Prevention at Ground Zero, Frank Anechiarico

Descriptions of Edited Volumes on Corruption, 2003

Knack, Stephen., ed. 2003. *Democracy, Governance, and Growth*. Ann Arbor: University of Michigan Press.

Description: The volume provides much of the evidence underpinning a growing consensus among development and growth economists that successful economic development depends more fundamentally on the way societies are organized and governed. They argue that "good governance" is a prerequisite to sustained increases in living standards. Overall this volume applies tools and concepts from the "New Institutional Economics" to some of the major issues in economic development. It will be of interest to scholars and students of various disciplines--including political science, law, and sociology as well as economics--interested in the determinants of economic development and global economic change. The book will also be of interest to many aid practitioners, particularly those working in anticorruption and public sector reform issues.

Contents:

- Predation or Production? The Impact of Political, Legal, and Social Institutions by Stephen Knack 1
- Big Bills Left on the Sidewalk: Why Some Nations Are Rich, and Others Poor by Mancur Olson 29
- Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures by Stephen Knack and Philip Keefer 56
- Contract-Intensive Money: Contract Enforcement, Property Rights, and Economic Performance by Christopher Clague and Philip Keefer and Stephen Knack and Mancur Olson 78
- Dictatorship, Democracy, and Development by Mancur Olson 115
- Property and Contract Rights in Autocracies and Democracies by Christopher Clague and Philip Keefer and Stephen Knack and Mancur Olson 136
- Does Inequality Harm Growth Only in Democracies? A Replication and Extension by Stephen Knack and Philip Keefer 181



- Gender and Corruption by Anand Swamy and Stephen Knack and Young Lee and Omar Azfar 191
- Rule Obedience, Organizational Loyalty, and Economic Development by Christopher Clague 227
- Does Social Capital Have an Economic Payoff? A Cross-Country Investigation by Stephen Knack and Philip Keefer 252
- Is "Wising Up" Enough? Special Interests and Institutional Reform by Stephen Knack 291

Kidd, John and Frank-Jürgen Richter., ed. 2003. *Corruption and Governance in Asia*. New York: Palgrave Macmillan.

Description: The volume delves into the nature of governance in Asia both at government and corporate level. It reviews the history and suggests potential solutions for years of underperformance due to the corrupt practices that have developed because of a poor understanding of corporate governance.

Contents:

- The 'Oppression' of Governance? By John B. Kidd, Frank-Jürgen Richter 1
- The Challenge to Corruption and the International Business Environment by Stephen Dearden 27
- Poor Corporate Governance, Market Discipline and Cronyism in the 1997 Asian Crisis by Christopher Gan 43
- A Two-Stage Model of Cronyism in Organizations: A Cultural View of Governance by Naresh Khatri, James P. Johnson, Zafar U. Ahmed 61
- Understanding the Mind of the Chinese: A Historical Perspective by Sui Pheng Low 86
- The Competitive Advantage with Chinese Characteristics - The Sophisticated Choreography of Gift-Giving by Matti Nojonen 107
- The Economics of Corruption and Cronyism - An Institutional Approach to the Reform of Governance by Barbara Krug, Hans Hendrichske 131
- Taming the Sokaiya: Can Economic and Corporate Reform Eliminate Extortion in Japan? by Teri Jane Ursacki 149
- Fighting against Corruption: The Japanese Approach to Reform Corporate Governance by Maiko Miyake, Kathryn Gordon, Iwao Taka 166
- Singapore's Anti-Corruption Strategy: Is this Form of Governance Transferable to Other Asian Countries? by Jon S. T. Quah 180
- A Human Resource Development Program to Foster Individual Moral Development in Indian Corporations: Aligning Corporate Governance with Natural Law by Dennis Heaton, Thomas Carlisle, Ian Brown 198
- Corruption in Asia - A Bottom-up Approach to its Resolution by Paul Robins
- Doing the Right Thing by H.Cheah & M.Cheah

Bull, Martin J. and James L. Newell., ed. 2003. *Corruption in Contemporary Politics*. Palgrave Macmillan

Description: Political corruption has recently emerged as a key area in the study of advanced industrial nations. Not only has it become more visible than in the past, its sheer scale in some countries has had a significant impact on the functioning of their political institutions. The book



presents a series of case studies of political corruption in the liberal democracies of Europe—Spain, Italy, Greece, Germany, France, Belgium, Portugal, Sweden, the Netherlands, Ireland, and the United Kingdom—as well as Japan and the United States. Each of the chapters is identically formatted, with discussions of the newness, scale, and corruption; the causes and dynamics of corruption; anti-corruption measures; and the impact and exposure of corruption.

Contents:

I. 'Quiet corrupt' countries

- Political corruption in Spain: Fernando Jiménez and Miguel Caínzos
- Political corruption in Greece: Kleomenis S. Koutsoukis
- Political corruption in Italy: James L. Newell and Martin J. Bull

II. 'Somewhat corrupt' countries

- Political corruption in Germany: Joanna McKay
- Political corruption in the United States: Robert Williams
- Political corruption in France: Jocelyn A.J. Evans
- Political corruption in Belgium: Lieven De Winter
- Political corruption in Japan: Albrecht Rothacher
- Political corruption in Portugal: José M. Magone

III. 'Least corrupt' countries

- Political corruption in Sweden: Staffan Andersson
- Political corruption in the Netherlands: Petrus C. van Duyne, Leo W.J.C. Huberts and J. Hans J. van den Heuvel
- Political corruption in Ireland: Neil Collins and Mary O'Shea
- Political corruption in the United Kingdom: Alan Doig

IV. Comparative, supra-national and international perspectives

- Political corruption in Central and Eastern Europe: Leslie Holmes
- International corruption: Jens Christopher Andvig
- Political corruption in the European Union: David Nelken
- Conclusion: Political corruption in contemporary democracies: Martin J. Bull and James L. Newell.

Simon S.C. Tay & Maria Seda., ed. 2003. *The Enemy Within: Combating Corruption in Asia*. Eastern Universities Press.

Description: The Contents address general and localized issues relating to the ever-threatening ramifications of corruption in Asia region. Part I looks at challenges and experiences on a broad canvas and also in Cambodia and Thailand. Part II describes systems and strategies, drawing on measures used in Hong Kong, Malaysia, Indonesia and also on the strategies and experiences of investigative journalism, tax systems, and arenas of resistance. Part II draws lessons from Singapore's systematic and basically successful history of anti-corruption enforcement.

Contents:

- The Enemy Within: Combating Corruption in Asia by Simon S. C. Tay, Maria Seda
- An Overview: Fighting Corruption in Asia and the Pacific by Tunku Abdul Aziz
- Corruption After the Crisis: Governance, Asian Values and International Instruments by Simon S. C. Tay
- Fighting Corruption in Cambodia by Chea Vannath



- Battling Corruption in Political Circles: The Case of Thailand by Suchit Bunbongkarn
- Current Challenges and Anti-Corruption Measures in Hong Kong by Chan Kin Man
- Transparency Strategies: The Case of Malaysian Government Procurement Practices by Raja Nor Azwa Raja Alang Petra
- Structural Obstacles to the Development of Transparency in Indonesia by Revrisond Baswir
- Fighting Corruption in Indonesia: Obstacles to Developing Investigative Journalism by K. Sarwar Lateef, Stephen Sherlock
- Design of Tax Systems and Corruption by Mukul G. Asher
- Reinforcing Reform and Overcoming Opposition: Crafting Anti-Corruption Strategies in Three Arenas of Resistance by Emil P. Bolongaita, Jr.
- Singapore's Integrity System by Ho Peng Kee
- The Ethical Role of the Board and Governance Reforms in Singapore by Loizos Heracleous
- Masters, Mandarins and Mortals: The Constitution of Singapore's National Integrity System by Tan Tay Keong

Descriptions of Edited Volumes on Corruption, 2002

George T. Abed and Sanjeev Gupta., ed. 2002. *Governance, Corruption, and Economic Performance*. International Monetary Fund.

Description: This volume presents 18 recent IMF research studies on the causes and consequences of corruption, as well as how it can most effectively be combated to improve governance, increase economic growth, and reduce poverty. The volume examines how civil service wages affect the incidence of corruption, whether corruption may encourage economic stability and various aspects of controlling fiscal corruption. It investigates the impact of national resource availability on corruption, how corruption retards the growth of small and medium-sized enterprises, the impact of corruption on a country's income distribution and incidence of poverty, and the importance of structural reform in combating corruption.

Contents:

- The Economics of Corruption: An Overview, George T. Abed and Sanjeev Gupta
I Causes and Consequences of Corruption
- Corruption Around the World: Causes, Consequences, Scope, and Cures, Vito Tanzi
- Bureaucratic Corruption and the Rate of Temptation: Do Wages in the Civil Service Affect Corruption and by How Much?, Caroline Van Rijckeghem and Beatrice Weder
- Controlling Fiscal Corruption, Sheetal K. Chand and Karl O. Moene
- A Game Theoretic Analysis of Corruption in Bureaucracies, Era Dabla-Norris
- Institutionalized Corruption and the Kleptocratic State, Joshua Charap and Christian Harm
- Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth, Carlos Leite and Jens Weidmann
- Corruption, Growth, and Public Finances, Vito Tanzi and Hamid R. Davoodi
II Corruption and Government Expenditures
- Corruption and the Composition of Government Expenditure, Paolo Mauro



- Corruption and the Provision of Health Care and Education Services, Sanjeev Gupta, Hamid R. Davoodi, and Erwin R. Tiongson
- Corruption, Public Investment, and Growth, Vito Tanzi and Hamid R. Davoodi
- Corruption and Military Spending, Sanjeev Gupta, Luiz de Mello, and Raju Sharan
- Fiscal Decentralization and Governance: A Cross-Country Analysis, Luiz de Mello and Matias Barenstein
- *III Corruption and Taxes*
- Tax Revenue in Sub-Saharan Africa: Effects of Economic Policies and Corruption, Dhaneshwar Ghura
- Corruption, Extortion and Evasion, Jean Hindriks, Michael Keen, and Abhinay Muthoo
- *IV Corruption, Income Distribution, and Poverty*
- Production, Rent Seeking, and Wealth Distribution, Era Dabla-Norris and Paul Wade
- Does Corruption Affect Income Inequality and Poverty?, Sanjeev Gupta, Hamid R. Davoodi, and Rosa Alonso-Terme
- *V Corruption and Transition Economies*
- Corruption, Structural Reforms, and Economic Performance in the Transition Economies
- George T. Abed and Hamid R. Davoodi
- Improving Governance and Fighting Corruption in the Baltic and CIS Countries: The Role of the IMF, Thomas Wolf and Emine Gürgen

Heidenheimer, Arnold and Michael Johnston., ed. 2002. *Political Corruption: Concepts and Contexts* (3rd edition). London: Transaction Publishers.

Description: Building on a nucleus of classic studies laying out the nature and development of the concept of corruption, the book incorporates recent work on economic, cultural, and linguistic dimensions of the problem, as well as critical analyses of approaches to reform. Two-thirds of the nearly fifty articles are especially written or translated for this volume, or based on selected journal literature published in the 1990s. The tendency to treat corruption as a synonym for bribery is illuminated by analyses of the diverse terminology and linguistic techniques that distinguish corruption problems in the major languages. Recent attempts to measure corruption and to analyze its causes and effects quantitatively are also critically examined. New contributions emphasize corruption phenomena in Asia and Africa, contrasts among region and regime types, the incidence U.S. state corruption, European Party finance and corruption; assessments of international corruption rating's, analyses of international corruption control treaties, and unintended consequences of anti-corruption efforts. Cumulatively, the book combines descriptive richness, analytical thrust, conceptual awareness, and contextual articulation.

Contents:

- Corruption Concepts in Historical Perspective: Carl J. Friedrich 15
- Defining Corruption: John A. Gardiner 25
- Conceptualizing Political Corruption: Mark Philp 41
- What is the Problem about Corruption?: Colin Leys 59
- Corruption as a Historical Phenomenon: Jacob van Klaveren 83
- The Sale of Public Offices: Koenraad W. Swart 95
- Early Modern Corruption in English and French Fields of Vision: Maryvonne Genaux 107
- Handling Historical Comparisons Cross-Nationally: James C. Scott 123
- Perspectives on the Perception of Corruption: Arnold J. Heidenheimer 141



- Gradients of Corruption in Perceptions of American Public Life: John G. Peters, Susan Welch 155
- Right and Wrong in American Politics: Popular Conceptions of Corruption: Michael Johnston 173
- The Development of Political Corruption in Israel: Simcha B. Werner 199
- Corruption, Machine Politics and Political Change: James C. Scott 221
- Exchanging Material Benefits for Political Support: A Comparative Analysis: Eva Etzioni-Halevy 233
- Modernization and Corruption: Samuel P. Huntington 253
- Corruption as a Hindrance to Modernization in South Asia: Gunnar Myrdal 265
- Corruption and Political Development: A Cost-Benefit Analysis: Joseph S. Nye 281
- Economic Development Through Bureaucratic Corruption: Nathaniel H. Leff 307
- Corruption and Development: A Review of Issues: Pranab Bardhan 321
- The Effects of Corruption on Growth and Public Expenditure: Paolo Mauro 339
- When is Corruption Harmful?: Susan Rose-Ackerman 353
- Corruption in the Neo-Patrimonial States of Sub-Saharan Africa: Jean-Francois Medard 379
- Political Corruption in South Africa: From Apartheid to Multiracial State: Tom Lodge 403
- The Institutional Framework for Corruption Control in Uganda: Sahr John Kpundeh 425
- A Comparative Analysis of African and East Asian Corruption: Alice Sindzingre 441
- Patron-Client Networks and the Economic Effects of Corruption in Asia: Mushtaq H. Khan 467
- The Politics of Privilege: Rents and Corruption in Asia: Paul D. Hutchcroft 489
- Responses to Corruption in Asian Societies: Jon S. T. Quah 513
- Soviet Political Culture and Modes of Covert Influence: Wayne DiFranceisco, Svi Gitelman 539
- Bribery and Other Ways of Coping with Officialdom in Post-Communist Eastern Europe: William L. Miller, Ase B. Grodeland, Tatyana Koshechkina 559
- Corruption and the Future of Economic Reform in China: Yufan Hao, Michael Johnston 583
- Corruption Under German National Socialism: Ralph Angermund 605
- Variations in Corruption among the American States: Thomas J. Schlesinger, Kenneth J. Meier 627
- Corruption Concepts and Federal Campaign Finance Law: Thomas Burke 645
- Corruption Control in New York and Its Discontents: Frank Anechiarico, James B. Jacobs 665
- American and German Fund Raising Fiascoes and Their Aftermaths: Holger Moroff 687
- Corrupt Exchanges and the Implosion of the Italian Party System: Donatella della Porta, Alberto Vannucci 717
- Party Finance and Political Scandal: Comparing Italy, Spain, and France: Veronique Pujas, Martin Rhodes 739
- Parties, Campaign Finance and Political Corruption: Tracing Long-Term Comparative Dynamics: Arnold J. Heidenheimer 761
- Party Systems, Competition, and Political Checks Against Corruption: Michael Johnston 777
- High Level Political Corruption in Latin America: A "Transitional" Phenomenon?: Laurence Whitehead 801
- A Theory of Limits on Corruption and Some Applications: M. Shahid Alam 819
- Public Trust and Corruption in Japan: Susan J. Pharr 835
- Measuring the New Corruption Rankings: Implications for Analysis and Reform: Michael Johnston 865



- Corruption Terms in the World Press: How Language Differ: Holger Moroff, Verena Blechinger 885
- Judicial Anti-Corruption Initiatives: Latin Europe in a Global Setting: Erhard Blankenburg 911
- Corruption as an International Policy Problem: Kimberly Ann Elliott 925
- Controlling Business Payoffs to Foreign Officials: The 1998 OECD Anti-Bribery Convention: Arnold J. Heidenheimer, Holger Moroff 943
- Guide to Articles in Previous Editions of Political Corruption 961

Kotkin, Stephen and András Sajó. 2002. *Political Corruption in Transition: A Sceptic's Handbook* Central European University Press.

Description: This book, a wide-ranging comparative review of corruption during the transition from communism, is a strong statement against corruption. The real strength of the seventeen essays lies in their shared skepticism about superficial approach, including about external pressures on transitions states, like the much cited CPI (corruption perception index) of Transparency International. The seventeen authors were selected and invited in the frame of a joint Princeton-CEU project on the theme and have produced a carefully edited volume. Some of the chapters are more theoretical; others based on sociological surveys. The essays contain many anecdotal references on the issue such as the astonishing parallel of Korea and the Czech Republic, examples of rather clean low-level governance coexisting with massive corruption cases at the top; or the incidences of counter-effects of Soviet and post-soviet anticorruption campaigns; but the reader gets examples from Alaska as well.

Contents:

- Clientelism and Extortion: Corruption in Transition: Andras Sajo 1
I. Understanding and Misunderstanding Corruption 23
- Corruption: An Analytical Map: Diego Gambetta 33
- Political Corruption, Democratization, and Reform: Mark Philp 57
- Dilemmas of Corruption Control: James B. Jacobs 81
- The Bad, the Worse and the Worst: Guesstimating the Level of Corruption: Endre Sik 91
- The Impact of Corruption on Economic Development: Applying "Third World" Insights to the Former Second World: Paul Hutchcroft 115
II Corruption as Politics 139
- From Political Clientelism to Outright Corruption - The Rise of the Scandal Industry: Erhard Blankenburg 149
- Clientelism and Corruption in South Korea: Joongi Kim 167
- Russia's Distorted Anticorruption Campaigns: Virginie Coulloudon 187
- Kompromat and Corruption in Russia: Akos Szilagyi 207
III. Case Studies and Effects 233
- Games of Corruption: East Central Europe, 1945-1999: Elemer Hankiss 243
- Corruption in Czech Privatization: The Dangers of "Neo-Liberal" Privatization: Quentin Reed 261
- Corruption and Administrative Barriers for Russian Business: Vadim Radaev 287
- The Impact of Corruption on Legitimacy of Authority in New Democracies: Lena Kolarska-Bobinska 313
- Structural Corruption of Party-Funding Models: Governmental Favoritism in Bulgaria and Russia: Daniel Smilov 327



- Pot-Soviet Corruption Outburst in Post-Conflict Tajikistan: Tokhir Mirzoev 353
- Afterword 383
- Liberalism, Geopolitics, Social Justice: Stephen Kotkin

Lindsey, Tim and Howard Dick. 2002., ed, *Corruption in Asia: Rethinking the Governance Paradigm*. Annandale, NSW: Federation Press.

Description: The book is divided into three parts. The first part establishes some theoretical approaches to the problem of corruption and governance (including a East European example). The second part looks at case studies from Indonesia; and the third part looks specifically at Vietnam. Relevant legislation and judicial decisions can be found in the table of cases and a detailed glossary and list of abbreviations will assist readers unfamiliar with the countries under examination. The argument of the book is that more might be achieved sooner by much better understanding of political, legal, commercial and social dynamics in Indonesia and Vietnam. This book uses case studies of Indonesia and Vietnam, two very different Asian states: one (Vietnam) still socialist but in difficult transition from command economy to a limited market structure; the other (Indonesia) embracing a market economy and an emerging democratic system; one with a Confucian legal and political tradition, the other not; one with a socialist, the other a civil law, legal system.

Akani, Christian., ed. 2002. *Corruption in Nigeria: the Niger Delta Experience*. Enugu, Nigeria: Fourth Dimension Pub. Co.

Description: Proceedings of the IAFN Conference on Corruption in Nigeria: the Niger Delta Experience held in 2000 in Port Harcourt, Nigeria.

Contents:

- Overview: Akani Christian
- Political economy of corruption in Nigeria: Arthur A. Nwankwo
- The Nigerian state as an instrument of corruption: Akani Christian
- Corruption in the Niger Delta: challenges of development: Ekang Anam Ndu
- Underdevelopment and corruption in the Niger Delta: Esko Toyo.

Descriptions of Edited Volumes on Corruption, 2001

Campos, Jose Edgardo L., ed. 2001. *Corruption: The Boom and Bust of East Asia*. Ateneo de Manila University Press.

Description: Taking a different perspective, the book asks and attempts to answer how the countries in South East Asia (Taiwan, Malaysia, South Korea, etc) were able to attract enormous amounts of investment and enjoy rapid growth over a thirty-year period despite being perceived as hotbeds of corruption. It suggests the need to look into the nature of corruption, since different types of corruption have varying effects on investment.

Contents:

- Introduction by J., Edgardo Campos 1



- Corruption and its Implications for Investment by J., Edgardo Campos, Donald Lien, Sanjay Pradhan 11
- Investment, Property Rights, and Corruption in Indonesia by Andrew MacIntyre 25
- State, Capital, and Investments in Korea by Ha-Joon Chang 45
- Governance and Investment in China by Shuhe Li, Peng Lian 69
- Centralization, Political Turnover, and Investment in the Philippines by Emmanuel S. de Dios, Hadi Salehi Esfahani 101
- Governance, Rent-Seeking, and Private Investment in Malaysia by Jomo K. S. 131
- Governance and Growth in Thailand by Allen Hicken 163

Caiden, Gerald E, O.P. Dwivedi and Joseph Jabbra., ed. 2001. *Where Corruption Lives*. Kumarian Press.

Description: The volume explores initiatives being taken by national governments and international organizations to combat corrupt practices, and assess their chances of success or failure.

Contents:

- Corruption and Governance --Gerald E. Caiden
- Corruption in the United States --Richard D. White, Jr.
- Governance and Corruption in Canada --O.P. Dwivedi and Maureen Mancuso
- France's Elf Scandals --Douglas Andrew Yates
- Tackling Corruption in Central and Eastern Europe --Tomasz Anusiewicz, Tony Verheijen, and Antoaneta L. Dimitrova
- Corruption and the Lack of Accountability in the Middle East --Joseph Jabbra and Nancy W. Jabbra
- Governance and Corruption in West Africa --Dele Olowu
- Understanding Corruption in the South African Public Sector --Victor Grove Hilliard and Henry F. Wissink
- Combating Corruption in the Asia Pacific Region --Jon S.T. Quah
- The Culture of Corruption in Post-Mao China --Stephen K. Ma
- Government Corruption in Latin America --Jorge Nef
- Corruption in Australia: Its Prevention and Control --Peter Larmour and Peter Grabosky
- Transparency International's Network to Curb Global Corruption --Fredrik Galtung
- The UNDP Integrity Improvement Initiatives --Pauline F. Tamesis
- The International Anticorruption Campaigns: Whose Ethics? --Demetrios Argyiades
- Corruption and Democracy --Gerald E. Caiden
- Official Ethics and Corruption --Gerald E. Caiden and O.P. Dwivedi

Di Tella, Rafael and Savedoff, William., ed. 2001. *Diagnosis Corruption: Fraud in Latin America's Public Hospitals*. Washington, DC: Inter-American Development Bank.

Description: The volume advances our understanding of corruption within the public health sector. Looking at bribes, theft, absenteeism and overcharging for supplies in public hospitals in several countries, this volume shows that it is possible not only to measure corruption in new ways, but to identify systemic factors that encourage or discourage malfeasance in the health sector. The studies provide policymakers, researchers and public sector administrators with



insight and tools in the struggle to reduce corruption, strengthen democracy and build public trust.

Jain, Arvind K., ed. 2001. *The Political Economy of Corruption*. Routledge.

Description: “Grand” corruption, generally used to define corruption amongst the top political elite, has drawn increasing attention from academics and policy makers during recent years. Our understanding of the causes and mechanisms of this type of corruption, however, falls short of its importance and consequences. This volume provides theoretical analysis of economic and political conditions that allow “grand” corruption to survive as well as case studies and empirical analysis that supports the theoretical models used.

Contents:

- I Governance and corruption: the emerging challenges of development 1*
- Power, politics, and corruption by Arvind K. Jain 3
- The definitions debate: old conflicts in new guises by Michael Johnston 11
- II Political systems and corruption 33*
- Political corruption and democratic structures by Susan Rose-Ackerman 35
- Why do voters support corrupt politicians? by Oskar Kurer 63
- III Policy and political outcomes 87*
- Corruption, growth, and public finances by Vito Tanzi, Hamid Davoodi 89
- Corruption and the provision of health care and education services by Sanjeev Gupta, Hamid Davoodi, Erwin Tiongson 111
- Historical antecedents of corruption in Pakistan by Aftab Ahmad 142
- IV Solutions and future research 155*
- Measuring corruption: numbers versus knowledge versus understanding by Michael Johnston 157
- Legislating against corruption in international markets: the story of the US Foreign Corrupt Practices Act by Wesley Cragg, William Woof 180
- Controlling power and politics by Arvind K. Jain 214

Larmour, Peter and Nick Wolanin., ed. 2001. *Corruption and Anti-Corruption*. Asia Pacific Press, Canberra.

Description: Based on research to develop a curriculum for an international training course on corruption and anti corruption, this book deals with the international dimensions of corruption, including campaigns to recover the assets of former dictators, and the links between corruption, transnational and economic crime. It deals with corruption as an issue in political theory, and shows how it can be addressed in campaigns for human rights. Case studies are also presented of reform efforts in the Philippines, India and Thailand

Contents:

- Good government and corruption by Barry Hindess 1
- Research: a tool for building corruption resistance by Angela Gorta 11
- An international human rights approach to corruption by Zoe Pearson 30
- Regulating virtue: formulating, engendering and enforcing corporate ethical codes by Andrew Brien 62



- Building organisational integrity by Catherine Boardman, Vicki Klum 82
- Controlling corruption by heads of government and political elites by David Chaikin 97
- The microeconomics of corruption: the classical approach by Flavio M. Menezes 119
- Transnational crime: corruption, crony capitalism and nepotism in the twenty-first century by John McFarlane 131
- The prevention and control of economic crime by Peter Grabosky 146
- Use of information technology to address institutional failure by Asim Barman 159
- Depoliticising key institutions for combatting corruption: the new Thai constitution by Borwornsak Uwanno 177
- Combatting corruption in the Philippine Customs Service by Guillermo Parayno, Jr. 204
- Corruption as a social process: from dyads to networks by John Warburton

Descriptions of Edited Volumes on Corruption, 2000

Hope, Kempe Ronald and Chikulo, Bornwell C., ed. 2000. *Corruption and Development in Africa: Lessons from Country Case Studies*. Palgrave.

Description: The book provides an authoritative and definitive analysis of the theory, practice and development impact of corruption in Africa. The book offers a wide range of country case studies, outlining the deleterious effects of corruption, the factors which have combined to hamper past efforts to combat it, and the required future solutions and the context of their application in Africa. Combating corruption is demonstrated to require greater priority in the quest for African development

Contents:

- Corruption and Development in Africa by Kempe Ronald Hope, Sr 17
- The Political, Economic, and Cultural Bases of Corruption in Africa by Bertha Z. Osei-Hwedie, Kwaku Osei-Hwedie 40
- Kleptocracy and Reform in African Regimes: Theory and Examples by Jacqueline Coolidge, Susan Rose-Ackerman 57
- Aid Abuse and Mismanagement in Africa: Problems of Accountability, Transparency and Ethical Leadership by Gervase S. Maipose 87
- Combating Corruption in Africa: Analysis and Context by George B. N. Ayittey 104
- Controlling Corruption in Africa: a Public Choice Perspective by John Mukum Mbaku 119
- Western Policies and African Realities: the New Anti-Corruption Agenda by Stephen P. Riley 37
- Corruption and Accumulation in Zambia by Bornwell C. Chikulo 161
- Ghana: the Continuing Search for Cures in the Fight Against Corruption by Joseph R. A. Ayee 183
- Controlling Corruption in Sierra Leone: an Assessment of Past Efforts and Suggestions for the Future by Sahr J. Kpundeh 198
- Public Sector Corruption and its Control in South Africa by Constanze Bauer 218
- Endemic Corruption in Cameroon: Insights on Consequences and Control by Charles M. Fombad 234
- Governmental Reforms and the Control of Corruption in Ethiopia by Bamidele Olowu 261



- Tackling the Corruption Epidemic in Nigeria by John Erero, Tony Oladoyin 280
- Curbing Corruption through Democratic Accountability: Lessons From Botswana by John D. Holm

Tulchin, Joseph S. and Ralph H. Espach., ed. 2000. *Combating Corruption in Latin America*. Woodrow Wilson Center Press.

Description: The edited volume examines the relationship between democratic and market reforms and corruption, including national strategies for its reduction. Authors from across the region, the United States, and Europe, discuss the nature, methods, and historical antecedents of today's corrupt practices, including issues of institutional design, the role of international actors, and culture. These Contents raise many important questions. Can corruption in some cases be economically efficient? Does the transition to democracy and free markets increase or reduce opportunities and incentives for corruption? What policy responses are in effect at the local, national, and international levels, and are they likely to be effective? How is a growing business culture across Latin America likely to influence efforts for improved government transparency and efficiency?

Abstracts of Journal Articles on Corruption, 2000-2005

Abstracts of Journal Articles on Corruption, 2005

Svensson, Jakob. "Eight Questions about Corruption." *Journal of Economic Perspectives*. 19, 3 (2005): 19-42.

Abstract: The paper discusses eight frequently asked questions about public corruption: (1) What is corruption? (2) Which countries are the most corrupt? (3) What are the common characteristics of countries with high corruption? (4) What is the magnitude of corruption? (5) Do higher wages for bureaucrats reduce corruption? (6) Can competition reduce corruption? (7) Why have there been so few (recent) successful attempts to fight corruption? (8) Does corruption adversely affect growth?

Kaufmann, Daniel. "Ten Myths about Governance and Corruption." *Finance and Development* 42, 3 (September 2005): 41-43.

Abstract: The paper addresses ten myths about corruption and governance: Myth #1: Governance and anticorruption are one and the same. Myth #2: Governance and corruption cannot be measured. Myth #3: The importance of governance and anti-corruption is overrated. Myth #4: Governance is a luxury that only rich countries can afford. Myth #5: It takes generations for governance to improve. Myth #6: Donors can "ringfence" projects in highly corrupt countries and sectors. Myth #7: Fight corruption by fighting corruption. Myth # 8: The culprit is the public sector in developing countries. Myth #9: There is little countries can do to improve governance. Myth #10: There is not much the IFIs can do.

Alberto Alesina and George-Marios Angelitos. "Corruption, Inequality, and Fairness." *Journal of Monetary Economics* 52, 7, (October 2005): 1227-1244.



Abstract: Bigger governments raise the possibilities for corruption, more corruption may in turn raise the support for redistributive policies that intend to correct the inequality and injustice generated by corruption. We formalize these insights in a simple dynamic model. A positive feedback from past to current levels of taxation and corruption arises either when wealth originating in corruption and rent seeking is considered unfair, or when the ability to engage in corruption is unevenly distributed in the population. This feedback introduces persistence in the size of the government and the levels of corruption and inequality. Multiple steady states exist in some cases.

Lederman, Daniel, Loayza, Norman V., Soares, Rodrigo R. "Accountability and Corruption: Political Institutions Matter." *Economics and Politics* 17, 1 (March 2005): 1-35.

Abstract: This study uses a cross-country panel to examine the determinants of corruption, paying particular attention to political institutions that increase accountability. Even though the theoretical literature has stressed the importance of political institutions in determining corruption, the empirical literature is relatively scarce. Our results confirm the role of political institutions in determining the prevalence of corruption. Democracies, parliamentary systems, political stability, and freedom of press are all associated with lower corruption. Additionally, common results of the previous empirical literature, related to openness and legal tradition, do not hold once political variables are taken into account.

Meon, Pierre-Guillaume, and Sekkat, Khalid. "Does Corruption Grease or Sand the Wheels of Growth?" *Public Choice* 122, 1-2 (2005): 69-97.

Abstract: This paper assesses the relationship between the impact of corruption on growth and investment and the quality of governance in a sample of 63 to 71 countries between 1970 and 1998. Like previous studies, we find a negative effect of corruption on both growth and investment. Unlike previous studies, we find that corruption has a negative impact on growth independently from its impact on investment. These impacts are, however, different depending on the quality of governance. They tend to worsen when indicators of the quality of governance deteriorate. This supports the "sand the wheels" view on corruption and contradicts the "grease the wheels" view, which postulates that corruption may help compensate bad governance.

Webb, Philippa. "The United Nations Convention against Corruption: Global Achievement or Missed Opportunity?" *Journal of International Economic Law* 8, 1 (March 2005): 191-229.

Abstract: The United Nations Convention against Corruption represents the first binding global agreement on corruption. It has elevated anticorruption action to the international stage. This article sets the context for the Convention by considering the first wave of anticorruption initiatives that occurred at the regional level. It then assesses the significance of this new international convention by examining the negotiating process and the strategic positions of different countries. In particular, it analyzes the four areas that generated the most controversy during the negotiations: asset recovery, private sector corruption, political corruption, and monitoring. Although the Convention contains many innovative provisions, the article suggests that it also suffers from some basic weaknesses that may prevent it from having a real impact on corrupt behavior.



Reinikka, Ritva and Svensson, Jakob. "Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda." *Journal of the European Economic Association* 3, 2-3 (April-May 2005): 259-67.

Abstract: What are the most effective ways to increase primary school enrollment and student learning? We argue that innovations in governance of social services may yield the highest return since social service delivery in developing countries is often plagued by inefficiencies and corruption. We illustrate this by using data from an unusual policy experiment. A newspaper campaign in Uganda aimed at reducing capture of public funds by providing schools (parents) with information to monitor local officials' handling of a large education grant program. The campaign was highly successful and the reduction in capture had a positive effect on enrollment and student learning.

Golden, Miriam A., Picci, Lucio. "Proposal for a New Measure of Corruption, Illustrated with Italian Data." *Economics and Politics* 17, 1 (March 2005): 37-75.

Abstract: Standard cross-national measures of corruption are assembled through surveys. We propose a novel alternative objective measure that consists of the difference between a measure of the physical quantities of public infrastructure and the cumulative price government pays for public capital stocks. Where the difference is larger between the monies spent and the existing physical infrastructure, more money is being siphoned off to mismanagement, fraud, bribes, kickbacks, and embezzlement, that is, corruption is greater. We create this measure for Italy's 95 provinces and 20 regions as of the mid-1990s, controlling at the regional level for possible differences in the costs of public construction.

Compte, O., Lambert-Mogiliansky, A., Verdier, T. "Corruption and Competition in Procurement Auctions." *RAND Journal of Economics* 36, 1 (Spring 2005): 1-15.

Abstract: We investigate the effect of corruption on competition in procurement. Our assumption is that the bureaucrat (i.e., the agent that administers the market), if corrupt, may provide an opportunity for bid readjustments in exchange for a bribe. As firms expect to be paying a bribe, a mechanical effect of corruption is to increase the contract price by an amount corresponding to the anticipated bribe. We show, however, that a key effect of corruption is to facilitate collusion in price between firms and thereby to generate a price increase that goes far beyond the bribe received by the bureaucrat. We discuss the effect of other forms of bureaucratic discretion in the procurement process and analyze conditions under which unilateral anticorruption controls restore price competition.

Dusek, Libor, Ortmann, Andreas, Lizal, Lubomir. "Understanding Corruption and Corruptibility through Experiments." *Prague Economic Papers* 14, 2 (June 2005): 147-62

Abstract: Corruption and corruptibility--due to their illegal and therefore secretive nature--are difficult to be assessed either with traditional tools, such as hard data on criminal convictions or soft data elicited through opinion polls, questionnaires, or case studies. While there seems to be agreement nowadays that corruption does have a negative impact on (foreign) private investment and growth, government revenue and infrastructure, and social equality, and while there seems to be evidence that low economic development, federal structure and short histories of experience with democracy and free trade all favour corruption on the macro-level, it is



poorly understood what exactly, on the micro-level, the determinants of corruptibility are and what institutional arrangements could be used to fight (the causes of) corruption. In this article we review a third, complementary mode of investigation of corruption and corruptibility: experiments. We assess their strengths and weaknesses, and identify areas where they could be particularly useful in guiding policy choices--namely in designing incentive-compatible and effective anti-corruption measures in public procurement.

Correani, Luca. "Preferences, Development and Corruption Trap." *Economia Politica* 22, 2 (August 2005): 177-99.

Abstract: A perpetual scarcity of public goods/services produces distortions of an individual's attitudes towards the cost of bureaucratic procedures: even if bureaucracy is not cumbersome, poverty induces people to perceive honesty as too expensive and to prefer illegal payments because they cannot completely satisfy their needs by following the legal bureaucratic procedures. So traditional anticorruption measures such as the increase in corruption costs or the organization of public education campaigns would not permanently reduce corruption levels if poverty remains diffused. Using an overlapping generation model based on a mechanism of cultural transmission, we study the evolution both of social attitudes towards bureaucratic corruption and the institutional framework. Theoretical analysis displays how in poorer countries corruption appears to be a permanent state, institutional reforms are blocked and the only relevant anticorruption intervention consists in public education campaigns. However, also in this case, we simply obtain a temporary reduction of corruption. We call this situation "the corruption trap" because the preferences of population always converge to equilibria with a very high proportion of corrupt agents and honesty is only a temporary state due to anticorruption measures. Similar situations could be observed in developed countries with high levels of corruption owing to unexpected institutional shocks. Finally, we empirically corroborate the model's implications in a cross-country framework, using both corruption indices and a new data-set which measures the population's expectation of future corruption for each country.

Rimsky, Vladimir. "Bureaucracy, Clientage, and Corruption in Russia." *Social Sciences* 36, 2 (2005): 32-44

Abstract: Bribery is no longer the main form of corruption in Russia: it is punishable by law and is much less efficient than the getting of illegal incomes through participation in corruption networks.

Heinzen, James. "Corruption in the Gulag: Dilemmas of Officials and Prisoners." *Comparative Economic Studies* 47, 2 (June 2005): 456-75.

Abstract: Based on research in the archives of the Soviet penal camp system, this article addresses the phenomenon of corruption among officials of the Gulag in the period between 1945 and 1953. The Ministry of Internal Affairs, which oversaw the camp system, treated corruption as a harmful and dangerous phenomenon that was unacceptably pervasive. The article investigates the varieties and frequency of corrupt activities among camp officials, including bribery, theft of state property, participation in illegal markets and speculation, and embezzlement. Gulag authorities' anti-corruption efforts included inspections, audits, and a large network of prisoner-informants. These anti-corruption campaigns were largely



ineffective. The article concludes that corruption existed in significant quantities inside the camp system, and that the forms it took were largely the same as in the wider Soviet society.

Monika Çule and Murray Fulton. "Some Implications of the Unofficial Economy–Bureaucratic Corruption Relationship in Transition Countries." *Economics Letters* 89, 2, (November 2005): 207-21.

Abstract: This paper shows why some countries are trapped in an equilibrium with high unofficial economic activity and corruption while other countries are not. The potential for different outcomes follows directly from the complementary nature of unofficial economy and corruption activity.

Yang, David Da-hua. "Corruption by Monopoly: Bribery in Chinese Enterprise Licensing as a Repeated Bargaining Game." *China Economic Review* 16, 2 (2005): 171-88.

Abstract: This article presents a structural analysis of corruption in Chinese enterprise licensing using a repeated bargaining model. I demonstrate that once relative bargaining powers are correctly accounted for, certain institutional features of the Chinese licensing system do lead to bribery as a robust outcome. Exercises in comparative statics then reveal that certain conventional anticorruption measures may have counterintuitive effects. Furthermore, the robustness of bribery is a direct result of licensing officials' monopolistic powers. If overlapping jurisdictions are introduced, the resulting bureaucratic competition would completely eliminate bribery in some cases and greatly reduce the size of the bribes in other cases.

Gerring, John, Thacker, Strom C. "Do Neoliberal Policies Deter Political Corruption?" *International Organization* 59, 1 (Winter 2005): 233-54.

Abstract: This article probes the relationship between neoliberal economic policies and policy, and the overall size of the public sector on corruption. Using a large cross-national data set from the mid- to late 1990s, we test the neoliberal hypotheses that market-oriented economic policies are associated with lower levels of political corruption, and state intervention in the economy with higher levels. Consistent with the neoliberal argument, we find that open trade and investment policies and low, effective regulatory burdens do correlate with lower levels of political corruption. However, we find no consistent relationship between the aggregate size of the public sector and political corruption. While the neoliberal hypothesis on political corruption has initial empirical support, its lessons cannot be applied wholesale. Market-oriented states may be less corrupt, but interventionist states, as measured by public spending, are not necessarily more corrupt.

Wilson, John K., Damania, Richard. "Corruption, Political Competition and Environmental Policy." *Journal of Environmental Economics and Management* 49, 3 (May 2005): 516-35.

Abstract: This paper examines the interplay between corruption, political competition, environmental policy and environmental outcomes. An important feature of the model, which has been neglected in the existing literature, is that corruption may occur at different levels of government, such as the payment of bribes to politicians who determine policies, or bureaucrats who administer environmental regulations. We analyse the relationship between political



competition and environmental outcomes in a model of stratified corruption and identify the benefits and limits of political competition. Our results suggest that while political competition may yield policy improvements, it cannot eliminate corruption at all levels of government.

Bayar, Guzin. "The Role of Intermediaries in Corruption." *Public Choice* 122, 3-4 (March 2005): 277-98.

Abstract: The aim of the article is to examine a briber initiated corrupt transaction and the role of intermediaries in such a transaction, using a game theoretical model. Clients applying the intermediaries do so to be able to get rid of high red tape applied by the officers. They prefer using intermediary instead of offering a bribe to the officers directly since they do not know which officers are corrupt (accepts a bribe offer) and how much bribe should be given to the corrupt officers. In our model, the client wants to offer a bribe to get rid of red tape, however, she hesitates due to the possibility of offering a bribe to an honest public officer and as a result getting a penalty. Client also hesitates due to the possibility of offering an amount of bribe lower than the reservation price of the corrupt officer, thus being rejected. Intermediaries, knowing which officers are corrupt and the reservation prices of those corrupt officers, decrease the risk of offering a bribe. Two cases, one with intermediary, the other without, in such a scenario is examined and the results of the two are compared.

Canache, Damarys, Allison, Michael. "Perceptions of Political Corruption in Latin American Democracies." *Latin American Politics and Society* 47, 3 (Fall 2005): 91-111.

Abstract: Political corruption poses a serious threat to the stability of developing democracies by eroding the links between citizens and governments. Using data on national levels of corruption (Transparency International 1997 CPI index) and individual opinion (1995-97 World Values Survey), this study finds that Latin Americans are quite aware of the seriousness of corruption in their countries. The ensuing question is whether citizens can connect their views about corruption to appraisals of their authorities and institutions and of democracy more generally. Collectively, the findings suggest that they can, and that the necessary ingredients for accountability are present in Latin America. The possible dark side of mass opinion on corruption is that pervasive misconduct may poison public sentiment toward democratic politics. On this score, the analysis found that this attitude affected only support for specific administrations and institutions.

Goel, Rajeev K., Nelson, Michael A. "Economic Freedom versus Political Freedom: Cross-Country Influences on Corruption." *Australian Economic Papers* 44, 2 (June 2005): 121-33.

Abstract: Using a well-known index of corruption, this paper examines the determinants of corruption for a large sample of countries. Specifically, the present study brings empirical evidence to bear on the question of whether economic freedom or political freedom serves as a deterrent to corrupt activity. In particular, does greater economic freedom or greater political freedom yield a more "clean" society? Our results show that greater economic freedom seems to matter more in this regard. Examining different components of economic freedom, we find that not all these components are equally effective in reducing corruption. For instance, monetary policy seems to have a stronger influence on the level of corrupt activity in a country than fiscal policy. Robustness of these findings is checked and policy implications are discussed.



Choi, Jay Pil, Thum, Marcel. "Corruption and the Shadow Economy." *International Economic Review* 46, 3 (August 2005): 817-36.

Abstract: This article develops a simple framework for analyzing the links between corruption and the unofficial economy and their implications for the official economy. In a model of self-selection with heterogeneous entrepreneurs, we show that the entrepreneurs' option to flee to the underground economy constrains a corrupt official's ability to introduce distortions to the economy for private gains. The unofficial economy thus mitigates government-induced distortions and, as a result, leads to enhanced economic activities in the official sector. In this sense, the presence of the unofficial sector acts as a complement to the official economy instead of as a substitute.

Abstracts of Journal Articles on Corruption, 2004

Kaufmann, Daniel, Kraay, Aart, Mastruzzi, Massimo. "Governance Matters III: Governance Indicators for 1996, 1998, 2000, and 2002." *World Bank Economic Review* 18, 2 (2004): 253-87.

Abstract: Six dimensions of governance are estimated covering 199 countries and territories for four periods: 1996, 1998, 2000, and 2002. The indicators are based on several hundred individual variables measuring perceptions of governance drawn from 25 data sources constructed by 18 organizations. These individual measures are assigned to categories capturing key dimensions of governance. An unobserved-components model is used to construct six aggregate governance indicators in each of the four periods. Point estimates of the dimensions of governance are provided as well as the margins of errors for each country for the four periods. Methodological issues are also addressed, including tests for potential biases, and the interpretation and use of the data, given the estimated margins of errors for the indicators. The data and a Web-based graphical interface are available online at www.worldbank.org/wbi/governance/govdata2002/index.html.

Meon, Pierre-Guillaume, Weill, Laurent. "Does Corruption Hamper Efficiency? A Frontier Analysis." *Empirical Economics Letters* 3, 1 (January 2004): 21-28.

Abstract: This paper examines the impact of corruption on the technical efficiency of a country, measured with the stochastic frontier approach. We find that corruption is associated with lower macroeconomic efficiency in a sample of 62 countries.

Morisset, J., Neso. "Do Bureaucratic Delays/Administrative Procedures Deter Foreign Investors and Breed Corruption/Bribery?" *Journal of Financial Management and Analysis* 17, 2 (July-Dec. 2004): 103-07.

Shah, Anwar, and Schacter, Mark. "Combating Corruption: Look before You Leap." *Finance and Development* 41, 4 (December 2004): 40-43.

Abstract: The paper notes that a lack of progress in eradicating corruption could be due to misguided strategies.



Budak, Jelena, and Goel, Rajeev. "Transition, Governance and Corruption." *Economia Internazionale/International Economics* 57, 4 (November 2004): 395-406.

Abstract: This paper contributes to the discussion and understanding of corruption in transition countries. Specifically, we use annual data over 1998-2002 for 25 transition economies to study factors that cause corruption. Two widely used measures of corruption are employed to test the validity of our findings. Among the various factors that significantly lower corruption, the degree of economic prosperity, role of government, policing, and progress toward transition seem most important. Greater political freedom, on the other hand, seems to in fact increase corruption. Any lingering legacy from Soviet-era institutions does not seem have a perceptible effect on corruption. Some of these findings differ from those for a broader sample of countries and also from those for transition nations with different data. Policy implications are discussed.

Wedeman, Andrew. "The Intensification of Corruption in China." *China Quarterly* 180 (December 2004): 895-921

Abstract: Although most analysts agree that corruption has worsened since the advent of reform, this article argues that whereas the first stages of reform witnessed a quantitative increase in corruption, during the 1990s corruption underwent a qualitative change as high-level, high-stakes corruption increased more rapidly than other forms of official malfeasance. Drawing together data from the Party discipline inspection system, the state supervisory system and the judicial procuratorial system, the article examines in detail trends in forms of official misconduct broadly defined and corruption more narrowly defined as the use of public authority for private gain, charting not only overall trends in malfeasance and corruption but also trends in the number of "major cases," cases involving senior cadres, and the amounts of corrupt monies. Its finding that corruption has intensified raises important questions about the efficacy of enforcement, the link between the deepening of reform and the intensification of corruption, and the economic consequences of intensification.

Damania, Richard, Fredriksson, Per G., Mani, Muthukumara. "The Persistence of Corruption and Regulatory Compliance Failures: Theory and Evidence." *Public Choice* 121, 3-4 (October 2004): 363-90.

Abstract: This paper examines the reasons why corruption and policy distortions tend to exhibit a high degree of persistence in certain regimes. We identify circumstances under which a firm seeks to evade regulations through (i) bribery of local inspectors, and (ii) by lobbying high-level government politicians to resist legal reforms designed to improve judicial efficiency (rule of law) and eliminate corruption. We show that in some cases political instability reinforces these tendencies. The analysis predicts that in politically unstable regimes, the institutions necessary to monitor and enforce compliance are weak. In such countries, corruption therefore is more pervasive, and the compliance with regulations is low. We test these predictions using cross-country data. The empirical results support the predictions of the model. Political instability reduces judicial efficiency, which in turn stimulates corruption. Thus, the effect of political instability on corruption is not direct, but occurs indirectly via its effect on the degree of judicial efficiency. Finally, corruption lowers the level of regulatory compliance. Thus, political instability indirectly affects compliance, via judicial efficiency and corruption.



McAdam, Peter, Rummel, Ole. "Corruption: A Non-parametric Analysis." *Journal of Economic Studies* 31, 5-6 (2004): 509-23

Abstract: This paper considers the distributional dynamics of a well-known corruption index. Specifically, we are interested in evaluating whether corruption is best characterized as multimodal (i.e. pointing to clusters of countries with persistently different levels of corruption) and whether there have been significant changes (i.e. convergence or divergence) in the distribution of the perception of corruption across countries and over time. Using non-parametric kernel density methods, our findings lend support to concerns expressed in the theoretical literature--namely, that corruption can be highly persistent, and characterized by multiple equilibria. This highlights and corroborates the conclusion that anti-corruption campaigns must be sustained to be effective.

Garoupa, Nuno, Klerman, Daniel. "Corruption and the Optimal Use of Nonmonetary Sanctions." *International Review of Law and Economics* 24, 2 (June 2004): 219-25.

Abstract: This article analyzes the effect of corruption on the use of nonmonetary sanctions such as imprisonment. It is a well-known result in the law enforcement literature that in the absence of corruption, social welfare maximization requires that nonmonetary sanctions should be imposed infrequently. We show that, in the presence of corruption, it is optimal to use (or at least threaten to use) nonmonetary sanctions more often. In addition, optimal nonmonetary penalties will usually be higher in a corrupt environment. Corruption transforms the socially costly nonmonetary sanction into a monetary bribe. Although corruption thus reduces deterrence, nonmonetary sanctions are still useful, because they allow officials to extract higher bribes, thus restoring some deterrence.

Sosa, Luis A. "Wages and Other Determinants of Corruption." *Review of Development Economics* 8, 4 (November 2004): 597-605.

Abstract: Raising wages has commonly been viewed as an anticorruption policy by policymakers from both governments and multilateral development organizations. Conventional wisdom and recent theoretical work suggest that low wages encourage corruption. Nevertheless, the empirical studies done on the wage corruption tradeoff are econometric estimates that find no conclusive support for the effectiveness of increasing wages as an anticorruption measure. The unique contributions of this paper are the application of an expected utility model to explain the emergence of corruption, and the use of comparative static results that are consistent with the empirical evidence and useful for the design of anticorruption policies. The most important result from the expected utility model is that anticorruption policies designed to increase the net income of potentially corrupt agents not only may be ineffective but may actually encourage corruption.

Gatti, Roberta. "Explaining Corruption: Are Open Countries Less Corrupt?" *Journal of International Development* 16, 6 (August 2004): 851-61.

Abstract: This paper analyses whether the presence of barriers to international trade and capital flows is associated with higher corruption. The evidence suggests that the main impact of trade barriers on corruption comes through the incentive to collusive behaviors between



individuals and customs officials, rather than from the decreased foreign competition pressure on the domestic sector induced by restrictive trade policy. Interestingly, no clear association emerges between corruption and variables proxying for presence and intensity of controls on capital flows.

Hillman, Arye L. "Corruption and Public Finance: An IMF Perspective." *European Journal of Political Economy* 20, 4 (November 2004): 1067-77.

Abstract: Public finance should be a means whereby governments in low-income countries are able to increase economic growth and end poverty. Corruption, however, reduces tax revenue and makes public expenditure policies ineffective for achieving social objectives. The papers in this volume, which is sponsored by the Fiscal Affairs Department of the International Monetary Fund (IMF), describe how corruption makes public finance ineffective in promoting economic development.

Chen, Kang. "Fiscal Centralization and the Form of Corruption in China." *European Journal of Political Economy* 20, 4 (November 2004): 1001-09.

Abstract: Fiscal recentralization in China in the 1990s introduced incentives that changed the form of corruption at the local government level from the helping-hand to the grabbing-hand type. Against the background of the experience of China, this paper describes how the central-local government revenue-sharing rule introduces strategic considerations that affect the form of corruption and thereby economic growth. Information regarding the possibilities for substitution in the form of corruption is shown to be relevant for decisions regarding fiscal centralization. However, the consequences of the decisions made in China suggest that such information was either not available or was not taken into account.

Chowdhury, Shyamal K. "The Effect of Democracy and Press Freedom on Corruption: An Empirical Test." *Economics Letters* 85, 1 (October 2004): 93-101.

Abstract: This paper tests the effect of democracy and press freedom on corruption. The empirical investigation carried out in this paper suggests that democracy and press freedom can have significant impact on corruption.

Ying, Shang. "Regime and Curbing Corruption." *China Review* 4, 2 (Special Issue Fall 2004): 99-128.

Abstract: In government, corruption can be defined as the abuse of public office for private gain. Theoretically, since authoritarian rulers in non-democratic countries have power concentrated in their hands, it is easy for these individual officials to abuse their power. Curiously, however, some non-democratic countries have out-performed their democratic counterparts in maintaining integrity among their officials. Why and how does this happen? This study contributes to an understanding of corruption control by putting forth a causal explanation for successes and failures in curbing corruption in non-democratic countries. The main argument is that regime type shapes the anti-corruption strategies employed, and leads to different results. In addition, this study uses a threefold method of comparing corruption across countries and across time, proposes a general categorization of strategies and a new typology of regimes that govern non-democratic countries.



Cheng, Wenhao. "An Empirical Study of Corruption within China's State-Owned Enterprises." *China Review* 4, 2 (Special Issue Fall 2004): 55-80

Abstract: China's state-owned enterprises (SOEs) have been harmed greatly by corrupt practices committed by insiders, especially those by the general managers. This article explores why SOE general managers abuse their power and how they manage to do so. First of all, the author argues that given the very limited income provided by the enterprises, many managers have developed strong incentives to enrich themselves by abusing their power. Second, decentralization of the managerial power of SOEs, which is an important reform policy, enables general managers to control the most lucrative activities of the enterprises. Various corrupt opportunities, including both those given by the system and the ones general managers have created, further facilitate their corrupt practices, and the institutional weakness of existing supervision systems provides a relatively safe environment for the general managers' adventures. It is the combination of all of these factors that has led to rampant corruption within China's SOEs.

Gong, Ting. "Dependent Judiciary and Unaccountable Judges: Judicial Corruption in Contemporary China." *China Review* 4, 2 (Special Issue Fall 2004): 33-54.

Abstract: This article examines a particular form of corruption--judicial corruption. It goes beyond the attribution of generalized behavioral pitfalls in corruption analysis to identify the main institutional and organizational constraints shaping the corrupt conduct of judiciary agents. Judicial corruption, in both political and personal forms, is closely associated with two major characteristics of China's judicial institutions--political dependence and lack of accountability. The structural dependence of the judiciary increases the incidence of political corruption, as judicial officials surrender legal standards and professional integrity to external political or economic pressure. Meanwhile, the internal structure of the judiciary is such that it permits judicial officials to undertake individual corrupt activities, as they are usually not held strictly accountable for what they do. Because judicial rulings concern the distribution of wealth and power, a structurally deficient judiciary means more opportunities for corruption and a venal judiciary leads to impunity for corrupt activities of all sorts. This explains the rampancy of corruption in the judicial institutions themselves and in society at large in China.

Wedeman, Andrew. "Great Disorder under Heaven: Endemic Corruption and Rapid Growth in Contemporary China." *China Review* 4, 2 (Special Issue Fall 2004): 1-32.

Abstract: It is widely assumed that the deepening of reform has fuelled a worsening of corruption in China and that China now faces a "crisis of corruption." Based on three sets of data, this article assesses the extent to which corruption has in fact worsened. Using time series official statistics, it shows that corruption has "intensified" as the number of senior officials charged with corruption and the amount of corrupt monies reported increased substantially beginning in the mid-1990s. Nevertheless, comparative data show that despite this intensification China is not particularly corrupt by global standards. Historical analysis, finally, shows that the current mix of rapid development and intensifying corruption is not unique to China. Successful developers like Japan, South Korea, the United States, and Great Britain also experienced a surge in corruption during the early stages of their economic take-off.



Larrain B., Felipe, Tavares, Jose. "Does Foreign Direct Investment Decrease Corruption?" *Cuadernos de Economia* 41, 123 (August 2004): 217-30.

Abstract: This paper assesses the effect of openness on corruption, using foreign direct investment (FDI) inflows as a measure of openness, after trade intensity is accounted for. We use a broad cross section of countries over the period 1970 to 1994 and address the issue of causality with a new set of instrumental variables relying on geographical and cultural distance between the FDI exporting and recipient countries. The economics literature has demonstrated that higher corruption levels discourage FDI. Here we study the reverse link, that is, how foreign direct investment impacts corruption. We find that FDI as a share of GDP is significantly associated with lower corruption levels, irrespective of import intensity levels. The quantitative impact of FDI on corruption appears to be of the same order of magnitude as that of per capita GDP.

Klein Haarhuis, Carolien M., Leeuw, Frans L. "Fighting Governmental Corruption: The New World Bank Programme Evaluated." *Journal of International Development* 16, 4 (May 2004): 547-61.

Abstract: Over the past decade, the international donor community has come up with a range of initiatives to curb governmental corruption in developing countries. Top-down approaches devise administrative and judicial reforms, whereas bottom-up approaches deal with the process of awareness - raising in civil society. The World Bank currently integrates these top-down and bottom-up approaches in a combined anti-corruption programme. In this paper, the most recent version of this World Bank's training programme is reconstructed and assessed. Several core approaches in the programme, such as the strengthening of civil society and the privatisation of parastatals, turn out to have unintended consequences. The empirical support is largely case-specific and turns out to be highly conditional. It is concluded that indicators need to be developed to assess the relevance of national anti-corruption policies to country-specific governance and anticorruption conditions.

Shi, Shouyong, Temzelides, Ted. "A Model of Bureaucracy and Corruption." *International Economic Review* 45, 3 (August 2004): 873-908.

Abstract: We analyze bureaucracy and corruption in a market with decentralized exchange and "lemons." Exchange is modeled as a sequence of bilateral, random matches. Agents have private information about the quality of goods they produce and can supplement trade with socially inefficient bribes. Bureaucracy is modeled as a group of agents who enjoy centralized production and consumption. Transaction patterns between the bureaucracy and the private sector are fully endogenous. Centralized production and consumption in the bureaucracy give rise to low power incentives for the individual bureaucrats. As a result, private agents might bribe bureaucrats, whereas they do not bribe each other. An equilibrium with corruption and an equilibrium without corruption can coexist. We discuss some welfare implications of the model.

Li, Shaomin. "Can China Learn from Hong Kong's Experience in Fighting Corruption?" *Global Economic Review* 33, 1 (2004): 1-9.



Abstract: Widespread corruption in mainland China adversely affects the overall economy in general and international business in particular. Prior to the establishment of the Independent Commission against Corruption (ICAC) in 1974, corruption was also rampant in Hong Kong. The ICAC effectively cleaned corruption in Hong Kong within a short period of time. Hong Kong's success in this area has prompted the Chinese government to learn from Hong Kong's experience. This article reviews the factors that contributed to Hong Kong's success in fighting corruption and discusses whether China can learn from the Hong Kong experience. From this, we can conclude that, first, Hong Kong's experience demonstrates that a corruption-prone culture can be changed in a relatively short period of time, second, in order for China to learn from Hong Kong's experience, there must be substantial changes in China's political and economic institutions.

Celentani, Marco, Ganuza, Juan-Jose, Peydro, Jose-Luis. "Combating Corruption in International Business Transactions." *Economica* 71, 283 (Special Issue Aug. 2004): 417-48.

Abstract: International business transactions pose the problem of deterring bribing of public officials by foreign firms. We first analyse a convention styled after the OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", which requires signatory countries to proceed against firms that have bribed public officials of any foreign country. We then study the case in which the convention requires signatory countries to proceed against firms that have bribed public officials of signatory countries only. We argue that the second type of convention is more likely to ensure the enforcement of penalties.

Rock, Michael T., Bonnett, Heidi. "The Comparative Politics of Corruption: Accounting for the East Asian Paradox in Empirical Studies of Corruption, Growth and Investment." *World Development* 32, 6 (June 2004): 999-1017.

Abstract: Numerous empirical studies demonstrate that corruption reduces investment and/or slows growth. But how robust are these relationships? This question is answered by conducting a series of cross-country regression tests using four different corruption datasets. We find that corruption slows growth and/or reduces investment in most developing countries, particularly small developing countries, but increases growth in the large East Asian newly industrializing economies. The latter finding provides solid empirical support to a country case literature that explains the East Asian paradox--the combination of high corruption and high growth--in terms of stable and mutually beneficial exchanges of government promotional privileges for bribes and kickbacks.

Clarke, George R. G., Xu, Lixin Colin. "Privatization, Competition, and Corruption: How Characteristics of Bribe Takers and Payers Affect Bribes to Utilities." *Journal of Public Economics* 88, 9-10 (August 2004): 2067-97.



Abstract: Using enterprise-level data on bribes paid to utilities in 21 transition economies in eastern Europe and central Asia, we examine how characteristics of the utilities taking bribes and the firms paying bribes affect corruption in the sector. Bribe takers (utility employees) are more likely to take bribes in countries with greater constraints on utility capacity, lower levels of competition in the utility sector, and where utilities are state-owned. Bribe payers (enterprises) are more likely to pay bribes when they are more profitable, have greater overdue payment to utilities, and are de novo private firms.

Ahmad, Naved, Brookins, Oscar T. "On Corruption and Countervailing Actions in Three South Asian Nations." *Journal of Policy Reform* 7, 1 (March 2004): 21-30.

Abstract: We argue that readily available data and information in newspaper stories enable one to discern the nature and patterns of corruption and to understand actions taken to combat corruption. We analyze and compare numerous newspaper reports of corruption in India, Sri Lanka, and Bangladesh. Using analysis derived from existing theory of corruption, we demonstrate how information in news accounts improves our understanding of corruption. Bangladesh had more coercive corruption, with countervailing actions dominated by direct actions of victims. In India and Sri Lanka, corruption was generally collusive, with countervailing actions on behalf of victims frequently leading to legal actions and investigative reports.

Xin, Xiaohui, Rudel, Thomas K. "The Context for Political Corruption: A Cross-National Analysis." *Social Science Quarterly* 85, 2 (June 2004): 294-309.

Abstract: How do we explain variations across nations in the incidence of political corruption? Recent theoretical work locates the causes for corruption in a combination of institutional conditions: monopoly power, little accountability, and wide discretion. This focus on the form of political institutions clarifies the micro-scale causes of political corruption, but it leaves unanswered questions about the macro-scale causes of corruption. This article addresses these questions about the macro scale through an analysis of perceived levels of corruption across nations. Our work identifies poverty, large populations, and small public sectors as contextual causes of corruption. Historically-based differences in political cultures across broad geographical regions also affect the perceived incidence of corruption in nations. Further research should attempt to link micro- and macro-scale causes together in a single, multi-scalar model of corruption.

Burguet, Roberto, Che, Yeon-Koo. "Competitive Procurement with Corruption." *RAND Journal of Economics* 35, 1 (Spring 2004): 50-68.

Abstract: We study competitive procurement administered by a corrupt agent who is willing to manipulate his evaluation of contract proposals in exchange for bribes. With complete information and no corruption, the efficient firm will win the contract for sure. If the agent is corrupt and has large manipulation power, however, bribery makes it costly for the efficient firm to secure a sure win, so in equilibrium the efficient firm loses the contract with positive probability. The optimal scoring rule for the buyer deemphasizes quality relative to price and does not fully handicap, and may even favor, the efficient firm.



Mauro, Paolo. "The Persistence of Corruption and Slow Economic Growth." *IMF Staff Papers* 51, 1 (2004): 1-18.

Abstract: There is increasing recognition that corruption has substantial, adverse effects on economic growth. But if the costs of corruption are so high, why don't countries strive to improve their institutions and root out corruption? Why do many countries appear to be stuck in vicious circles of widespread corruption and low economic growth, often accompanied by ever-changing governments through revolutions and coups? A possible explanation is that when corruption is widespread, individuals do not have incentives to fight it even if everybody would be better off without it. Two models involving strategic complementarities and multiple equilibria attempt to illustrate this formally.

Fredriksson, Per G., Vollebergh, Herman R. J., Dijkgraaf, Elbert. "Corruption and Energy Efficiency in OECD Countries: Theory and Evidence." *Journal of Environmental Economics and Management* 47, 2 (March 2004): 207-31.

Abstract: We investigate the effect of corruption and industry sector size on energy policy outcomes. The main predictions of our theory are that: (i) greater corruptibility of policy makers reduces energy policy stringency, (ii) greater lobby group coordination costs (increased industry sector size) results in more stringent energy policy, and (iii) workers' and capital owners' lobbying efforts on energy policy are negatively related. These predictions are tested using a unique panel data set on the energy intensity of 11 sectors in 12 OECD countries for years 1982-1996. The evidence generally supports the predictions.

Braun, Miguel, Di Tella, Rafael. "Inflation, Inflation Variability, and Corruption." *Economics and Politics* 16, 1 (March 2004): 77-100.

Abstract: We present a model where agents can inflate the cost of goods needed to start an investment project and inflation variability increases monitoring costs. We show that inflation variability can lead to higher corruption and lower investment. We document a positive relationship between corruption and inflation variability in a sample of 75 countries. The effect is robust to the inclusion of country fixed effects, other controls, and 2SLS estimation. The results are economically significant: a one standard deviation increase in inflation variance from the median increases corruption by 12 percent of a standard deviation and reduces growth by 0.33 percentage points. Our paper highlights a new channel through which inflation reduces investment and growth, thus bridging the perception gap over the costs of inflation between economists and the public. We also find evidence that political competition reduces corruption and that corruption is pro-cyclical

Cabelkova, Inna, Hanousek, Jan. "The Power of Negative Thinking: Corruption, Perception and Willingness to Bribe in Ukraine." *Applied Economics* 36, 4 (March 2004): 383-97.

Abstract: This study provides an empirical analysis of the association between corruption perception and the willingness to offer bribes, as well as of the influence of different sources of information on corruption perception in the Ukraine. The higher the perceived corruption in an organization, the more probable it is that a person dealing with that organization will offer a bribe, therefore supporting corruption. Since corruption scandals in Ukraine seldom result in legal action, information about corruption in the mass media might actually encourage people



to give bribes. This study found that corruption perception is one of the key factors in giving a bribe and that its positive/negative effects strongly depend on institutions and government policies.

Davis, Jennifer. "Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector." *World Development* 32, 1 (January 2004): 53-71.

Abstract: This paper presents empirical information regarding the types and magnitude of corrupt behaviors documented in water supply and sanitation service provision in several South Asian localities. It also examines the strengths and weaknesses of current strategies to reduce corruption among several public water and sanitation bureaucracies in South Asia, drawing on interviews and focus group discussions with more than 1,400 staff, customers, and key informants. Where corruption has been reduced, two concomitant drivers are observed: a shift in the accountability networks of service providers, and a change in the work environment that increases the moral cost of misconduct.

Kobonbaev, Maks. "Informal Costs of Doing Business: The Case Study of the Registration and Regulation of Firms in the Kyrgyz Republic." *Central Asian Journal of Management, Economics and Social Research* 4, 1 (September 2004): 77-102.

Abstract: The Kyrgyz government has made positive steps in terms of introducing and simplifying the formal laws and regulations to provide incentives for firms to do business according to the formal rules of the game. However, despite the presence of simple and cost-effective formal laws and regulations, firms continue to resort to informal arrangements, incurring additional costs in money and time, which far exceed the legal (official) limits. Moreover, the government bureaucrats continue to reap rents, intervening informally in the economic activities of firms, and discouraging firms from working legally. Thus, the government-business transactions are in the equilibrium point that sustains informal ways of doing business. However, informal ways of doing business are not cost-free. There are long-term effects, associated with uncertainty and externalities, as well as short-term costs associated with bribes and other informal dealings. The paper briefly discusses the possible long-term effects and documents in detail, the short-term costs due to corruption in the areas of registration, and regulation of firms.

Guriev, Sergei. "Red Tape and Corruption." *Journal of Development Economics* 73, 2 (April 2004): 489-504.

Abstract: We study the emergence and interaction of red tape and corruption in a principal-bureaucrat-agent hierarchy. The principal is to provide the agent with a unit of a good that involves externalities so that market mechanisms fail to achieve first best. Red tape produces information but is costly to the agent and is administered by a corrupt bureaucrat. First, the bureaucrat may extort bribes from the agent in exchange for reducing the amount of red tape. Second, the bureaucrat may take bribes to conceal the information produced through red tape.



Even though the former kind of corruption tends to reduce red tape, we show that the equilibrium level of red tape is above the social optimum.

Arikan, G. Gulsun. "Fiscal Decentralization: A Remedy for Corruption?" *International Tax and Public Finance* 11, 2 (March 2004): 175-95.

Abstract: This paper examines the effect of fiscal decentralization in a country on the level of corruption. Using a tax competition framework with rent-seeking behavior, it is shown theoretically that fiscal decentralization, modeled as an increase in the number of competing jurisdictions, leads to a lower level of corruption. This result is then tested using a small, cross-country data set. The empirical results are not very strong, but they suggest that the hypothesized relationship between decentralization and corruption may indeed exist.

Abstract of Journal Articles on Corruption 2003

Sandholtz, Wayne, Gray, Mark M. "International Integration and National Corruption." *International Organization* 57, 4 (Fall 2003): 761-800.

Abstract: We argue that greater degrees of international integration lead to lower levels of corruption, which we define as the misuse of public office for private gain. We theorize that international factors affect a country's level of corruption through two principal channels. One acts through economic incentives, altering for various actors the costs and benefits of engaging in corrupt acts. The second mode is normative. Prevailing norms in international society delegitimize and stigmatize corruption. Countries that are more integrated into international society are more exposed to economic and normative pressures against corruption. We therefore test the following hypothesis: the more a country is tied into international networks of exchange, communication, and organization, the lower its level of corruption is likely to be. The analysis of data from approximately 150 countries strongly confirms our expectation.

Colombatto, Enrico. "Why Is Corruption Tolerated?" *Review of Austrian Economics* 16, 4 (December 2003): 363-79.

Abstract: The paper examines cases of corrupt military procurement in Uganda since the late 1990s. It also considers the illicit business activities of Ugandan army officers in the Democratic Republic of the Congo since 1998. The paper then discusses how military corruption aroused the concern of parliament, and became a matter of importance in the 2001 presidential elections. We argue that the prevalence of military corruption was the result of government and army leaders not being subject to public accountability. Not a single leader has been faced with prosecution or punishment for corrupt military behaviour. We conclude by



arguing that military corruption has helped to maintain the National Resistance Movement (NRM) in power, although this has been realised at the cost of building a professional national army in Uganda

Lambsdorff, Johann Graf. "How Corruption Affects Productivity." *Kyklos* 56, 4 (2003): 457-74

Abstract: While there is strong support for corruption reducing investment, there exists only scant empirical evidence for the likely adverse impact on productivity. This study measures productivity by the ratio of GDP to the capital stock, the latter being determined by a perpetual inventory method. A reduction of Tanzania's level of corruption to that of the United Kingdom would increase productivity by 10 percent, leading to a 20 percent increase in GDP. Decomposing this impact reveals that bureaucratic quality is the crucial determinant, but a country's tradition of law and order is irrelevant for productivity.

Lotspeich, Richard. "Crime and Corruption in Transitional Economies: Lessons for Cuba." *Journal of Policy Reform* 6, 2 (June 2003): 71-87.

Abstract: Trends in aggregate crime rates across Europe reveal significant increases in crime in transitional countries. We identify causal mechanisms associated with the economic transition. Historical experience of corruption in the Soviet Union is reviewed, and connections between corruption and transition are analyzed. We apply the results to Cuba's current circumstances, examining the potential for growth in crime and corruption in Cuba and suggesting policies to ameliorate it.

Lambsdorff, Johann Graf. "How Corruption Affects Persistent Capital Flows." *Economics of Governance* 4, 3 (2003): 229-43.

Abstract: Corruption is known to reduce the ratio of investment to GDP. This study breaks down investment into domestic savings and net capital inflows. A significant impact of corruption exists only for the latter variable because the first variable is distorted by general equilibrium repercussions. An increase in Colombia's level of integrity to that of the United Kingdom is found to increase net annual capital inflows by 3 percent of GDP. Decomposing this impact reveals that bureaucratic quality, civil liberty and government stability are irrelevant, but that a country's law and order tradition is a crucial sub-component for attracting capital.

Damania, Richard, Fredriksson, Per G., List, John A. "Trade Liberalization, Corruption, and Environmental Policy Formation: Theory and Evidence." *Journal of Environmental Economics and Management* 46, 3 (November 2003): 490-512.

Abstract: This study explores the linkages between trade policy, corruption, and environmental policy. We begin by presenting a theoretical model that produces several testable predictions, including: (i) the effect of trade liberalization on the stringency of environmental policy depends on the level of corruption, and (ii) corruption reduces environmental policy stringency. Using panel data from a mix of developed and developing countries from 1982 to 1992, we find evidence that supports these conjectures. We view these results as representing an attempt at understanding the myriad of complex relationships that exist in an open economy.



Ciocchini, Francisco, Durbin, Erik, Ng, David T. C. "Does Corruption Increase Emerging Market Bond Spreads?" *Journal of Economics and Business* 55, 5-6 (Sept.-Dec. 2003): 503-28.

Abstract: We study the relationship between corruption and borrowing costs for governments and firms in emerging markets. Combining data on bonds traded in the global market with survey data on corruption compiled by Transparency International, we show that countries that are perceived as more corrupt must pay a higher risk premium when issuing bonds. The global bond market ascribes a significant cost to corruption: an improvement in the corruption score from the level of Lithuania to that of the Czech Republic lowers the bond spread by about one-fifth. This is true even after controlling for macroeconomic effects that are correlated with corruption. We find little evidence that investors became more sensitive to corruption in the wake of the Asian financial crisis.

Antunes, Antonio R., Cavalcanti, Tiago V. "Corruption, Credit Market Imperfections, and Economic Development." *Quarterly Review of Economics and Finance* 43, 4 (2003): 627-42.

Abstract: This paper studies the role of credit market imperfections and corruption on the process of economic development. We address the question of how much of the differences in output per worker across countries can be attributed to differences in credit market policies and corruption. In order to accomplish that, we construct and solve numerically a computable general equilibrium model with heterogeneous agents, contractual imperfections and occupational choices. The quantitative exercises suggest that a country in which debt contracts are not enforced and corruption corresponds to 10% of business income will be roughly 1/3 to 1/2 as rich as the United States. Though this is an important effect, it is a small fraction of the huge differences in income per capita across countries.

Regulating Supply Side Corruption: American Investors in the Republic of Kazakhstan
Author: Jain, Subhash C., Lehrer, Benna Robyn Source: *Journal of East-West Business* v9, n1 (2003): 55-89

Abstract: Doing corruption-free business in developing countries is not easy. Government officials and politicians in developing countries demand monetary gains from multinational companies interested in seeking business deals in their nations. Multinational firms are willing to oblige them since they need the business in developing countries. Such unsavory business practices are extremely difficult to change. However, today more and more countries are concerned about corruption and are trying to combat it. Sociologists, political scientists, and economists have advanced various methods to combat corruption. Mainly, these methods are geared toward reducing the demand for corrupt practices. This paper using the case of the Republic of Kazakhstan suggests controlling the supply of corruption.

Persson, Torsten, Tabellini, Guido, Trebbi, Francesco. "Electoral Rules and Corruption." *Journal of the European Economic Association* 1, 4 (June 2003): 958-89.

Abstract: Is corruption systematically related to electoral rules? Recent theoretical work suggests a positive answer. But little is known about the data. We try to address this lacuna by relating corruption to different features of the electoral system in a sample of about eighty democracies in the 1990s. We exploit the cross-country variation in the data, as well as the time



variation arising from recent episodes of electoral reform. The evidence is consistent with the theoretical priors. Larger voting districts--and thus lower barriers to entry--are associated with less corruption, whereas larger shares of candidates elected from party lists--and thus less individual accountability--are associated with more corruption. Individual accountability appears to be most strongly tied to personal ballots in plurality-rule elections, even though open party lists also seem to have some effect. Because different aspects roughly offset each other, a switch from strictly proportional to strictly majoritarian elections only has a small negative effect on corruption.

Herzfeld, Thomas, Weiss, Christoph. "Corruption and Legal (In)effectiveness: An Empirical Investigation." *European Journal of Political Economy* 19, 3 (September 2003): 621-32.

Abstract: Numerous studies have investigated the causes and measured the consequences of differences in corruption among countries. An effective legal system has been viewed as a key component in reducing corruption. However, estimating cross-sectional as well as panel data models, we find a significant inter-relationship between legal (in)effectiveness and various measures of corruption. This re-enforcing inter-relationship suggests that corruption is a persistent phenomenon and that strong forces tend to perpetuate corruption at fairly constant levels.

Graeff, P., Mehlkop, G. "The Impact of Economic Freedom on Corruption: Different Patterns for Rich and Poor Countries." *European Journal of Political Economy* 19, 3 (September 2003): 605-20.

Abstract: This paper investigates the impact of various components of economic freedom on corruption. Some aspects of economic freedom appear to deter corruption while others do not. We identify a stable pattern of aspects of economic freedom influencing corruption that differs depending on whether countries are rich or poor. This implies that there is a strong relation between economic freedom and corruption. This relation depends on a country's level of development. Contrary to expectations, we find that some types of regulation reduce corruption.

Fjeldstad, Odd-Helge, Tungodden, Bertil. "Fiscal Corruption: A Vice or a Virtue?" *World Development* 31, 8 (August 2003): 1459-67.

Abstract: Recent literature on tax administration in poor countries suggests there are virtues in allowing fiscal corruption. By strengthening the bargaining power of corrupt tax officers, it is argued that tax evasion may be reduced and tax revenues increased. But does such an intriguing paradox justify policies that stimulate corruption? Our answer is no, and this note puts forward three arguments to support our view. First, while an increase in corruption may raise revenues in the short run, in general, the opposite will be the case in the longer run. Second, the instrumental value of reducing corruption goes far beyond its effects on tax evasion and tax revenues. Accepting corruption as a policy strategy to increase tax revenues may undermine values of democracy and good governance. Third, eliminating corruption should be considered an end in itself. Thus, contrary to recent suggestions on incentive reforms in tax administration, the reasonable starting point for policy debates in this area should still be that an increase in fiscal corruption is not an appropriate instrument for raising tax revenues. Sustained development cannot occur in an institutional framework that fosters corruption and extra-legal tax enforcement.



Wyatt, Geoffrey. "Corruption, Productivity and Socialism." *Kyklos* 56, 2 (2003): 223-44.

Abstract: The level of productivity is correlated across countries with measures of (lack of) corruption, but this appears to be due to a common association of these variables with measures of civil infrastructure, here measured by a combination of governance indexes labelled "rule of law" and "government effectiveness". New instruments based on the size- and spatial-distributions of cities within the countries of the world were constructed in order to explore the causal relationships between civil infrastructure and productivity. Civil infrastructure accounts for a substantial fraction of the global variation in output per worker across countries. Within this empirical pattern there is a systematic deviation associated with the current and former socialist states, which have both lower productivity and inferior civil infrastructure than would be predicted for otherwise similar non-socialist states. However, for a given level of the index of civil infrastructure these states are also shown to have a higher level of productivity than otherwise similar non-socialist states. The unconditionally low productivity of socialist states is attributed entirely to the indirectly deleterious effects that socialism had on civil infrastructure, which more than offset its directly positive effect on output.

Brunetti, Aymo, Weder, Beatrice. "A Free Press Is Bad News for Corruption." *Journal of Public Economics* 87, 7-8 (August 2003): 1801-24.

Abstract: This paper tests the proposition that a free press may be a powerful control on corruption. We find evidence of a significant relationship between more press freedom and less corruption in a large cross-section of countries. This result is robust to specification and sample and the relationship is not sensitive to the choice of a particular measure of corruption or of press freedom. Furthermore we present evidence which suggests that the direction of causation runs from higher press freedom to lower corruption.

Fredriksson, Per G., List, John A., Millimet, Daniel L. "Bureaucratic Corruption, Environmental Policy and Inbound US FDI: Theory and Evidence." *Journal of Public Economics* 87, 7-8 (August 2003): 1407-30.

Abstract: Previous studies have proposed that equilibrium capital flows are affected by environmental regulations--the commonly coined "pollution haven" hypothesis. We revisit this issue by treating environmental policies as endogenous and allowing governmental corruption to influence foreign direct investment patterns. Via these two simple extensions, we are able to provide a much richer model of international capital flows. The theoretical model presumes that the effect of corruption on FDI operates via two channels: corruption affects capital flows through its impact on environmental policy stringency and due to greater theft of public funds earmarked for public spending. We empirically examine the implications of the model using US state-level panel data from four industrial sectors over the period 1977-1987. Empirical results suggest environmental policy and corruption both play a significant role in determining the spatial allocation of inbound US FDI. In addition, the estimated effect of environmental policy is found to depend critically on exogeneity assumptions.

Fredriksson, Per G., Svensson, Jakob. "Political Instability, Corruption and Policy Formation: The Case of Environmental Policy." *Journal of Public Economics* 87, 7-8 (August 2003): 1383-1405.



Abstract: This paper develops a theory of environmental policy formation, taking into consideration the degree of corruptibility and political turbulence. The predictions that emerge are that the interaction between the two variables is important. Political instability has a negative effect on the stringency of environmental regulations if the level of corruption is low, but a positive effect when the degree of corruption is high. Corruption reduces the stringency of environmental regulations, but the effect disappears as political instability increases. The empirical findings are fully consistent with the predictions of the model.

Di Tella, Rafael, Schargrotsky, Ernesto. "The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires." *Journal of Law and Economics* 46, 1 (April 2003): 269-92.

Abstract: We study the prices paid for basic inputs during a crackdown on corruption in the public hospitals of the city of Buenos Aires, Argentina, during 1996-97. We find a well-defined, negative effect on the measures used to capture corruption. Prices paid by hospitals for basic, homogeneous inputs decrease by 15 percent during the first 9 months of the crackdown. After this period prices increase, but they are still 10 percent lower than those prevailing before the crackdown. Relative to the precrackdown period, higher wages play no role in inducing lower input prices when audit intensity can be expected to be maximal (during the first phase of the crackdown) but have a negative and well-defined effect when audit intensity takes intermediate levels (the last phase of the crackdown). Controlling for fixed effects, we find that the wage elasticity of input prices exceeds .20. These results are consistent with the standard model of bribes of Gary Becker and George Stigler.

Fedeli, Silvia, Forte, Francesco. "Public Co-financing of Private Sector's Investments: Subsidiarity and Corruption." *Public Choice* 116, 1-2 (July 2003): 109-45.

Abstract: The literature on corruption makes unclear predictions on the relations between subsidiary principle, according to which public decisions should be done at the lower level government possible, and corruption of public officials. In this paper, we compare two alternative regimes, centralized vs. decentralized, for the public co-financing of private projects. We show that, in the absence of corruption, the two regimes give the same results. Borrowing from the Chamberlin's analysis of monopolistic competition and from the rent-seeking literature, we introduce corruption in the model as a selling cost for the private suppliers. We show that a centralized regime causes higher corruption levels because of the higher number of private suppliers of competing projects. As a result, a central government tends to have a higher level of public capital expenditure than two (equally corruptible) regional governments.

Klochko, Marianna A., Ordeshook, Peter C. "Corruption, Cooperation and Endogenous Time Discount Rates." *Public Choice* 115, 3-4 (June 2003): 259-83.

Abstract: Virtually all uses of repeated games to study of cooperation assume that people's time discount rates are exogenous and fixed. Here we offer an evolutionary game embedded in a multi-period model of investment and consumption in which individual time discounts are determined by their convergence to values determined by Evolutionary Stable Strategies. Our



substantive motivation, though, is corruption and its relationship to economic growth. To understand the observed relationship between levels of corruption and economic indicators of social welfare, we argue that corruption is a form of cooperation that requires close interpersonal monitoring. If we assume, moreover, that when people discount the future greatly the only sustainable forms of cooperation are those that allow for close monitoring, then our analysis can be interpreted as a dynamic model of the relationship between corruption and investment.

Le Billon, Philippe. "Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts." *Journal of International Development* 15, 4 (May 2003): 413-26.

Abstract: Although corruption may have a corrosive effect on economies and rule-based institutions, it also forms part of the fabric of social and political relationships. This endogenous character means that conflict may be engendered more by changes in the pattern of corruption than by the existence of corruption itself. Such changes, frequently associated with domestic or external shocks, can lead to armed conflict as increasingly violent forms of competitive corruption between factions "fuel war" by rewarding belligerents. Controversially, "buying-off" belligerents can facilitate a transition to peace, but "sticks" such as economic sanctions, rather than "carrots", have dominated international conflict resolution instruments. While buying peace can present a short-term solution, the key challenge for peace-building initiatives and fiscal reforms is to shift individual incentives and rewards away from the competition for immediate corrupt gains. This may be facilitated by placing public revenues under international supervision during peace processes.

Choi, Jay Pil, Thum, Marcel. "The Dynamics of Corruption with the Ratchet Effect." *Journal of Public Economics* 87, 3-4 (March 2003): 427-43.

Abstract: This paper provides a simple model of corruption dynamics with the ratchet effect. Corrupt officials have ex post the incentive to price discriminate entrepreneurs based on the entry decisions made in an earlier period. The inability of government officials to commit to future money demands induces entrepreneurs to delay entry in order to receive a discount in the permit price later. Even though the dynamic setting leaves the corrupt official with less extortion power, social welfare may decrease. We also explore the effect of the official's tenure stability on the extent of corruption. This allows us to identify circumstances under which the often observed practice of job rotation can help mitigate corruption.

Knack, Stephen, Azfar, Omar. "Trade Intensity, Country Size and Corruption." *Economics of Governance* 4, 1 (2003): 1-18.

Abstract: Several authors claim to provide evidence that governmental corruption is less severe in countries where trade intensity is higher or populations are smaller. We argue that theory is highly ambiguous on these questions, and demonstrate that empirical links between corruption and trade intensity--or country size, strongly related to trade intensity--are sensitive to sample selection bias. Most available corruption indicators provide ratings only for those countries in which multinational investors have the greatest interest: these tend to include almost all large nations, but among small nations only those that are well-governed. We find



that the relationship between corruption and trade intensity disappears, using newer corruption indicators with substantially increased country coverage. Similarly, the relationship between corruption and country size weakens or disappears using samples less subject to selection bias.

Montanye, James A. "On Rent Thinking and the Corruption of Republican Government." *Independent Review* 7, 4 (Spring 2003): 519-35.

Abstract: Republican government has degenerated into a tyranny of temporary voting majorities that systematically pursue private gain through political means. Despite cries for "reform," however, there is no evident desire to abandon the present system of redistributive government.

Vinod, Hrishikesh D. "Open Economy and Financial Burden of Corruption: Theory and Application to Asia." *Journal of Asian Economics* 13, 6 (January 2003): 873-90.

Abstract: We discuss why corruption remains high and show that corruption contributes to the Banking distress and to the rapid transmission across international stock and currency markets. Undeveloped "derivative securities" markets make the risk from stress-induced volatility difficult to manage. Vinod's (1999) closed economy model is extended to indicate the asymmetry of "home bias" and the effect of corruption on the value at risk (VaR). Our theory predicts that capital flight controls will be many, foreign direct investment (FDI) will be low and cost of capital will be high in corrupt developing countries, which is supported by Asian data. We include some policy recommendations regarding financial institutions and markets.

Hisamatsu, Y. "Does Foreign Demand Affect Corruption?" *Applied Economics Letters* 10, 1 (January 2003): 1-2.

Abstract: This article examines the impact of foreign demand on corruption. It creates an index that represents foreign demand for corrupt acts and regress it on corruption perception index. The result is positive and statistically significant relationship.

Abstracts of Journal Articles on Corruption, 2002

Rose-Ackerman, Susan. "'Grand' Corruption and the Ethics of Global Business." *Journal of Banking and Finance* v26, n9 (September 2002): 1889-1918.

Abstract: The paper explores the ethical obligations of global business to refrain from corruption. Corruption is harmful for the growth prospects of host countries and can introduce inefficiencies and inequities. I argue that business corporations have an obligation to refrain from illegal payoffs as part of the quid pro quo implied by the laws that permit corporations to exist and to operate. The paper goes on to consider how firms might respond, and isolates situations where anti-corruption policies can be profitable for firms. It concludes with an analysis of international efforts to deter transnational bribery and with suggestions for additional international initiatives.



Ahmad, Naved. "Corruption and Government Regulations: An Empirical Analysis." *Bangladesh Development Studies* 28, 4 (December 2002): 29-51.

Abstract: The current cross-country empirical literature on the determinants of corruption has demonstrated a direct relationship between government regulations and corruption by assuming a linear relationship between them. This study reexamines the relationship for a sample of 43 countries by testing the presence of threshold effects of government regulations on the level of corruption after controlling the effects of bureaucratic competition, level of education, GDP growth, and urbanization. Using two measures of corruption from the World Bank survey, the study finds the evidence of threshold, the direct relationship between corruption and government regulations is profound in countries where the index of government regulations is less than the threshold level. Consequently, it suggests that government regulations spawn corruption before the threshold level is reached. Moreover, this study also provides evidence of the existence of an inverted U-shape relationship between government regulations and corruption. The study finds that regulations reduce corruption if the index of regulation is above the threshold level negating the neo-classical liberalism. The study concludes that government regulations can also be used to reduce corruption. Thus, prudent policies with or without government interventions are likely to be less corrupt and, therefore, are more conducive to economic growth.

Huppert, Walter, Wolff, Birgitta. "Principal-Agent Problems in Irrigation--Inviting Rentseeking and Corruption." *Quarterly Journal of International Agriculture* 41, 1-2 (2002): 99-118.

Abstract: Efficiency deficits in irrigation management are endemic in many countries. Conventional approaches to raising the level of performance of irrigation schemes focus on improvements to the technical, financial and/or organizational capacities of the irrigation agency and--more importantly--of the water users. Such approaches often overlook a number of significant problems which are causes of inefficiencies in the first place. These problems relate to the fact that efficiency deficits may be well in the interest of most of the influential stakeholders involved. Since problems of this kind may emerge both in systems administered by a state agency and in farmer managed irrigation systems, it is essential to focus more attention on their analysis and prevention. The paper addresses the so-called "principal-agent" problems, in particular rentseeking and corruption which are a major factor in this context. Such problems are specific deficiencies related to the contracts and agreements between the partners of an exchange relationship. After presenting their essential characteristics, examples are provided from the irrigation sector. Finally, coping strategies are highlighted.

Eigen, Peter. "Measuring and Combating Corruption." *Journal of Policy Reform* 5, 4 (December 2002): 187-201.

Abstract: Corruption thrives on misinformation and secrecy. In the Global Corruption Report 2003, Transparency International (TI) puts access to information at the top of its agenda. TI catalogues a climate of mistrust that is working against the interests of shareholders and employees in the market economy, and against the interests of the developing world when economic and business decisions are taken on the basis of the size of a kickback rather than quality, competence and value for money. A sustainable and prosperous society requires a national integrity system based on the rule of law, checks and balances, and a thriving independent media and civil society.



Gaviria, Alejandro. "Assessing the Effects of Corruption and Crime on Firm Performance: Evidence from Latin America." *Emerging Markets Review* 3, 3 (September 2002): 245-68.

Abstract: This paper uses a survey of private firms to assess the effects of corruption on the economic prospects of firms. The paper studies whether corruption and crime affect sales, investment and employment growth at the firm level, and whether bribes and illegal payments by firms reduce bureaucratic interference. The paper finds that corruption and crime substantially reduce sales growth and that the reported levels of corruption and bureaucratic interferences are positively correlated at the firm level. Overall, the results of the paper suggest that corruption and crime substantially reduce firm competitiveness and that corruption is unlikely to have any positive effects.

Torrez, Jimmy. "The Effect of Openness on Corruption." *Journal of International Trade and Economic Development* 11, 4 (December 2002): 387-403.

Abstract: The seminal paper on the subject of corruption and trade is from Kruger (1974). She finds that quantitative trade restrictions shift resources from directly productive activities to rent seeking activities, such as corruption. This paper analyses the relationship between corruption and trade using corruption estimates and trade measures from multiple sources. The majority of empirical evidence supports a negative relationship between corruption and openness, however, this does not hold for all the data sets available. The estimated relationship seems to depend on the choice of the corruption index. Therefore, the data only provide weak support for the contention that trade restrictions increase corruption.

Hwang, Jinyoung. "A Note on the Relationship between Corruption and Government Revenue." *Journal of Economic Development* 27, 2 (December 2002): 161-77.

Abstract: This paper empirically traces out the impacts of corruption on government revenue. The total amount of government revenue decreases as corruption reduces tax revenues if it contributes to tax evasion, improper tax exemptions or weak tax administration. In addition, corruption may distort the composition of government revenue: that is, a country with a higher level of corruption increases the proportion of international tax revenue rather than domestic tax one as the source of government revenue. Using cross-national evidence, it is identified that several corruption indices are positively and significantly associated with the taxes on international trade over current government revenue. Moreover, corruption is negatively and significantly related to the domestic tax revenue as well as total amount of government revenue over GDP.

Gyimah-Brempong, Kwabena. "Corruption, Economic Growth, and Income Inequality in Africa." *Economics of Governance* 3, 3 (2002): 183-209.

Abstract: This paper uses panel data from African countries and a dynamic panel estimator to investigate the effects of corruption on economic growth and income distribution. I find that corruption decreases economic growth directly and indirectly through decreased investment in physical capital. A unit increase in corruption reduces the growth rates of GDP and per capita income by between 0.75 and 0.9 percentage points and between 0.39 and 0.41 percentage points per year respectively. The results also indicate that increased corruption is positively



correlated with income inequality. The combined effects of decreased income growth and increased inequality suggests that corruption hurts the poor more than the rich in African countries.

DiPietro, William R. "National Corruption and the Size of the Public Sector." *Briefing Notes in Economics* 0, 55 (Dec. 2002-Jan. 2003): 1-8

Abstract: Corruption plagues many economies throughout the world. It is a major international problem that demands attention. When corruption takes hold in an economy it is very hard to even modestly moderate, let alone keep it under control or possibly eliminate. In a world stricken by the ill effects of corruption, explaining the basic causes for differences in corruption across nations becomes an extremely worthwhile task. Among all the myriad and varied explanatory factors potentially accounting for differences in international corruption there most certainly exists an assortment of structural economic characteristics. One predominant structural element is the public sector share in the economy. This paper uses cross-country regression analysis to assess whether the size of the government sector is an empirically important determinant of corruption across nations.

Hauk, Esther, Saez-Marti, Maria. "On the Cultural Transmission of Corruption." *Journal of Economic Theory* 107, 2 (December 2002): 311-35.

Abstract: We provide a cultural explanation to the phenomenon of corruption in the framework of an overlapping generations model with intergenerational transmission of values. We show that the economy has two steady states with different levels of corruption. The driving force in the equilibrium selection process is the education effort exerted by parents which depends on the distribution of ethics in the population and on expectations about future policies. We propose some policy interventions which via parents' efforts have long-lasting effects on corruption and show the success of intensive education campaigns. Educating the young is a key element in reducing corruption successfully.

Lambsdorff, Johann Graf. "Corruption and Rent-Seeking." *Public Choice* 113, 1-2 (October 2002): 97-125.

Abstract: The rent-seeking theory was one of the first economic instruments developed to model corruption in the public sector. Comparing corruption with lobbying, it proposes that the former is the lesser of two evils, since lobbying entails the wastage of resources in the competition for preferential treatment. This study shows that the traditional rent-seeking theory misunderstands three factors: first, the impact of a corrupt monopoly on the rent's size, second, corruption as a motivation for supplying preferential treatment and third, that corruption involves a narrower range of interests than those of competitive lobbying. Taking these factors into consideration, the opposite argument is valid: corruption has worse welfare implications than alternative rent-seeking activities.

Fisman, Raymond, Gatti, Roberta. "Decentralization and Corruption: Evidence from U.S. Federal Transfer Programs." *Public Choice* 113, 1-2 (October 2002): 25-35.

Abstract: While some recent evidence suggests that more decentralization is associated with reduced corruption, no empirical work has examined whether different types of decentralization have differential effects on corruption. The theoretical literature has emphasized that



expenditure decentralization will only be effective if accompanied by the devolution of revenue generation to local governments. In this paper we examine this hypothesis empirically, by studying the mismatch between revenue generation and expenditure in U.S. states. Larger federal transfers are associated with higher rates of conviction for abuse of public office, supporting the theory that soft-budget constraints created by federal transfers are potentially problematic.

Dimaria, Charles-Henri, Le Van, Cuong. "Optimal Growth, Debt, Corruption, and R&D." *Macroeconomic Dynamics* v6, n5 (November 2002): 597-613

Abstract: This paper analyzes optimal paths in a one-sector growth model when the technology is not convex. In such a case, we prove that optimal paths converge to the upper steady state if the initial wealth is above a critical level. Then, we first show that, thanks to debt and/or R&D, the poverty trap may be avoided. Second, we introduce a distortion: corruption that mostly has dramatic consequences on growth, but may have a beneficial effect if it is not high and if it improves productivity (incentive effect).

DeWit, Andrew. "Dry Rot: The Corruption of General Subsidies in Japan." *Journal of the Asia Pacific Economy* v7, n3 (2002): 355-78.

Abstract: Within a few short years, Japan's over 20 trillion yen system of general subsidies has gone from being a sacred cow to a salient item on a menu of reforms. This development reflects the rise of reformist forces, notably Prime Minister Koizumi Junichiro, and their critique of the Liberal Democratic Party old guard's extraordinary mismanagement of the Japanese economy. The delegitimation of general subsidies has, however, a longer trajectory as well. It derives from excessive fiscal centralization and the spread of wasteful subsidies throughout the intergovernmental fiscal system. Japan's extensive fiscal reforms in the mid-1980s anticipated a very different scenario. They saw the expansion of general subsidies and locally initiated public works as important means for overcoming the clearly debilitating politics of specific subsidies. What was generally overlooked was the great scope for moral hazard that the reforms entailed. And no one could have foreseen the 1990s, when the central government increasingly force-fed the locals public-works funding as part of its fiscal policy. This paper therefore retraces the political economy of Japan's general subsidy regime and its increasing delegitimation through pork-barrel incentives. It also sketches the current debate over how to reform the system.

Kimbro, Marinilka Barros. "A Cross-Country Empirical Investigation of Corruption and Its Relationship to Economic, Cultural, and Monitoring Institutions: An Examination of the Role of Accounting and Financial Statements Quality." *Journal of Accounting, Auditing and Finance* v17, n4 (Fall 2002): 325-49.

Abstract: This paper empirically tests a model that links economic, cultural, and information/monitoring variables to corruption in 61 countries. The results offer significant evidence to suggest that higher GNP per capita, moderate economic growth, effective legal and financial accounting systems, collectivist values and low power distance are associated with countries that have low corruption. Countries that have better laws, more effective judiciary, good financial reporting standards, and a higher concentration of accountants are found to be less corrupt.



Sherlock, Stephen. "Combating Corruption in Indonesia? The Ombudsman and the Assets Auditing Commission." *Bulletin of Indonesian Economic Studies* 38, 3 (December 2002): 367-83.

Abstract: Early optimism that post-Soeharto governments would lead a systematic campaign against corruption has largely been disappointed. The creation of the ombudsman and the Assets Auditing Commission (KPKPN) were hopeful signs, but both initiatives are symptomatic of the weaknesses besetting Indonesia's anti-corruption efforts. Despite their best endeavours, both organisations have weak powers, are under-resourced, receive only token political support and exist in isolation from other investigative and enforcement agencies. International research suggests that official efforts to eliminate corruption are effective only as part of a coordinated campaign to reform administration, policy making, legislative institutions and the judiciary. Threatened exposure or punishment of corrupt officials is not enough: all the institutional incentives and disincentives for abuse of public office for private gain must be confronted. In Indonesia the problem is that most of those empowered to take such initiatives have no incentive to do so because they profit from the status quo.

Lim, Linda Y. C., Stern, Aaron. "State Power and Private Profit: The Political Economy of Corruption in Southeast Asia." *Asian-Pacific Economic Literature* v16, n2 (November 2002): 18-52.

Abstract: This article reviews the extensive political and economic literature since 1990 on corruption in Indonesia, Philippines, Thailand, Malaysia and Singapore. After considering each country's individual recent history of corruption, the article comparatively analyses the relationship of corruption in these countries with, respectively, the roles of the state, the private sector and external actors, democratisation and decentralisation, and the impact of corruption on economic growth and inequality. Our conclusion is that while economic liberalisation, democratisation and centralisation of state power influence the forms of corruption and its impact on national economic performance, they are neither necessary nor sufficient for its decline.

Fisman, Raymond, Gatti, Roberta Decentralization and Corruption: Evidence across Countries
Journal of Public Economics v83, n3 (March 2002): 325-45.

Abstract: The relationship between decentralization of government activities and the extent of rent extraction by private parties is an important element in the recent debate on institutional design. The theoretical literature makes ambiguous predictions about this relationship, and it has remained little studied by empiricists. In this paper, we systematically examine this issue empirically, by looking at the cross-country relationship between fiscal decentralization and corruption, as measured by a number of different indices. Our estimates suggest that fiscal decentralization in government expenditure is strongly and significantly associated with lower corruption, these results persist when decentralization is instrumented for by the origin of a country's legal system.

Waller, Christopher J., Verdier, Thierry, Gardner, Roy. "Corruption: Top Down or Bottom Up?"
Economic Inquiry v40, n4 (October 2002): 688-703.

Abstract: This article studies the impact of corruption on an economy with a hierarchical government. In particular, we study whether centralizing corruption within the higher level of government increases or decreases the total amount of corruption. We show that when the after-tax relative profitability of the formal sector as compared to that of the informal sector is



high enough, adding a layer of government increases the total amount of corruption. By contrast, for high-enough public wages and/or an efficient monitoring technology of the bureaucratic system, centralization of corruption at the top of the government hierarchy redistributes bribe income from the lower level to the upper level. In the process, total corruption is reduced and the formal sector of the economy expands.

Broadman, Harry G., Recanatini, Francesca. "Corruption and Policy: Back to the Roots." *Journal of Policy Reform* v5, n1 (March 2002): 37-49.

Abstract: Corruption is now recognized to be a pervasive phenomenon that can seriously jeopardize the best-intentioned reform efforts. This paper presents an analytical framework for examining the role basic market institutions play in rent-seeking and illicit behavior. The empirical results suggest that high barriers to new business entry and soft budget constraints on incumbent firms are particularly important institutional factors engendering opportunities for corruption. The findings also support the notion that economic development and maturation of democratic processes both temper corruption, as does, to a lesser extent, openness to international trade.

Al-Yousif, Yousif K. *Corruption: Causes, Consequences and Cures*. (In Arabic, with English summary) *Journal of the Social Sciences* 30, 2 (2002): 257-84.

Abstract: The present paper deals with the issue of corruption and its impact on economic development. The topic at hand has, over the last few years, been attracting the attention of scholars and policy makers alike for a number of reasons including: the spread of information resulting from technological advancement, the democratization of governments, and the adverse effects of corruption on the allocation and distribution of resources in both the developed and developing countries. In its exposition of the issues at hand, the paper draws on the most recent theoretical literature and the lessons of experiences from industrialized and developing countries. The paper is divided into three sections. Section I discusses the reasons for the spread of corruption. Section II explores how corruption affects economic development through macroeconomic variables such as government expenditures, economic growth, investment, income distribution, and poverty. Section III proposes some remedies for corruption.

Hanlon, Joseph. "Bank Corruption Becomes Site of Struggle in Mozambique." *Review of African Political Economy* v29, n91 (March 2002): 53-72.

Abstract: Three people have been murdered for investigating corruption in the Mozambican banking system and the loss of more than \$400 million. All countries use banks politically, and in Mozambique, the banks were first used to build socialism, then to keep the country running during the war, and finally in the new capitalist era to promote local entrepreneurs and keep the economy out of foreign hands. But the nature of socialist banking and the process of transition combined to create the conditions under which powerful individuals could use the banking system for accumulation. But this has been contested, and there is an ongoing struggle within the elite between those groups which back what Peter Evans calls the "predatory" and "developmental" states. The recent murders suggest this contest is becoming more acute. Finally, we note that a key role has been played by the international financial institutions,



which in their doctrinaire opposition to any serious role for the state chose to back the predatory state faction.

Habib, Mohsin, Zurawicki, Leon. "Corruption and Foreign Direct Investment." *Journal of International Business Studies* 33, 2 (2nd Quarter 2002): 291-307.

Abstract: This study examines the impact of corruption on foreign direct investment (FDI). First, the level of corruption in the host country is analyzed. Second, the absolute difference in the corruption level between the host and home country is examined. The analysis provides support for the negative impacts of both. The results suggest that foreign investors generally avoid corruption because it is considered wrong and it can create operational inefficiencies.

Celentani, Marco, Ganuza, Juan-Jose. "Corruption and Competition in Procurement." *European Economic Review* 46, 7 (August 2002): 1273-1303.

Abstract: We consider a procurement problem in which the procurement agent is supposed to allocate the realization of a project according to a competitive mechanism that values bids in terms of the proposed price and quality. Potential bidders have private information about their production costs. Since the procurement agent is also in charge of verifying delivered quality, in exchange for a bribe, he can allow an arbitrary firm to be awarded the realization of the project and to produce a quality level lower than that announced. We compute equilibrium corruption and we study the impact on corruption of the competitiveness of the environment, and in particular of: (i) an increase in the number of potential suppliers of the good or service to be procured, and (ii) an increase of competition in the market for procurement agents. We identify the effects that influence equilibrium corruption and show that, contrary to conventional wisdom, corruption may well be increasing in competition.

Chang, Juin-jen, Lai, Ching-chong. "Is the Efficiency Wage Efficient? The Social Norm and Organizational Corruption." *Scandinavian Journal of Economics* v104, n1 (2002): 27-47.

Abstract: The effectiveness of efficiency wage incentives is often jeopardized by perverse organizational corruption. We model organizational corruption as a phenomenon of social interaction and relate the substantial psychological role characterizing the social norm to the corruption problem. We find that if the status quo bribery rate within the firm is high, social norms can no longer serve as a sufficient sanction against a corrupt supervisor, pandemic organizational corruption tends to generate a critical mass effect--the snowball effect--which intensifies the corruption effect. This intensified effect, due to the snowballing character of social norms, may more than offset the usual incentive effect of wages, resulting in more widespread shirking in the firm.

Yao, Shuntian. "Privilege and Corruption: The Problems of China's Socialist Market Economy." *American Journal of Economics and Sociology* v61, n1 (January 2002): 279-99.

Abstract: It is well known that China's corruption problem has become more and more serious during the period of economic reform. This paper examines China's corruption problem with



the help of several simple economic models. The author proposes the concepts of implicit corruption and explicit corruption. We explain how the granting of privileges has directly created implicit corruption in China's socialist market economy. We argue that the long-term existence of the same privileged group in Chinese society has led to widespread collusion among its members, and as a result, these privileged group members, by utilizing their monopoly power, are able to seize almost all the wealth created by the ordinary Chinese people. This seizure is accomplished by means of a two-part tariff in pricing their administrative service, which is the essence of the explicit corruption. Finally, we point out that, because both implicit corruption and explicit corruption are generated by China's political system, which grants and protects privileges, unless a political reform is initiated and privileges are eliminated, China's problem of corruption will never be solved.

Gupta, Sanjeev, Davoodi, Hamid, Alonso-Terme, Rosa. "Does Corruption Affect Income Inequality and Poverty?" *Economics of Governance* v3, n1 (2002): 23-45.

Abstract: This paper provides evidence that high and rising corruption increases income inequality and poverty. An increase of one standard deviation in corruption increases the Gini coefficient of income inequality by about 11 points and income growth of the poor by about 5 percentage points per year. These findings are robust to use of different instruments for corruption and other sensitivity analyses. The paper discusses several channels through which corruption may affect income inequality and poverty. An important implication of these findings is that policies that reduce corruption will most likely reduce income inequality and poverty as well.

Ventelou, Bruno. "Corruption in a Model of Growth: Political Reputation, Competition and Shocks." *Public Choice* v110, n1-2 (January 2002): 23-40.

Abstract: The article tries to incorporate "political corruption" (top level corruption) into economic growth analysis. We propose a microeconomic framework. An agent of the public sector, who wants to optimize his cash flow resulting from budget misappropriations, will be highly sensitive to the instability related to his office. The natural equilibrium for the politician will be to fall into a "high political instability-low growth" trap, in which corruption appears endemic. However, the control of corruption by society will be possible. We consider a model in which alternative politicians compete with the incumbent politician but benefit from a common political reputation. It is shown that this situation leads to "dynamic collective reputation", which should restrain misappropriation practices. This theoretical framework will be useful in defining a "sustainable" degree of political competition and in understanding the asymmetric effects of extrinsic shocks on the growth process.

Maennig, Wolfgang. "On the Economics of Doping and Corruption in International Sports." *Journal of Sports Economics* v3, n1 (February 2002): 61-89.

Abstract: The subjects of doping and corruption in the Olympic family and the fight against them have until now largely been matters of sporting politics and jurisprudence. This contribution emphasizes that (a) both problems have a high degree of economic determination and (b) economics can offer efficient solutions. The corruption problem could be dampened by reducing the surpluses in the host cities, making the selection process more transparent, and increasing the incentive for corruption-free behavior. With regard to the phenomenon of



doping, an economic solution could increase the expected costs of doping by agreeing on financial penalties of a sufficiently high level.

Mehanna, Rock-Antoine. "Quality of Governance and Openness in the Middle East: Is There a Link?" *Journal of Transnational Management Development* 8, 1-2 (2002): 141-56.

Abstract: Economic literature has provided very limited work on the relationship between quality of governance and international trade. Besides few studies that have examined either the impact of corruption on few industry exports (see Lambsdorff) or the effect of political regimes on trade among developed economies (see Summary, Morrow et al.), this timely topic is almost absent in contemporary economic literature. To the best of my knowledge, the relationship between corruption and political freedom and openness has not yet been explored. Unlike past studies, this paper examines the impact of corruption and political freedom on trade openness in the Middle East. Given the importance of religion and culture in the Middle East region, this paper employs a model specifically developed to account for pertinent econometric specifications. Findings reveal that less open Middle Eastern economies are (perceived as) significantly more corrupt, but are not necessarily less politically free than the model predicts.

May, J. W., Pyle, W., Sommers, P. M. "Does Governance Explain Unofficial Activity?" *Applied Economics Letters* 9, 8 (June 2002): 537-39.

Abstract: The cross-country results presented here show that most aspects of governance affect transition and non-transition economies differently. For governments in transition, more regulation, greater voice and accountability, heightened government effectiveness, and stronger rule of law surprisingly matter very little. What matters most for these transition economies is political stability and insulating the country's business environment from corruption.

Abstracts of Journal Articles on Corruption, 2001

Sikdar, Soumyen, Chaudhuri, Sarbajit. "A Model of Corruption in an Investment Project." *Journal of Quantitative Economics* 17, 1 (January 2001): 161-70.

Abstract: The present paper analyzes the phenomenon of corruption in the context of a Public Works Department (PWD) in a developing country city and examines its tenacity in the face of anticorruption measures. Different behaviour patterns of the supervisor (official) of the PWD have been considered. The interesting result to emerge is that corruption may show a high degree of robustness against marginal attacks and such measures may actually be counterproductive in the different cases considered in this paper.

Lizal, Lubomir, Kocenda, Evzen. "State of Corruption in Transition: Case of the Czech Republic." *Emerging Markets Review* v2, n2 (June 2001): 137-59

Abstract: Corruption has a negative impact on society and economy. The transition process in Central and Eastern Europe (CEE) uncovered dormant possibilities for corruption and the necessity for appropriate steps to be taken. We document on the state of corruption in the Czech Republic and the measures introduced to fight it. We cover sectors of society and economy according to their importance of a consequential corruption hazard. We also described the government's program of anticorruption and its achievements and failures. The



state of corruption in the country, measured by the Corruption Perception Index, presents a serious problem since the index does not improve as the transition process advances. Numerous comparative studies, however, suggest that corruption is a more prominent feature in a number of other transition countries. We believe that the substantial change of approach to the institutional framework is necessary in order to prevent and fight corruption successfully.

Ahmad, Naved. "Corruption Perception Indices: A Comparative Analysis." *Pakistan Development Review* 40, 4 (Part 2 Winter 2001): 813-28.

Abstract: An attempt has been made to examine the significance of various corruption indices that are used in current empirical literature, especially with regard to the causes of corruption. The primary purpose of this paper is to demonstrate that these corruption indices not only produce similar results but also that the results are consistent over time. I approach this task by first presenting rank correlation coefficients among these indices and then categorising countries into three groups to analyse their rankings over time. Finally, I regress these indices on the same set of independent variables for a common set of countries. The results reveal that these indices are correlated among each other and are stable over time.

Polinsky, A. Mitchell, Shavell, Steven. "Corruption and Optimal Law Enforcement." *Journal of Public Economics* 81, 1 (July 2001): 1-24.

Abstract: We analyze corruption in law enforcement: the payment of bribes to enforcement agents, threats to frame innocent individuals in order to extort money from them, and the actual framing of innocent individuals. Bribery, extortion, and framing reduce deterrence and are thus worth discouraging. Optimal penalties for bribery and framing are maximal, but, surprisingly, extortion should not be sanctioned. The state may also combat corruption by paying rewards to enforcement agents for reporting violations. Such rewards can partially or completely mitigate the problem of bribery, but they encourage framing. The optimal reward may be relatively low to discourage extortion and framing, or relatively high to discourage bribery.

Sarkar, Hiren, Hasan, M. Aynul. "Impact of Corruption on the Efficiency of Investment: Evidence from a Cross-Country Analysis." *Asia-Pacific Development Journal* 8, 2 (December 2001): 111-16.

Abstract: The presence of corruption inflicts substantial economic costs on an economy. Corruption is a double edged sword, it reduces both the volume and efficiency of investment and thus economic growth. This note identifies a simple concept of the macroeconomic efficiency of investment, establishes its linkage with corruption and estimates the relationship between them. The efficiency of investment variables computed by the authors and Transparency International's Corruption Perception Indices are used as data. The note concludes that substantial gains in terms of economic growth could be achieved if corruption is reduced.

Akçay, Selçuk and Yapi Kredi. "Is Corruption an Obstacle for Foreign Investors in Developing Countries? A Cross-Country Evidence." *Economic Review* 12, 2 (December 2001): 27-34.

Abstract: This paper develops and empirically tests a model that links foreign direct investment (FDI) to corruption in a cross section of 52 developing countries. In order to test impact of corruption on FDI two different corruption indexes are used. Test results reveal that



there is no statistically significant negative relation between foreign direct investment and corruption indexes. Empirical evidence of this paper also shows that economic variables such as labor cost, market size, openness of the economy, corporate tax rate are the leading determinants for foreign investors.

Andrianova, Svetlana. "Corruption and Reputation." *Scottish Journal of Political Economy* 48, 3 (August 2001): 245-59.

Abstract: This paper examines corruption in a random matching game where past actions are imperfectly observed and players have the option to continue trading with their existing partners. It shows that the effect of individual reputations for honesty may outweigh the effect of a bad collective reputation depending on the expected value of a continued match relative to the corruption gain.

Habib, Mohsin, Zurawicki, Leon. "Corruption in the Context of International Business: Conceptual and Methodological Issues." *Journal of Transnational Management Development* 6, 3-4 (2001): 167-80.

Abstract: Corruption is widely accepted in the popular press as a problem for economic development and in conducting international business. Yet, it remains somewhat under-researched, particularly in an academic setting. This article describes corruption in the context of international business. It presents a critical evaluation of the conceptual and methodological issues associated with corruption. In doing, so, it portrays the inherent complexities in studying this topic. The paper ends with recommendations for addressing the main concerns.

Maitland, Elizabeth. "Corruption and the Outsider: Multinational Enterprises in the Transitional Economy of Vietnam." *Singapore Economic Review* v46, n1 (April 2001): 63-82.

Abstract: Transitional Vietnam exhibits key characteristics that economists argue are conducive to corrupt practices and, by knock-on effects, to slower economic growth. The process of liberalisation has shifted the status quo in Vietnam, permitting entry by a wider pool of bribe-takers and bribe-givers. Standard economic definitions of corruption focus on the abuse of public office for private gain, whereby corrupt practices are modelled as distortions in the distribution of government provided goods and services. This paper modifies existing models, specifying corruption as a distortion to the definition, allocation and/or enforcement of property rights. The model incorporates an explicit role for the incentive set that shapes behaviour by government officials, private individuals and firms. Abuse of public office is modelled as a distortion to property rights, including the re-assignment of private rights as the result of lobbying or rent-seeking activities. Local norms may sanction corruption against certain groups. The MNE is one case in point, others include different ethnic, religious and socio-economic groups. As outsiders in an environment historically hostile to "outsiders", MNEs represent "easy" corruption targets.

Qizilbash, Mozaffar. "Corruption and Human Development: A Conceptual Discussion." *Oxford Development Studies* 29, 3 (October 2001): 265-78.

Abstract: This paper is concerned with how the corruption and development debate changes if the focus shifts to notions of "human" development. There are many senses of corruption, but the literature has focused on the public office conception and consequentialist evaluation.



While it looks as if corruption clearly does not promote human development, the case needs to be made carefully, since arguments can be made to the effect that corruption can promote human development. The discussion highlights the limits of consequentialist evaluation and helps us to think about the policy implications of various conceptions of human development. Finally, while the diversity of norms and the possibility of Western bias do not undermine either anti-corruption or human development agendas, they do set limits on the extent to which specific moral norms can be embodied in conceptions of human development.

Fan, Chengze Simon, Grossman, Herschel I. "Incentives and Corruption in Chinese Economic Reform." *Journal of Policy Reform* 4, 3 (2001): 195-206.

Abstract: This paper argues that, given the legacy of Chinese communism and its political structure, corruption, together with the threat of punishment for corruption and the selective enforcement of this threat, serves as a method of compensation that both satisfies the political objectives of the Communist Party and provides an effective inducement to local officials to promote economic reform.

Gupta, Sanjeev, de Mello, Luiz, Sharan, Raju. "Corruption and Military Spending." *European Journal of Political Economy* 17, 4 (November 2001): 749-77.

Abstract: Anecdotal evidence relates corruption with high levels of military spending. This paper tests empirically whether such a relationship exists. The empirical analysis is based on data from four different sources for up to 120 countries during 1985-1998. The association between military spending and corruption is investigated by using cross-section and panel regression techniques. The results suggest that corruption is associated with higher military spending as a share of both GDP and total government spending, as well as with arms procurement in relation to GDP and total government spending. The results can be interpreted as evidence that defense spending may be used as a component of an indicator of the quality of governance.

Safavian, Mehnaz S., Graham, Douglas H., Gonzalez-Vega, Claudio. "Corruption and Microenterprises in Russia." *World Development* v29, n7 (July 2001): 1215-24.

Abstract: In Russia, compliance with the rules and regulations that govern almost all aspects of economic life has created a hostile environment for microenterprises. More serious than the regulations per se, however, is the potential niche they create for opportunistic behavior by regulatory authorities. In Russia, the regulatory state has created a corrupt cadre of government bureaucrats who frequently engage in rent-seeking behavior while enforcing regulations. Firms are not uniformly affected by corruption, however. This paper shows empirical evidence of differential incidence of extortion, based on firm and entrepreneurial characteristics. Corruption in Russia is similar to a regressive tax, and acts as a disincentive to innovation and growth, it may induce technologically inefficient production decisions, and can dilute economies of scale and scope.

Van Rijckeghem, Caroline, Weder, Beatrice. "Bureaucratic Corruption and the Rate of Temptation: Do Wages in the Civil Service Affect Corruption, and by How Much?" *Journal of Development Economics* v65, n2 (August 2001): 307-31.



Abstract: This paper presents what is to our knowledge the first empirical estimate of the effect of pay in the civil service on corruption. First, we show that theory is ambiguous on the relationship between civil-service pay and corruption. Then, we examine the issue using a new data set on wages for low-income countries. We find evidence of a statistically and economically significant relationship between relative civil-service pay and corruption in regressions based on cross-country averages, where we control for a wide array of variables. The relationship implies that a rather large increase in wages is required to eradicate corruption solely by raising wages.

Buscaglia, Edgardo. "An Analysis of Judicial Corruption and Its Causes: An Objective Governing-Based Approach." *International Review of Law and Economics* v21, n2 (June 2001): 233-49.

Abstract: The economic analysis of corrupt practices has already generated significant theoretical contributions to the literature. But the empirical literature has failed to capture or objectively test the main causes of systemic corruption within the court systems. For example, recent survey-based studies of corrupt practices based on just subjective perceptions of governance factors provide a good example of these limitations. For public policy design purposes, a scientific approach to the study of public sector corruption must be empirically verifiable through objective and subjective indicators if we are to develop reliable anticorruption prescriptions. This Article presents empirical results that fill in the lacunae left by the previous studies. The Article proposes the use of six objective explanatory variables to capture the effects on corrupt practices. This dependent variable is measured in terms of the compatible subjective probabilities of corrupt practices captured through the use of surveys of lawyers, judges, and litigants. The paper later proposes an empirical model that incorporates substantive-procedural, market-related, and organizational explanatory variables tested within the judicial sectors of Argentina, Ecuador, and Venezuela.

Bac, Mehmet. "Corruption, Connections and Transparency: Does a Better Screen Imply a Better Scene?" *Public Choice* 107, 1-2 (April 2001): 87-96.

Abstract: A higher level of transparency in decision making increases the probability that corruption or wrongdoing is detected. It may also improve outsiders' information about the identities of key decision makers, thereby enhance incentives to establish "connections" for corruption. The connections effect may dominate the detection effect for local improvement in transparency and generate an increase in corruption, a prediction sharply in contrast with standard theories of transparency.

Mo, Pak Hung. "Corruption and Economic Growth." *Journal of Comparative Economics* 29, 1 (March 2001): 66-79.

Abstract: This study introduces a new perspective on the role of corruption in economic growth and provides quantitative estimates of the impact of corruption on the growth and importance of the transmission channels. In our ordinary least squares estimations, we find that a 1% increase in the corruption level reduces the growth rate by about 0.72% or, expressed differently, a one-unit increase in the corruption index reduces the growth rate by 0.545 percentage points. The most important channel through which corruption affects economic growth is political instability, which accounts for about 53% of the total effect. We also find that corruption reduces the level of human capital and the share of private investment.



Rauch, James E. "Leadership Selection, Internal Promotion, and Bureaucratic Corruption in Less Developed Polities." *Canadian Journal of Economics* v34, n1 (February 2001): 240-58.

Abstract: The establishment of a professional government bureaucracy in place of political appointees is an important component of an enabling environment for private enterprise. I show that internal promotion can help to bring to power individuals who highly value (relative to income) imposition of their preferences over collective goods on the public. Such individuals restrain the corruption of their subordinates as a byproduct of their efforts to implement their preferences using tax revenue. As a result, large-scale and petty corruption tend to move together and both tend to be lower the longer the practice of internal promotion has been in place.

Del Monte, Alfredo, Papagni, Erasmo. "Public Expenditure, Corruption, and Economic Growth: The Case of Italy." *European Journal of Political Economy* 17, 1 (March 2001): 1-16.

Abstract: Public services and goods provide necessary inputs into private productive activities. Modern states finance these inputs through taxes collected from the community. When this process is influenced by bureaucratic corruption, the efficiency of public expenditure decreases. In this paper, we investigate the long-run consequences of this form of corruption. In a model of economic growth with public inputs used in private production, government bureaucrats purchase inputs from the private sector with some degree of discretion. Illegal agreements allow personal profit, and governments fight corruption through costly monitoring of public purchases. The extent of corruption is a decision variable in the maximization of expected revenue. The model is supported by econometric analysis of the Italian case. A dynamic panel data approach to economic growth based on data of 20 regions allows us to estimate the effect of corruption on the productivity of expenditure on public investment. The effect is significant and distinct from a direct negative effect of corruption on the growth rate.

Jain, Arvind K. "Corruption: A Review." *Journal of Economic Surveys* 15, 1 (February 2001): 71-121.

Abstract: As is increasingly recognised in academic literature and by international organisations, corruption acts as a major deterrent to growth and development. The aim of this survey is to organise and summarise existing theoretical and empirical work on corruption with a view to identifying opportunities for further research. The paper begins with a brief overview of key definitions of corruption, and then turns to a review of the factors that favour or deter the growth of corruption together with a brief look at related models. This is followed by an examination of the consequences of corruption for society, and the consideration of measures that might help to reduce corruption. The paper ends with suggestions for future research and includes summaries of data sources and key variables for use in this research.

Swamy, Anand, et al. "Gender and Corruption." *Journal of Development Economics* 64, 1 (February 2001): 25-55.

Abstract: Using several independent data sets, we investigate the relationship between gender and corruption. We show using micro-data that women are less involved in bribery, and are less likely to condone bribe-taking. Cross-country data show that corruption is less severe where

women hold a larger share of parliamentary seats and senior positions in the government bureaucracy, and comprise a larger share of the labor force.

Azfar, Omar, Lee, Young, Swamy, Anand. "The Causes and Consequences of Corruption." *Annals of the American Academy of Political and Social Science* 573, (January 2001): 42-56.

Abstract: In recent years, economists have come to recognize that corruption is not just an aberration or a nuisance, it is a systemic feature of many economies, which constitutes a significant impediment to economic development. The authors present an overview of the literature on the causes and consequences of corruption and briefly comment on some policy issues, drawing on recent research, including their own.

Santiso, Carlos. "The Governance of the State: Strengthening Accountability." *Forum for Development Studies* v28, n2 (2001): 349-53.

Abstract: Strengthening public accountability constitutes a daunting challenge for emerging democracies. It is needed for the consolidation of democracy and enables the institutions of governance to take root. *The Self-Restraining State: Power and Accountability in New Democracies* (Schedler, Diamond and Platter, eds) explores the mystery of institutional reform by application of the concept and mechanisms of accountability in the broader context of the modernisation of the state. Building accountability entails in particular the existence of effective "agencies of restraint" within the state apparatus itself both politically able and legally empowered to prevent the abuse of power and the misuse of authority. The book focuses on four strategic areas of public policy: electoral administration, judicial systems, corruption control and central banking as well as the role of international financial institutions. *Self-Restraining State* constitutes a critical contribution to our understanding of how to strengthen democratic governance by reforming the state.

Knack, Stephen. "Aid Dependence and the Quality of Governance: Cross-Country Empirical Tests." *Southern Economic Journal* v68, n2 (October 2001): 310-29

Abstract: Aid dependence can potentially undermine the quality of governance and public sector institutions by weakening accountability, encouraging rent-seeking and corruption, fomenting conflict over control of aid funds, siphoning off scarce talent from the bureaucracy, and alleviating pressures to reform inefficient policies and institutions. Analyses of cross-country data in this paper provide evidence that higher aid levels erode the quality of governance, as measured by indices of bureaucratic quality, corruption, and the rule of law. These findings support the need for donors to develop less costly and less intrusive ways of disseminating state-of-the-art knowledge on public sector reform in developing countries.

Abstracts of Journal Articles on Corruption, 2000

Klitgaard, Robert. "Subverting Corruption." *Finance and Development* 37, 2 (June 2000): 2-5.

Abstract: The focus of countries' anticorruption efforts typically begins with consciousness raising, shifts to making governments less susceptible, and then addresses the problem of



corrupt systems. When this third stage is reached, what measures can governments, concerned citizens, and others take to subvert entrenched corruption?

Brueckner, Jan K. "Fiscal Decentralization in Developing Countries: The Effects of Local Corruption and Tax Evasion." *Annals of Economics and Finance* 1, 1 (May 2000): 1-18.

Abstract: A movement toward fiscal decentralization is underway in many countries across the world. This movement is partly justified by appeal to the classic argument of Tiebout (1956), who claimed that decentralized provision of public goods allows better fulfillment of diverse individual demands. Many commentators, however, have expressed concern that the conditions justifying Tiebout's argument are not present in many developing countries. This paper analyzes the consequences of altering Tiebout's model to include local corruption and tax evasion, which may exist in many developing countries. The analysis shows that these forces indeed limit the benefits from fiscal decentralization. By raising public-good costs, corruption cancels some of the gains from better demand fulfillment, which arise as Tiebout sorting generates homogeneous local jurisdictions. By creating incentives for mixing, thereby preventing formation of homogeneous communities, tax evasion may block the operation of the Tiebout mechanism, eliminating the gains from fiscal decentralization.

Hellman, Joel, Schankerman, Mark. "Intervention, Corruption and Capture: The Nexus between Enterprises and the State." *Economics of Transition* 8, 3 (2000): 545-76.

Abstract: We study the nexus between enterprises and the state in transition countries, using new enterprise survey data. We examine the quality of governance, state intervention in enterprise decision-making, state benefits to firms, and corruption payments. The quality of governance varies both across countries and across different dimensions of governance within countries. Economic reform improves governance in countries with a low degree of "state capture" by vested interests, but not in high-capture countries. Despite reform, state intervention in firm decisions continues, but it varies substantially across firms. At the micro level (within a country), there is clear substitution between the degree of state intervention, state benefits to firms, and corruption payments, which is consistent with a bargaining model of politicians and firms. But at the macro level (across countries) these elements are complementary, suggesting that politicians, perhaps under pressure from captor firms, have some control over the scope of regulation and intervention.

Collier, Paul. "How to Reduce Corruption." *African Development Review* 12, 2 (December 2000): 191-205.

Abstract: Africa has not always been corrupt, and some African societies are not corrupt. Nevertheless, for much of Africa, the reduction of corruption is currently an important priority. I review the lessons from Africa's history, from experience elsewhere, and from economic theory, to develop an agenda for action. Since Africa became corrupt, part of the solution is to understand what caused that change so that the causal factors can be reversed. For example, both widespread economic regulation and weak checks on the performance of public sector employees encouraged corruption. However, once corruption becomes normal, reversing the policies that caused it is not enough. The society needs a "big push" to shock it out of a high-corruption equilibrium.



Myint, U. "Corruption: Causes, Consequences and Cures." *Asia-Pacific Development Journal* 7, 2 (December 2000): 33-58.

Abstract: The paper stresses the need to keep the issue of corruption squarely in view in the development agenda. It discusses the causes and consequences of corruption, especially in the context of a least developed country with considerable regulation and central direction. Lack of transparency, accountability and consistency, as well as institutional weaknesses such as in the legislative and judicial systems, provide fertile ground for growth of rent seeking activities in such a country. In addition to the rise of an underground economy and the high social costs associated with corruption, its adverse consequences on income distribution, consumption patterns, investment, the government budget and on economic reforms are highlighted in the paper. The paper also touches upon the supply side of bribery and its international dimensions and presents some thoughts on how to address the corruption issue and to try and bring it under control.

Goorha, Prateek. "Corruption: Theory and Evidence through Economies in Transition." *International Journal of Social Economics* 27, 11-12 (2000): 1180-1204.

Abstract: Corruption is a serious problem for economies in transition. It causes retardation in the development of institutions conducive to economic growth. In this sense, it introduces inertia in transition dynamics. Generally, corruption is a deep-rooted social and economic problem in developing economies everywhere in the world. Presents an analysis of political corruption and argues why some countries are afflicted by it more than others are. For this, several lines of argument are explored, empirical tests and observations are analyzed and finally a model for an economy in transition is presented.

Wei, Shang-Jin. "How Taxing Is Corruption on International Investors?" *Review of Economics and Statistics* 82, 1 (February 2000): 1-11.

Abstract: This paper studies the effect of corruption on foreign direct investment. The sample covers bilateral investment from twelve source countries to 45 host countries. There are two central findings. First, a rise in either the tax rate on multinational firms or the corruption level in a host country reduces inward foreign direct investment (FDI). In a benchmark estimation, an increase in the corruption level from that of Singapore to that of Mexico would have the same negative effect on inward FDI as raising the tax rate by fifty percentage points. Second, American investors are averse to corruption in host countries, but not necessarily more so than average OECD investors, in spite of the U.S. Foreign Corrupt Practices Act of 1977.

Li, Hongyi, Xu, Lixin Colin, Zou, Heng-Fu. "Corruption, Income Distribution, and Growth." *Economics and Politics* 12, 2 (July 2000): 155-82

Abstract: This paper uses an encompassing framework developed by Murphy et al. (1991, 1993) to study corruption and how it affects income distribution and growth. We find that (1) corruption affects income distribution in an inverted U-shaped way, (2) corruption alone also explains a large proportion of the Gini differential across developing and industrial countries, and (3) after correcting for measurement errors, corruption seems to retard economic growth. But the effect is far less pronounced than the one found in Mauro (1995). Moreover, corruption alone explains little of the continental growth differentials. In countries where the asset



distribution is less equal, corruption is associated with a smaller increase in income inequality and a larger drop in growth rates.

Carrillo, Juan D. "Graft, Bribes, and the Practice of Corruption." *Journal of Economics and Management Strategy* 9, 2 (Summer 2000): 257-86.

Abstract: We construct a dynamic model of corruption in organizations where officials privately know their propensity for corruption and clients optimally choose the bribe offered. We show that there is a continuum set of stationary bribe equilibria due exclusively to the dynamic nature of the model and the endogenous determination of bribes. This can explain why similar countries have stable but different "implicit prices" for the same illegal services. We also show that, by not considering the reaction of clients, traditional analysis have systematically overestimated the beneficial effect of increasing wages as an anticorruption measure.

Treisman, Daniel. "The Causes of Corruption: A Cross-National Study." *Journal of Public Economics* 76, 3 (June 2000): 399-457.

Abstract: Why is corruption--the misuse of public office for private gain--perceived to be more widespread in some countries than others? Different theories associate this with particular historical and cultural traditions, levels of economic development, political institutions, and government policies. This article analyzes several indexes of "perceived corruption" compiled from business risk surveys for the 1980s and 1990s. Six arguments find support. Countries with Protestant traditions, histories of British rule, more developed economies, and (probably) higher imports were less "corrupt." Federal states were more "corrupt." While the current degree of democracy was not significant, long exposure to democracy predicted lower corruption.

Chang, Juin-jen, Lai, Ching-chong, Yang, C. C. "Casual Police Corruption and the Economics of Crime: Further Results." *International Review of Law and Economics* 20, 1 (March 2000): 35-51.

Abstract: This article revisits the Bowles-Garoupa model with regard to corruption and crime. We interpret additional costs inflicted on a caught corrupt officer as psychological costs, and we incorporate social norms into these psychological costs. In the Bowles-Garoupa model, the deterrent effect of raising fines on crime is weakened but is not perverse in the presence of corruption. Here, due to the "snowballing" character of social norms, raising fines could be counterproductive in deterring crimes if the status quo corruption is widespread. As a corollary, the optimality of the maximal fine suggested by Becker need not be true even if corruption is harmless.

Acemoglu, Daron, Verdier, Thierry. "The Choice between Market Failures and Corruption." *American Economic Review* 90, 1 (March 2000): 194-211.

Abstract: Because government intervention transfers resources from one party to another, it creates room for corruption. As corruption often undermines the purpose of the intervention, governments will try to prevent it. They may create rents for bureaucrats, induce a misallocation of resources, and increase the size of the bureaucracy. Since preventing all corruption is excessively costly, second-best intervention may involve a certain fraction of



bureaucrats accepting bribes. When corruption is harder to prevent, there may be both more bureaucrats and higher public-sector wages. Also, the optimal degree of government intervention may be nonmonotonic in the level of income.

Levin, Mark, Satarov, Georgy. "Corruption and Institutions in Russia." *European Journal of Political Economy* 16, 1 (March 2000): 113-32.

Abstract: This paper describes the institutions and social norms that have accommodated corruption in the Russian Federation in the post-transition years. We show how corruption is sustained by ill-defined boundaries between political and private business activity, and how the role of the state facilitates rather than hinders corruption. The paper draws upon a longer document prepared by the authors, the IDEM Report on Corruption on Russia (1998).

Marjit, Sugata, Mukherjee, Vivekananda, Mukherjee, Arijit. "Harassment, Corruption and Tax Policy." *European Journal of Political Economy* 16, 1 (March 2000): 75-94.

Abstract: This paper introduces "harassment" in a model of bribery and corruption. We characterize the harassment equilibrium and show that taxpayers, with all possible levels of income, participate in such equilibrium. Harassment has a regressive bias. Harassment costs as such may not affect tax revenue. However, when the decision to file tax returns is endogenized, harassment cost can affect the filing pattern and, hence, the revenue collection. We study the nature of the equilibrium under imperfect information when different types of taxpayers and auditors are introduced in the system.

Abstracts of Working Papers on Corruption, 2000-2006

Abstracts of Working Papers on Corruption, 2006

Ray Fisman Edward Miguel. 2006. "Cultures of Corruption: Evidence from Diplomatic Parking Tickets." Work in Progress: (April 2006 Version)

Abstract: Corruption is believed to be a major factor impeding economic development, but the importance of legal enforcement versus cultural norms in limiting corruption is poorly understood. To disentangle these two factors, we exploit a natural experiment, the stationing of large numbers of diplomats from around the world in New York City. Diplomatic immunity means there was essentially zero legal enforcement of diplomatic parking violations, allowing us to examine the role of cultural norms alone. This generates a revealed preference measure of corruption based on real-world behavior for government officials all acting in the same setting. We find tremendous persistence in corruption norms: diplomats from countries with higher levels of corruption (based on existing survey-based indices) have significantly more parking violations. In a second main result, officials from countries that survey evidence indicates have less favorable popular views of the United States commit significantly more parking violations, providing non-laboratory evidence on the role that sentiment and affinity may play in economic decision-making.

Axel Dreher and Friedrich Schneider. 2006. "Corruption and the Shadow Economy: An Empirical Analysis." KOF Working Paper 123, Swiss Federal Institute of Technology (ETH Zurich).



Abstract: This paper analyzes the influence of the shadow economy on corruption and vice versa. We hypothesize that corruption and shadow economy are substitutes in high income countries while they are complements in low income countries. The hypotheses are tested for a cross-section of 120 countries and a panel of 70 countries for the period 1994-2002. Our results show that the shadow economy reduces corruption in high income countries, but increases corruption in low income countries. We also find that stricter regulations increase both corruption and the shadow economy.

[Link to the paper: <http://ideas.repec.org/p/cra/wpaper/2006-01.html>]

Abstracts of Working Papers on Corruption, 2005

Campos, Edgardo J. and Luis Syquia. 2005. "Managing the Politics of Reform: Overhauling the Legal Infrastructure of Public Procurement in the Philippines." World Bank Working Paper Series: 70.

Abstract: Over the past 30 years there has been considerable research on the political economy of reform. Yet, despite this, little is known about strategies for managing the politics of change-moving from a bad to a better equilibrium. Part of the challenge of studying this issue stems from the difficulty of obtaining detailed, so-called "blow-by-blow" information on actual reform processes. From this type of information, one can discern and cull practical lessons on strategy, which by its very nature is about dealing with political barriers or problems as they crop up during the implementation process. This study looks at the sequence of events that ultimately led to the passage of legislation that markedly altered the rules that govern public procurement in the Philippines. The study attempts to distill operationally useful lessons for managing the politics of a reform process. [<http://www-wds.worldbank.org/>]

Dean Yang. 2005. "Integrity for Hire: An Analysis of a Widespread Program for Combating Customs Corruption." Gerald R. Ford School of Public Policy and Department of Economics, University of Michigan (August).

Abstract: Can governments successfully combat bureaucratic corruption by "hiring integrity" from the private sector? This paper examines the impact of hiring private firms to collect information for government anti-corruption efforts. In the past two decades, a number of developing countries have hired private firms to conduct preshipment inspections of imports, generating data that governments can use to fight corruption in customs agencies. I find that countries implementing such inspection programs subsequently experience large increases in import duty collections. By contrast, the growth rate of other tax revenues does not change appreciably. Additional evidence suggests that declines in customs corruption are behind the import duty improvements: the programs also lead to declines in undervaluation and in misreporting of goods classifications. Historically, this hired integrity appears to have been cost-effective: improvements in import duty collections in the first five years of a typical inspection program were 2.6 times program costs. [<http://www-personal.umich.edu/~deanyang/>]

Sebastian Freille, M Emranul Haque, and Richard Kneller. 2005. "A Contribution to the Empirics of Press Freedom and Corruption." The University of Nottingham Research Paper Series 2005/24.



Abstract: We test the relationship between aggregate press freedom and corruption, performing a modified extreme bounds analysis for a 10-year panel. We also test the relation among different forms of restrictions to press freedom and corruption using the previously unexplored disaggregated data. Our results support the theoretical view that restrictions in press freedom lead to higher corruption levels. Furthermore, we obtain that both political and economic influences on the media are strongly and robustly related to corruption, while detrimental laws and regulations influencing the media are not strongly associated to higher corruption. In all cases, there is indicative, albeit not conclusive, evidence that the direction of causation runs from a freer press to lower corruption. [<http://ssrn.com/author=556923>]

Yuri Gorodnichenko, and Klara Sabirianova Peter. "Public Sector Pay and Corruption: Measuring Bribery from Micro Data." Institute for the Study of Labor Discussion Paper No. 1987 and Andrew Young School of Policy Studies Research Paper Series No. 06-05.

Abstract: This study is the first to provide a systematic measure of bribery using micro-level data on reported earnings, household spending and asset holdings. We use the compensating differential framework and the estimated sectoral gap in reported earnings and expenditures to identify the size of unobserved (unofficial) compensation (i.e., bribes) of public sector employees. In the case of Ukraine, we find that public sector employees receive 24-32% less wages than their private sector counterparts. The gap is particularly large at the top of the wage distribution. At the same time, workers in both sectors have essentially identical level of consumer expenditures and asset holdings that unambiguously indicate the presence of nonreported compensation in the public sector. Using the conditions of labor market equilibrium, we develop an aggregate measure of bribery and find that the lower bound estimate of the extent of bribery in Ukraine is between 460 mln and 580 mln U.S. dollars (0.9-1.2% of Ukraine's GDP in 2003). [<http://ssrn.com/abstract=884322>]

Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. 2005. "Governance Matters IV: Governance Indicators for 1996-2004." World Bank Policy Research Working Paper 3630.

Abstract: The authors present the latest update of their aggregate governance indicators, together with new analysis of several issues related to the use of these measures. The governance indicators measure the following six dimensions of governance: (1) voice and accountability; (2) political instability and violence; (3) government effectiveness; (4) regulatory quality; (5) rule of law, and (6) control of corruption. The paper covers 209 countries and territories for 1996, 1998, 2000, 2002, and 2004. They are based on several hundred individual variables measuring perceptions of governance, drawn from 37 separate data sources constructed by 31 organizations. The authors present estimates of the six dimensions of governance for each period, as well as margins of error capturing the range of likely values for each country. These margins of error are not unique to perceptions-based measures of governance, but are an important feature of all efforts to measure governance, including objective indicators. In fact, the authors give examples of how individual objective measures provide an incomplete picture of even the quite particular dimensions of governance that they are intended to measure. The authors also analyze in detail changes over time in their estimates of governance; provide a framework for assessing the statistical significance of changes in governance; and suggest a simple rule of thumb for identifying statistically significant changes in country governance over time. The ability to identify significant changes in governance over time is much higher for aggregate indicators than for any individual



indicator. While the authors find that the quality of governance in a number of countries has changed significantly (in both directions), the authors also provide evidence suggesting that there are no trends, for better or worse, in global averages of governance. Finally, the authors interpret the strong observed correlation between income and governance, and argue against recent efforts to apply a discount to governance performance in low-income countries.
[www.worldbank.org/wbi/governance/govdata/]

Kaufmann, Daniel and Pedro C. Vicente. 2005. "Legal Corruption." World Bank Institute Governance Working Papers.

Abstract: The authors challenge the conventional definition of corruption as the 'abuse of public office for private gain', making a distinction between legal and illegal forms of corruption, and paying more attention to corporate patterns of corruption (which also affect public corruption). The authors undertake to identify general determinants of the pattern of legal and illegal corruption worldwide, and present a model where both corruption (modelled explicitly in the context of allocations) and the political equilibrium are endogenous. Three types of equilibrium outcomes are identified as a function of basic parameters, namely initial conditions (assets/productivity), equality, and fundamental political accountability. These equilibria are: i) an illegal corruption equilibrium, where the political elite does not face binding incentives; ii) a legal corruption equilibrium, where the political elite is obliged to incur on a cost to "deceive" the population, and, iii) a no-corruption equilibrium, where the population cannot be deceived. An integral empirical test of the model is performed, using a broad range of variables and sources. Its core variables, namely regarding legal corruption (and other manifestations of corporate corruption) come from an original survey developed with the World Economic Forum (in the Executive Opinion Survey 2004 of the Global Competitiveness Report). The empirical results generally validate the model and explanations. Some salient implications emerge.
[<http://www.worldbank.org/wbi/governance/pubs.html>]

Woodhouse, Andrea. 2005. "Village Corruption in Indonesia's Kecamatan Development Program." World Bank Working Paper Numbered Series: Indonesia Social Development Paper 6.

Abstract: What works to limit corruption in a large rural development project in a country with endemic corruption, a weak legal system, and a history of top-down political control by a powerful state bureaucracy? The Kecamatan Development Program (KDP) is a \$273 million World Bank-funded community-driven development project in Indonesia that funds infrastructure and small loans in over 20,000 villages nationwide. Its approach to combating corruption is based on an analysis of the political economy of corruption in Indonesian villages and is two pronged. First, it aims to change the conditions that breed corruption in villages by breaking existing monopolies over information, resources, and access to justice. Second, it aims to prevent corruption in the project itself by skewing the incentives of the project structure against corrupt behavior. The paper argues that corruption is primarily a problem of incentives, and can be fought effectively only by changing the costs and benefits attached to corrupt behavior. It also argues that local contexts and social norms are key to understanding how these incentives can be changed to reduce corruption. The first part of the paper examines the conditions that enable corruption to flourish in Indonesian villages. The second part of the paper examines corruption in KDP, based on a review of the KDP field experience and an incentives analysis of the project cycle. Corruption in KDP takes several forms, including



budget markups, collusion, bribes, and kickbacks to local officials. The analysis reveals that the elements of the project most effective in limiting corruption are transparency, community participation, and the provision of independent channels for resolving complaints. [<http://www-wds.worldbank.org/>]

Gurgur, Tugrul, and Shah, Anwar. 2005. "Localization and Corruption: Panacea or Pandora's Box?" World Bank Policy Research Working Paper Series 3486.

Abstract: An extensive literature on the relationship between decentralization (or localization) and corruption has developed in recent years. While some authors argue that there is a positive relationship between decentralization and corruption, others claim that decentralization in fact leads to a reduction in the level of corruption. This important policy question has not yet been laid to rest since previous empirical work simply uses eclectic regressions and lacks a conceptual framework to discover the root causes of corruption. The paper attempts to fill this void by presenting a framework in identifying the drivers of corruption both conceptually and empirically to isolate the role of centralized decision-making on corruption. The following results emerge: For a sample of 30 countries (developing and industrial), corruption is caused by a lack of service orientation in the public sector, weak democratic institutions, economic isolation (closed economy), colonial past, internal bureaucratic controls, and centralized decision-making. Decentralization is found to have a negative impact on corruption, with the effect being stronger in unitary than in federal countries.

[http://econ.worldbank.org/files/41094_wps3486.pdf]

Shkaratan, Maria. 2005. "Bosnia and Herzegovina Diagnostic Surveys of Corruption." World Bank Working Paper 33255.

Abstract: The report is based on surveys with 2,250 individuals, public officials, and enterprise managers conducted in June-July and September 2000. The paper concludes that corruption pattern in Bosnia and Herzegovina is characterized by (a) high level of public concern with corruption, (b) low level of public trust in the governments, (c) state capture and conflict of interest, (d) public administration inefficiencies reflected in widespread bribery in public offices, (e) distorted business environment and (f) a significant burden on poor households, exacerbating poverty and inequality. The Bosnia and Herzegovina governments have recognized the importance of reducing corruption. While, to date, considerable progress has been achieved in strengthening the fiscal management and introducing consistent and harmonized policies at the State and Entity levels, the remaining challenges BiH face are formidable. Interests that benefit from the status quo have every incentive to stall reforms. But there are also many who would benefit from the reforms. Increasing their awareness of the potential gains from addressing corruption and state capture squarely can help foment the ability for civil society to collectively push for change. Building on the heightened public awareness of the costs of corruption, reformers will be better able to advance an anticorruption agenda that tackles the systemic institutional weaknesses that facilitate corruption.

[<http://www-wds.worldbank.org/>]

Rosenbaum, Kenneth L. 2005. "Tools for Civil Society Action to Reduce Forest Corruption: Drawing Lessons from Transparency International." World Bank Working Paper 32861.



Abstract: The first chapter explains the underpinning of Transparency International's (TI's) approach, the theory that corruption is a chronic threat in all societies and is only controlled through national integrity systems. These are built on a foundation of social values and public awareness, and they rely on the various pillars of society providing mutual accountability for corrupt behavior. The pillars include non-governmental actors such as the media and civil society, and governmental actors such as the legislature, ombudsmen, and watchdog agencies. The second chapter takes its inspiration from the corruption-fighting projects of TI throughout the world and asks how civil society groups might apply these examples to the forest sector. It details more than two dozen tools that groups might apply. Most are based on TI efforts at the national level as reported in TI's Corruption Fighters' Toolkit. The third chapter considers some key questions about applying these tools. The report concludes with a few overarching observations, including an endorsement of TI's approach to tackling corruption as a constructive and perhaps necessary addition to the fight against illegal logging. [<http://www-wds.worldbank.org/>]

Keefer, Philip, and Vlaicu, Razvan. 2005. "Democracy, Credibility, and Clientelism." World Bank Policy Research Working Paper Series: 3472.

Abstract: The authors demonstrate that sharply different policy choices across democracies can be explained as a consequence of differences in the ability of political competitors to make credible pre-electoral commitments to voters. Politicians can overcome their credibility deficit in two ways. First, they can build reputations. This requires that they fulfill preconditions that in practice are costly--informing voters of their promises, tracking those promises, and ensuring that voters turn out on election day. Alternatively, they can rely on intermediaries--patrons--who are already able to make credible commitments to their clients. Endogenizing credibility in this way, the authors find that targeted transfers and corruption are higher and public good provision lower than in democracies in which political competitors can make credible pre-electoral promises. The authors also argue that in the absence of political credibility, political reliance on patrons enhances welfare in the short run, in contrast to the traditional view that clientelism in politics is a source of significant policy distortion. However, in the long run reliance on patrons may undermine the emergence of credible political parties. The model helps to explain several puzzles. For example, public investment and corruption are higher in young democracies than old; and democratizing reforms succeeded remarkably in Victorian England, in contrast to the more difficult experiences of many democratizing countries, such as the Dominican Republic.

[http://econ.worldbank.org/files/41015_wps3472.pdf]

Olken, Benjamin A. 2005. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." NBER Working Paper 11753.

Abstract: This paper uses a randomized field experiment to examine several approaches to reducing corruption. I measure missing expenditures in over 600 village road projects in Indonesia by having engineers independently estimate the prices and quantities of all inputs used in each road, and then comparing these estimates to villages' official expenditure reports. I find that announcing an increased probability of a government audit, from a baseline of 4 percent to 100 percent, reduced missing expenditures by about 8 percentage points, more than enough to make these audits cost-effective. By contrast, I find that increasing grass-roots participation in the monitoring process only reduced missing wages, with no effect on missing



materials expenditures. Since materials account for three-quarters of total expenditures, increasing grass-roots participation had little impact overall. The findings suggest that grass-roots monitoring may be subject to free-rider problems. Overall, the results suggest that traditional top-down monitoring can play an important role in reducing corruption, even in a highly corrupt environment.

[<http://papers.nber.org/papers/w11753>]

Hunt, Jennifer. 2005. "Why Are Some Public Officials more Corrupt than others?" NBER Working Paper 11595.

Abstract: Using detailed Peruvian data measuring bribery, I assess which types of public official are most corrupt and why. I distinguish between the bribery rate and the size of bribes received, and seek to explain the variation in each across public institutions. The characteristics of officials' clients explain most of the variation for bribery rates, but none for bribe amounts. A measure of the speed of honest service at the institution explains much of the remaining variation for both bribery rates and amounts. The results indicate that the bribery rate is higher at institutions with bribe-prone clients, and that bribery rates and bribe amounts are higher where clients are frustrated at slow service. Faster and better service would reduce corruption. Overall, the judiciary and the police are by far the most corrupt institutions.

[<http://papers.nber.org/papers/w11595>]

Cai, Hongbin, Fang, Hanming, and Xu, Lixin Colin. 2005. "Eat, Drink, Firms and Government: An Investigation of Corruption from Entertainment and Travel Costs of Chinese Firms." NBER Working Paper 11592.

Abstract: Entertainment and Travel Costs (ETC) is a standard expenditure item for Chinese firms with an annual amount equal to about 20 percent of total wage bills. The paper uses this objective accounting measure as a basis to analyze the composition of ETC and the effect of ETC on firm performance. The paper relies on the predictions from a simple but plausible model of managerial decision-making to identify components of ETC by examining how the total ETC responds to different environmental variables. In the empirical analysis, the paper finds strong evidence that ETC consists of a mix that includes bribery to government officials both as "grease money" and "protection money," expenditures to build relational capital with suppliers and clients, and managerial excesses. ETC overall has a significantly negative effect on firm performance, but its negative effect is much less pronounced for those firms located in cities with low quality government service, those who are subject to severe government expropriation, and those who do not have strong relationship with suppliers and clients. The paper's findings have important implications on how to effectively curb corruption.

[<http://www.nber.org/papers/w11592.pdf>]

Alesina, Alberto, and Angeletos, George-Marios. 2005. "Corruption, Inequality and Fairness". NBER Working Papers: 11399.

Abstract: Bigger governments raise the possibilities for corruption, more corruption may in turn raise the support for redistributive policies that intend to correct the inequality and injustice generated by corruption. In the paper, the researchers formalize these insights in a simple dynamic model. A positive feedback from past to current levels of taxation and corruption arises either when wealth originating in corruption and rent seeking is considered



unfair, or when the ability to engage in corruption is unevenly distributed in the population. This feedback introduces persistence in the size of the government and the levels of corruption and inequality. Multiple steady states exist in some cases.
[<http://www.nber.org/papers/w11399.pdf>]

Beck, Thorsten, Demirguc-Kunt, Asli, and Levine, Ross. 2005. "Bank Supervision and Corruption in Lending." NBER Working Papers: 11498.

Abstract: Which commercial bank supervisory policies ease or intensify the degree to which bank corruption is an obstacle to firms raising external finance? Based on new data from more than 2,500 firms across 37 countries, this paper provides the first empirical assessment of the impact of different bank supervisory policies on firms' financing obstacles. The paper finds that the traditional approach to bank supervision, which involves empowering official supervisory agencies to directly monitor, discipline, and influence banks, does not improve the integrity of bank lending. Rather, a supervisory strategy that focuses on empowering private monitoring of banks by forcing banks to disclose accurate information to the private sector tends to lower the degree to which corruption of bank officials is an obstacle to firms raising external finance. In extensions, the paper finds that regulations that empower private monitoring exert a particularly beneficial effect on the integrity of bank lending in countries with sound legal institutions.
[<http://www.nber.org/papers/w11498.pdf>]

Hunt, Jennifer, and Laszlo, Sonia. 2005. "Bribery: Who Pays, Who Refuses, What are the Payoffs?" CEPR Discussion Papers: 5251.

Abstract: The paper provides a theoretical framework for understanding when an official angles for a bribe, when a client pays, and the payoffs to the client's decision. The paper tests this framework using a new data set on bribery of Peruvian public officials by households. The theory predicts that bribery is more attractive to both parties when the client is richer, and the authors find empirically that both bribery incidence and value are increasing in household income. However, 65% of the relation between bribery incidence and income is explained by greater use of officials by high-income households, and by their use of more corrupt types of official. Compared to a client dealing with an honest official, a client who pays a bribe has a similar probability of concluding her business, while a client who refuses to bribe has a probability 16 percentage points lower. This indicates that service improvements in response to a bribe merely offset service reductions associated with angling for a bribe, and that clients refusing to bribe are punished. The paper uses these and other results to argue that bribery is not a regressive tax.
[<http://www.cepr.org/pubs/dps/DP5251.asp>]

Aidt, Toke, Dutta, Jaysari, and Sena, Vania. 2005. "Growth, Governance and Corruption in the Presence of Threshold Effects: Theory and Evidence." University of Cambridge Working Papers in Economics.

Abstract: The paper studies the joint determination of corruption and economic growth. The author's model can generate multiple equilibria when complementarity between corruption and growth is sufficiently strong. The authors' estimates of the impact of corruption on growth take into account that corruption is endogenous and that there may exist different growth/corruption regimes. In a cross section of countries in the 1990s, the paper identifies two regimes,



conditional on the quality of political institutions. In the regime with high quality political institutions, corruption has a negative impact on growth. In the regime with low quality institutions, corruption has, overall, little impact on growth, but, if anything, the impact is, surprisingly, positive. [www.econ.cam.ac.uk/dae/repec/cam/pdf/cwpe0540.pdf]

Andersen, Thomas Barnebeck and Rand, John. 2005. "Mice Do Not Take Bribes." University of Copenhagen, Department of Economics Discussion Papers: 05-10.

Abstract: This paper explores the empirical association between internet use, e-government and corruption in a large panel of countries covering the 1998-2003 period. The authors show that higher numbers of internet users and higher levels of e-government are associated with significantly lower levels of corruption. Controlling for most variables used in previous work on corruption and addressing the endogeneity issue, results are shown to be robust and to carry economic significance. This leads us to conclude that well-designed ICT policies are likely to bring substantial benefits in the fight against corruption. [www.econ.ku.dk/wpa/pink/2005/0510.pdf]

Ni, Shawn, and Pham, Hoang Van. 2005. "High Corruption Income in Ming and Qing China." University of Missouri Department of Economics Working Papers 0503.

Abstract: The paper develops an economic model that explains historical data on government corruption in Ming and Qing China. In the model, officials' extensive powers result in corrupt income matching land's share in output. The authors estimate corrupt income to be between 14 to 22 times official income resulting in about 22% of agricultural output accruing to 0.4% of the population. The results suggest that eliminating corruption through salary reform was possible in early Ming but impossible by mid-Qing rule. Land reform may also be ineffective because officials could extract the same rents regardless of ownership. High officials' incomes and the resulting inequality may have also created distortions and barriers to change that could have contributed to China's stagnation over the five centuries 1400-1900s. [http://www.missouri.edu/~econwww/Working_Paper_Series/2005/wp0503_ni_pham.pdf]

Ellis, Christopher, and Dincer, Oguzhan. 2005. "Corruption, Decentralization and Yardstick Competition." University of Oregon Economics Department Working Papers

Abstract: Several empirical studies have found a negative relationship between corruption and the decentralization of the powers to tax and spend. In this paper, the authors explain this phenomenon using a model of Yardstick Competition. Further, using data on government corruption in US states, the authors provide some new evidence that supports the theoretical findings. [http://economics.uoregon.edu/papers/UO-2005-5_Ellis_Decentralization.pdf]

Axel Dreher and Lars H.-R. Siemers. 2005. "The Intriguing Nexus between Corruption and Capital Account Restrictions," KOF Working Paper 113, Swiss Federal Institute of Technology (ETH Zurich) (November 2005)

Abstract: The paper develops a theoretical model showing a mutual relationship between corruption and capital account restrictions. According to the model, higher corruption induces stricter restrictions and vice versa. We test the model using panel data for 112 countries over the period 1984-2002 and find that corruption and restrictions are indeed mutually determined.



Estimating the model simultaneously, capital account restrictions induce higher corruption. Higher corruption, in turn, is associated with more restrictions on the capital account. The empirical relationship is, however, not completely robust.
[<http://econwpa.wustl.edu:8089/eps/dev/papers/0306/0306004.pdf>]

Axel Dreher and Thomas Herzfeld (2005) “The Economic Costs of Corruption: A Survey and New Evidence,” Mimeo. SSRN.

Abstract: This paper reviews the empirical literature on the economic costs of corruption. Corruption affects economic growth, the level of GDP per capita, investment activity, international trade and price stability negatively. Additionally, it biases the composition of government expenditures. The second part of the paper estimates the effect of corruption on economic growth and GDP per capita as well as on six possible transmission channels. The results of this analysis allows to calculate the total effect of corruption: An increase of corruption by about one index point reduces GDP growth by 0.13 percentage points and GDP per capita by 425 US\$. [<http://ssrn.com/abstract=734184>]

Axel Dreher, Christos Kotsogiannis, Steve McCorriston. 2005. “How do Institutions Affect Corruption and the Shadow Economy?” Mimeo. ETH Zurich and University of Exeter.

Abstract: This paper analyzes a simple model that captures the relationship between institutional quality, the shadow economy and corruption. It shows that an improvement in institutional quality reduces the shadow economy and affects the corruption market. The exact relationship between corruption and institutional quality is, however, ambiguous and depends on the relative effectiveness of the institutional quality in the shadow and corruption markets. The predictions of the model are empirically tested by means of Structural Equation Modeling that treats the shadow economy and the corruption market as latent variables using data from OECD countries. The results show that an improvement in institutional quality reduces the shadow economy directly and corruption both directly and indirectly (through its effect on the shadow market).

Axel Dreher, Christos Kotsogiannis, Steve McCorriston. 2005. “Corruption around the World: Evidence from a Structural Model,” Mimeo. ETH Zurich and University of Exeter.

Abstract: The causes and consequences of corruption have attracted much attention in recent years by both academics and policy makers. In this paper, we employ a structural equation model that treats corruption as a latent variable that is directly related to its underlying causes and effects to derive an index of corruption. The index of corruption is derived for approximately 100 countries over the period 1976-97.
[<http://econwpa.wustl.edu:8089/eps/pe/papers/0406/0406004.pdf>]

Abstracts of Working Papers on Corruption 2004

Heilbrunn, John R. 2004. “Anti-Corruption Commissions - Panacea or Real Medicine to Fight Corruption?” World Bank Institute Working Paper: 33028.

Abstract: Over the past decade, corruption has been identified as a costly diversion of scarce resources, and an impediment to development effectiveness. Most observers note that



corruption is a symptom of deeper problems in how a political leadership administers the key financial functions of state. Accordingly, a range of policies have been identified to improve public administration including reforms of public expenditure management, procurement procedures, auditing functions, and rules governing conflicts of interest. One striking development of anti-corruption commissions has been the adoption, by numerous governments, despite a mounting body of evidence they fail to reduce corruption. This paper argues that anti-corruption commissions fail to reduce public sector venality in all but a few special circumstances. It notes that those governments that have established successful anti-corruption commissions have done so in response to demands for reform from a broad base of domestic constituents. Demands for reform generally occur after a precipitating crisis has caused deep economic hardship and a national consensus exists that reforms must be implemented. Anti-corruption commissions are effective when they respond to that national consensus and a broad domestic coalition supports reform. Without the precipitating crisis, building such domestic coalitions is a challenge for even the most popular leaders. When support is more tenuous, policymakers have an incentive to weaken reforms and avoid any threat to powerful constituents who profit from official inattention to expenditures, access to governments contracts, and other manifestations of public sector inefficiency. [www-wds.worldbank.org/]

Deininger, Klaus and Mpuga, Paul. 2004. "Does Greater Accountability Improve the Quality of Delivery of Public Services? Evidence from Uganda." World Bank Policy Research Working Paper Series: 3277.

Abstract: While the importance of corruption as a possible impediment to foreign investment in an international context is now well realized, it is not clear to what extent corruption affects, either directly through bribe-taking or indirectly through inadequate quality of public services, the level of economic activity by domestic entrepreneurs. Using a large survey from Uganda, the authors show that domestic and foreign entrepreneurs, government officials, and households are unanimous in highlighting the pervasiveness and importance of corruption. Efforts to establish institutions to deal with corrupt practices have not been matched by public education on the proper procedures. The fact that such lack of knowledge on procedures to report corruption increases households' risk of being subject to bribery and significantly reduces the quality of public service delivery leads the authors to conclude that improved accountability will be important to reduce the incidence of corruption and improve delivery of public services. [http://econ.worldbank.org/files/35071_wps3277.pdf]

Mocan, Naci. 2004. "What Determines Corruption? International Evidence from Micro Data". NBER Working Papers: 10460.

Abstract: This paper utilizes a micro-level data set from 49 countries to address three issues: What determines corruption at the individual level? What determines the perception of the extent of corruption in the country? Does corruption have a direct impact on growth when the quality of the institutions are controlled for? In addition, the paper creates a direct measure of corruption which portrays the extent of corruption as revealed by individuals who live in those countries. The results show that both personal and country characteristics determine the risk of exposure to bribery. Examples are gender, wealth, education, marital status, the city size, the legal origin of the country, the existence of uninterrupted democracy, a war between 1960s and 1980s, and the strength of the institutions in the country (measured by the risk of expropriation). The second part of the paper shows that controlling for endogeneity of



corruption and institutional quality, actual corruption in the country and the proportion of the bribes asked by various government agencies have no direct impact on corruption perception. On the other hand, an improvement in the quality of institutions lowers the perception of corruption. The final section of the paper shows that controlling for the quality of the institutions, corruption does not have a direct impact on growth. Keeping constant the geographical location of the country, the legal origin, religious composition, the presence of a war, the federal status, initial education and income as well as the extent of corruption in the country, a one-half standard deviation increase in the quality of institutions (e.g. from the level of Indonesia to the level of India), generates an additional 0.7 percentage point increase in the average annual per capita GDP growth.[<http://www.nber.org/papers/w10460.pdf>]

Henderson, J. Vernon, and Kuncoro, A. 2004. "Corruption in Indonesia." NBER Working Papers: 10674.

Abstract: Bribes by firms in Indonesia arise principally from regulations--licenses and levies--imposed by local government officials. Regulations generate direct revenues (fees) plus indirect revenues in the form of bribes. The expected value of the latter is capitalized into lower salaries needed by localities to compensate public officials. Localities in Indonesia are hampered by insufficient revenues from formal tax and transfer sources to pay competitive salaries plus fund demanded' levels of public services, because local tax rates are capped by the center and inter-governmental transfers are limited. Thus the direct and indirect revenues from local regulations are critical to local finances. The paper models and estimates the key aspects of corruption--the relationship between bribes, time spent with local officials, and different forms of regulation. It models how inter-jurisdictional competition for firms limits the extent of local regulation and how greater sources of tax or inter-governmental revenues reduce the need for regulation and corruption. The paper estimates a large reduction in regulation in better funded localities. The findings are directly relevant to Indonesia where corruption is high and the country is in the throes of major decentralization and local democratization efforts. [<http://www.nber.org/papers/w10674.pdf>]

Hunt, Jennifer. 2004. "Trust and Bribery: The Role of the Quid Pro Quo and the Link with Crime." NBER Working Paper: 10510.

Abstract: The author studies data on bribes actually paid by individuals to public officials, viewing the results through a theoretical lens that considers the implications of trust networks. A bond of trust may permit an implicit quid pro quo to substitute for a bribe, which reduces corruption. Appropriate networks are more easily established in small towns, by long-term residents of areas with many other long-term residents, and by individuals in regions with many residents their own age. The paper confirms that the prevalence of bribery is lower under these circumstances, using the International Crime Victim Surveys. The paper also finds that older people, who have had time to develop a network, bribe less. These results highlight the uphill nature of the battle against corruption faced by policy-makers in rapidly urbanizing countries with high fertility. The author shows that victims of (other) crimes bribe all types of public officials more than non-victims, and argue that both their victimization and bribery stem from a distrustful environment. [<http://papers.nber.org/papers/w10510>]

Shleifer, Andrei. 2004. "Does Competition Destroy Ethical Behavior?" NBER Working Paper: 10269.



Abstract: Explanations of unethical behavior often neglect the role of competition, as opposed to greed, in assuring its spread. Using the examples of child labor, corruption, excessive' executive pay, corporate earnings manipulation, and commercial activities by universities, this paper clarifies the role of competition in promoting censured conduct. When unethical behavior cuts costs, competition drives down prices and entrepreneurs' incomes, and thereby reduces their willingness to pay for ethical conduct. Nonetheless, I suggest that competition might be good for ethical behavior in the long run, because it promotes growth and raises incomes. Higher incomes raise the willingness to pay for ethical behavior, but may also change what people believe to be ethical for the better. [<http://papers.nber.org/papers/w10269>]

Wallis, John Joseph. 2004. "The Concept of Systematic Corruption in American Political and Economic History." NBER Working Papers: 10952.

Abstract: The critical role of governance in the promotion of economic development has created intense interest in the manner in which the United States eliminated corruption. This paper examines the concept of corruption in American history, tracing the term corruption to its roots in British political philosophy of the 17th and 18th century, and from there back to Machiavelli, Polybius and Aristototele. Corruption was defined prior to 1850 in a way that was significantly different from how it was defined in the Progressive Era. "Systematic corruption" embodied the idea that political actors manipulated the economic system to create economic rents that politicians could use to secure control of the government. In other words, politics corrupts economics. The classic cure for systematic corruption was balanced government. Americans fought for independence because they believed that the British government was corrupt. The structure of American constitutions was shaped by the need to implement balanced government. Conflict and debate over the implementation of balanced government dominated the political agenda until the 1840s, when states began moving regulatory policy firmly towards open entry and free competition. By the 1890s, systematic corruption had essentially appeared from political discourse. By then corruption had come to take on its modern meaning: the idea that economic interests corrupt the political process. What modern developing countries with corrupt governments need to learn is how the United States eliminated systematic corruption. [<http://www.nber.org/papers/w10952.pdf>]

Wallis, John Joseph. 2004. "Constitutions, Corporations, and Corruption: American States and Constitutional Change." NBER Working Paper: 10451.

Abstract: During the 1840s, twelve American states adopted new constitutions. Eleven of the twelve states adopted new procedures for issuing government debt and for chartering corporations through general incorporation acts. These institutional innovations were American inventions, and today hard budget constraints and transparent corporate forms with secure stockholder rights are important institutional determinants of successful economies. This paper investigates how and why these two important institutional reforms occurred at precisely the same time. The link is the public finance implications of chartering corporations and investing in large infrastructure projects in finance and transportation. States borrowed almost \$200 million between 1820 and 1840 to invest in canals, railroads, and banks. Electoral pressure to provide these important government investments was counter-balanced by the difficulty of providing geographically specific projects and paying for them with geographically widespread taxation. States responded with several innovative schemes for financing canals and banks in the 1820s and 1830s. Some schemes involved taxless finance: construction of canals and banks



used borrowed funds and privileges for private corporations so that current taxes did not rise, but required a contingent commitment by taxpayers to service bonds in case of the project's failure. Other schemes involved benefit taxation: coordinating the tax costs of projects with the geographic benefits of canal and bank construction through the property tax. When a fiscal crisis hit states in the early 1840s, they responded by changing their constitutions, and thereby economic institutions, to eliminate the possibility of taxless finance in the future.
[<http://papers.nber.org/papers/w10451>]

Glaeser, Edward L. and Saks, Raven. 2004. "Corruption in America." NBER Working Papers: 10821.

Abstract: The authors use a data set of federal corruption convictions in the U.S. to investigate the causes and consequences of corruption. More educated states, and to a less degree richer states, have less corruption. This relationship holds even when the authors use historical factors like education in 1928 or Congregationalism in 1890, as instruments for the level of schooling today. The level of corruption is weakly correlated with the level of income inequality and racial fractionalization, and uncorrelated with the size of government. There is a weak negative relationship between corruption and employment and income growth. These results echo the cross-country findings, and support the view that the correlation between development and good political outcomes occurs because more education improves political institutions.
[<http://www.nber.org/papers/w10821.pdf>]

Glaeser, Edward L., and Goldin, Claudia. 2004. "Corruption and Reform: An Introduction." NBER Working Papers: 10775.

Abstract: The United States today, according to most studies, is among the least corrupt nations in the world. But America's past was checkered with political scandal and widespread corruption that would not seem unusual compared with the most corrupt developing nation today. The authors construct a "corruption and fraud index" using word counts from a large number of newspapers for 1815 to 1975, supplemented with other historical facts. The index reveals that America experienced a substantial decrease in corruption from 1870 to 1920, particularly from the late-1870s to the mid-1880s and again in the 1910s. At its peak in the 1870s the "corruption and fraud index" is about five times its level from the end of the Progressive Era to the 1970s. If the United States was once considerably more corrupt than it is today, then America's history should offer lessons about how to reduce corruption. How did America become a less corrupt polity, economy, and society? The authors review the findings and insights from a series of essays for a conference volume, *Corruption and Reform: Lessons from America's History*, for which this paper is the introduction that attempt to understand the remarkable evolution of corruption and reform in U.S. history.
[<http://www.nber.org/papers/w10775.pdf>]

Gylfason, Thorvaldur. 2004. "Natural Resources and Economic Growth: From Dependence to Diversification." CEPR Discussion Papers: 4804.

Abstract: This paper reviews the relationship between natural resource dependence and economic growth, and stresses how natural capital intensity tends to crowd out foreign capital,



social capital, human capital, physical capital, and financial capital, thereby impeding economic growth across countries. Specifically, the paper presents empirical cross-country evidence to the effect that nations that depend heavily on their natural resources tend to have (a) less trade and foreign investment, (b) more corruption, (c) less equality, (d) less political liberty, (e) less education, (f) less domestic investment, and (g) less financial depth than other nations that are less well endowed with, or less dependent on, natural resources. This matters for long-run growth because empirical evidence also suggests that trade, honesty, equality, liberty, education, investment, and financial maturity are all positively and significantly related to economic growth across countries. Before concluding, the paper briefly compares and contrasts the experience of the OPEC countries with that of Norway, a singularly successful oil producer. [<http://www.cepr.org/pubs/dps/DP4804.asp>]

Aidt, Toke S, and Dutta, Jayasri. 2004. "Policy Compromises: Corruption and Regulation in a Dynamic Democracy." University of Cambridge, Department of Applied Economics Working Paper.

Abstract: This paper evaluates the extent of regulation in a democracy with political corruption. Elected politicians can restrict entry of firms in exchange for bribes from entrepreneurs. Full liberalisation implies free entry and allocative efficiency and is supported by a majority of voters. Voters reelect politicians based on observed performance. The authors study Markov-perfect equilibria of the resulting game, and demonstrate that voters agree to tolerate some corruption and inefficient regulation in political equilibrium. Efficient policies can be promoted by productivity growth. Political corruption entails excessive stabilization of aggregate fluctuations. [<http://www.econ.cam.ac.uk/dae/repec/cam/pdf/cwpe0404.pdf>]

Kugler, Maurice, Verdier, Thierry, and Zenou, Yves. 2004. "Organized Crime, Corruption and Punishment." University of Southampton, School of Social Sciences Discussion Paper Series.

Abstract: The authors analyze an oligopoly model in which differentiated criminal organisations globally compete on criminal activities and engage in local corruption to avoid punishment. When law enforcers are sufficiently well-paid, difficult to bribe and corruption detection highly probable, the authors show that increasing policing, or sanctions, effectively deters crime. However, when bribing costs are low, that is badly-paid and dishonest law enforcers work in a weak governance environment, and the rents from criminal activity relative to legal activity are sufficiently high, the authors find that increasing policing and sanctions can generate higher crime rates. In particular, the relationship between the traditional instruments of deterrence, namely intensification of policing and sanctions, and the crime rate is nonmonotonic. Beyond a threshold, further increases in intended expected punishment create incentives for organised crime extending corruption rings, and ensuing impunity results in a fall of actual expected punishment that yields more rather than less crime. [http://www.socsci.soton.ac.uk/Economics/Research/Discussion_Papers/2004/0407.pdf]

Abstracts of Working Papers on Corruption, 2003

Reinikka, Ritva, Svensson, Jakob. 2003. "Survey Techniques to Measure and Explain Corruption." World Bank Policy Research Working Paper Series: 3071.

Abstract: This paper demonstrates that, with appropriate survey methods and interview techniques, it is possible to collect quantitative micro-level data on corruption. Public



expenditure tracking surveys, service provider surveys, and enterprise surveys are highlighted with several applications. While often broader in scope, these surveys permit measurement of corruption at the level of individual agents, such as schools, health clinics, or firms. The authors also permit the study of mechanisms responsible for corruption, including leakage of funds and bribery, as data on corruption can be combined with other data collected in these surveys. [http://econ.worldbank.org/files/27279_wps3071.pdf]

Anderson, James H., Kaufmann, Daniel, and Reccanatini, Francesca. 2003. "Service Delivery, Poverty and Corruption: Common Threads from Diagnostic Surveys." World Bank Working Paper 28010.

Abstract: Practitioners within the World Bank have begun developing empirical tools to assess governance that would help encourage local capacity and action programming while generating new information. A quantitative survey approach was introduced for this purpose. The objective of this note is to bring together the findings based on this set of survey databases. The paper aims to provide a systematic overview of the findings available based on the information from these diagnostic surveys. From the beginning, the survey approach, hereafter referred to as the "diagnostics," included three separate survey instruments, one for households, one for enterprises, and one for public officials. The combination of viewpoints and experiences from each of these perspectives provided powerful evidence of the extent of the problems, the consequences, and the underlying weaknesses that weaken service delivery and foster corruption. The paper brings together in a single source many of the empirical findings on the relationship between corruption and service delivery as found in diagnostic surveys of corruption. [<http://www-wds.worldbank.org/>]

Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. 2003. "Governance Matters III: Governance Indicators for 1996-2002." World Bank Policy Research Working Paper 3106.

Abstract: The authors present estimates of six dimensions of governance covering 199 countries and territories for four time periods: 1996, 1998, 2000, and 2002. These indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations. The authors assign these individual measures of governance to categories capturing key dimensions of governance and use an unobserved components model to construct six aggregate governance indicators in each of the four periods. The authors present the point estimates of the dimensions of governance as well as the margins of errors for each country for the four periods. The governance indicators reported here are an update and expansion of previous research work on indicators initiated in 1998. The authors also address various methodological issues, including the interpretation and use of the data given the estimated margins of errors. [<http://www-wds.worldbank.org/>]

Olivier Cadot, Jose Anson and Marcelo Olarreaga. 2003. "Tariff Evasion and Customs Corruption: Does Pre-shipment Inspection Help?" World Bank Policy Research Working Paper WPS3156.

Abstract: The authors provide a new approach to the evaluation of pre-shipment inspection (PSI) programs as ways of improving tariff-revenue collection and reducing fraud when customs administrations are corrupt. The authors build a model highlighting the contribution of surveillance firms to the generation of information and describing how incentives for fraud and collusive behavior between importers and customs are affected by the introduction of PSI. The



authors show theoretically that the introduction of PSI has an ambiguous effect on the level of customs fraud. Empirically, the econometric results suggest that PSI reduced fraud in the Philippines; it increased it in Argentina, and did not have significant impact in Indonesia. [<http://www-wds.worldbank.org/>]

Gatti, Roberta, Paternostro, Stefano, and Rigolini, Jamele. 2003. "Individual Attitudes toward Corruption: Do Social Effects Matter?" World Bank Policy Research Working: 3122.

Abstract: Using individual-level data for 35 countries, the authors investigate the microeconomic determinants of attitudes toward corruption. The authors find women, employed, less wealthy, and older individuals to be more averse to corruption. The authors also provide evidence that social effects play an important role in determining individual attitudes toward corruption, as these are robustly and significantly associated with the average level of tolerance of corruption in the region. This finding lends empirical support to theoretical models where corruption emerges in multiple equilibria and suggests that "big-push" policies might be particularly effective in combating corruption. [econ.worldbank.org/files/29354_wps3122.pdf]

Damania, Richard, Fredriksson, Per G., and Mani, Muthukumara. 2003. "The Persistence of Corruption and Regulatory Compliance Failures: Theory and Evidence." IMF Working Papers: 03/172.

Abstract: This paper examines the reasons why corruption and policy distortions tend to exhibit a high degree of persistence in certain regimes. The authors identify circumstances under which a firm seeks to evade regulations by (1) bribing of local inspectors, and (2) lobbying high-level government politicians to resist legal reforms designed to improve judicial efficiency and eliminate corruption. The analysis predicts that in politically unstable regimes, the institutions necessary to monitor and enforce compliance are weak. In such countries, corruption is more pervasive and the compliance with regulations is low. The empirical results support the predictions of the model. [www.imf.org/external/pubs/ft/wp/2003/wp03172.pdf]

Huang, Haizhou, and Wei, Shang-Jin. 2003. "Monetary Policies for Developing Countries: The Role of Corruption." IMF Working Papers: 03/183.

Abstract: This paper examines the role of corruption in the design of monetary policies for developing countries in a framework of fiscal and monetary interaction and obtains several interesting results. First, pegged exchange rates, currency boards, or dollarization, while often prescribed as a solution to the problem of a lack of credibility for developing countries, is typically not credible in countries with serious corruption. Second, the optimal degree of conservatism for a Rogoff (1985)-type central banker is an inverse function of the corruption level. Third, either an optimally designed inflation target or an optimal-conservative central banker is preferable to an exchange rate peg, currency board, or dollarization. [<http://www.imf.org/external/pubs/ft/wp/2003/wp03183.pdf>]

Sala-i-Martin, Xavier and Arvind Subramanian. 2003. "Addressing the Natural Resource Curse: An Illustration from Nigeria." NBER Working Paper: 9804.

Abstract: Some natural resources -- oil and minerals in particular -- exert a negative and nonlinear impact on growth via their deleterious impact on institutional quality. The authors



show this result to be very robust. The Nigerian experience provides telling confirmation of this aspect of natural resources. Waste and corruption from oil rather than Dutch disease has been responsible for its poor long run economic performance. The authors propose a solution for addressing this resource curse which involves directly distributing the oil revenues to the public. Even with all the difficulties of corruption and inefficiency that will no doubt plague its actual implementation, the author's proposal will, at the least, be vastly superior to the status quo. At best, however, it could fundamentally improve the quality of public institutions and, as a result, transform economics and politics in Nigeria [papers.nber.org/papers/w9804]

Asesina, Alberto and George-Marios Angelitos. 2003. "Fairness and Redistribution: U.S. versus Europe." NBER Working Paper: 9502.

Abstract: Different beliefs about how fair social competition is and what determines income inequality, influence the redistributive policy chosen democratically in a society. But the composition of income in the first place depends on equilibrium tax policies. If a society believes that individual effort determines income, and that all have a right to enjoy the fruits of their effort, it will choose low redistribution and low taxes. In equilibrium effort will be high, the role of luck limited, market outcomes will be quite fair, and social beliefs will be self-fulfilled. If instead a society believes that luck, birth, connections and/or corruption determine wealth, it will tax a lot, thus distorting allocations and making these beliefs self-sustained as well. The paper shows how this interaction between social beliefs and welfare policies may lead to multiple equilibria or multiple steady states. The authors argue that this model can contribute to explain US vis a vis continental European perceptions about income inequality and choices of redistributive policies. [<http://papers.nber.org/papers/w9502>]

Menes, Rebecca. 2003. "Corruption in Cities: Graft and Politics in American Cities at the Turn of the Twentieth Century." NBER Working Papers: 9990.

Abstract: The essay is an exploration of corruption as practiced by city politicians in the United States at the turn of the twentieth century. Corruption is generally considered to be bad for the performance of governments and for the growth and development of economies, but American cities grew rapidly and were, as far as tangible evidence suggests, relatively well governed. I propose the answer to this conundrum lies in the exact types of graft which were possible. Skimming from city contracts and manipulating local real estate markets encouraged politicians to pursue growth enhancing policies. Many of the most damaging forms of government interference - closing borders and pursuing input-substituting policies - are not possible in cities. Patronage politics made corruption more likely by insulating politicians from (some) voter wrath, but the ability of the tax base to depart the city provided some constraints on rent-extraction. The city Boss did not want to kill the goose that laid the golden eggs. The analysis of urban graft is based on contemporary reports, especially the very detailed reports in *Shame of the Cities* by Lincoln Steffens. The analysis also answers other important questions raised by the experience of Progressive Era cities: Why did businessmen back reform? And why did machine politics rise, and fall, between 1890 and 1930? [<http://www.nber.org/papers/w9990.pdf>]

Neeman, Zvika, Paserman, Daniele, and Simhon, Avi. 2003. "Corruption and Openness" CEPR Discussion Papers: 4057.



The authors consider a neoclassical growth model with endogenous corruption. Corruption and wealth, which are co-determined in equilibrium, are shown to be negatively correlated. Richer countries tend to be less corrupt, and corrupt economies tend to be poorer. This observation gives rise to the following puzzle: if poorer countries do indeed experience higher levels of corruption, and if indeed as suggested by a number of empirical studies corruption hampers growth, then how did rich countries, who were poor once, become rich? The answer is simple. In the past, economies were mostly 'closed' in the sense that it was difficult to transfer illicit money outside of the economy. In contrast, today's economies are mostly open. In the relatively closed economies of the 19th century, the gains from corruption remained inside the country and became part of the economy's productive capital. In contrast, in today's open economies, corrupt agents smuggle stolen money abroad depleting their country's stock of capital. The authors confirm this intuitive explanation by testing the hypothesis that the effect of corruption on wealth depends on the economy's degree of openness using cross-country data. [<http://www.cepr.org/pubs/dps/DP4057.asp>]

Guriev, Sergei. 2003. "Red Tape and Corruption." CEPR Discussion Papers: 3972.

Abstract: The authors study the emergence and interaction of red tape and corruption in a principal-bureaucrat-agent hierarchy. The principal is to provide the agent with a unit of a good that involves externalities so that market mechanisms fail to achieve first best. Red tape partially solves the problem. While imposing a cost on the agent, red tape also produces information about the agent's type. Therefore the socially optimal level of red tape is not trivial. It is hard, however, to implement the social optimum if the bureaucrat in charge of red tape is corrupt. The authors consider two types of corruption. First, the bureaucrat may extort bribes from the agent in exchange for reducing the amount of red tape. Second, the bureaucrat may take bribes to conceal the information produced through red tape. The former kind of corruption tends to reduce red tape, while the latter provides incentives for excessive red tape: the more red tape, the more likely the bureaucrat can get the bribes ex post. The paper shows that the latter effect prevails, and the equilibrium level of red tape is always above the social optimum. [<http://www.cepr.org/pubs/dps/DP3972.asp>]

Celentani, Marco, Ganuza, Juan Jose, Peydro, Jose L. 2003. "Combating Corruption in International Business Transactions." Department of Economics and Business, Universitat Pompeu Fabra.

Abstract: The authors analyze the impact of different types of international conventions that require signatory countries to penalize domestic firms that are found to have bribed foreign public officials. The authors analyze enforcement of penalties under a convention styled after the OECD's 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions', in which signatory countries commit to prosecuting firms that have bribed public officials of any foreign country. The authors compare the results with the case in which the convention requires signatory countries to commit to prosecuting firms that have bribed public officials of signatory countries only. The authors argue that the second type of convention is more likely to ensure enforcement of penalties on firms found to have bribed foreign public officials. [<http://www.econ.upf.edu/docs/papers/downloads/670.pdf>]

Benoit, J-P, and Dubra, J. 2003. "Why Do Good Cops Defend Bad Cops?" New York University, C.V. Starr Center for Applied Economics Working Paper.



Abstract: Policemen are known to support colleagues who are the subject of criminal policemen defend those who have broken the law? The authors investigate under what conditions it is in the interest of a group to defend its “bad” members. [<http://www.econ.nyu.edu/cvstarr/working/>]

Abstracts of Working Papers on Corruption, 2002

Reinikka, Ritva, and Svensson, Jakob. 2002. “Measuring and Understanding Corruption at the Micro Level.” World Bank Working Paper 28021.

Abstract: The authors argue while it is difficult to measure corruption, it is not impossible. In this paper The authors discuss the result of two data collection effort carried out in Uganda in the late 1990s. Both projects had a more general focus than to study corruption, although corruption - broadly defined - was at the outset identified as a key issue to study. The first study dealt with "leakage" in large public sector spending program - a non-wage school grant. The hypothesis was that actual service delivery, proxied by primary enrollment, was much worse than budgetary allocations implied because public funds were subject to capture by local government officials and therefore did not reach the intended facilities (schools). The comparison of disbursed flows from the central government (intended resources) with the resources actually received by primary schools, yielded an unique data set to study the level and determinants of leakage. The second project extended a "standard" firm-level survey tool in order to collect quantitative information on bribe payments across firms. The idea was to combine detailed financial and structural information from the firms with the quantitative graft data, yielding a unique data set to study the determinants and consequences of corruption at the firm level. The authors review the key findings from the two surveys in Uganda. The authors briefly outline the methodology applied and discuss the policy implications. [<http://www-wds.worldbank.org/>]

Xu, Lixin Colin, and Clarke, George. 2002. “Ownership, Competition, and Corruption: Bribe Takers versus Bribe Payers.” World Bank Policy Research Working Paper Series: 2783.

Abstract: This study focuses on microeconomic factors that affect bribes paid in a single sector of the economy. Using enterprise-level data on bribes paid to utilities in 21 transition economies in Easter Europe and Central Asia, the paper examines how characteristics of the firms paying bribes (such as ownership, profitability, and size) and characteristics of the utilities taking bribes (such as competition and utility capacity) affect the equilibrium level of corruption in the sector. On the side of bribe payers, enterprises that are more profitable, enterprises that have greater overdue payment to utilities, and de novo private firms pay higher bribes. On the side of bribe takers, bribes paid to utilities are higher in countries with greater constraints on utility capacity, lower levels of competition in the utility sector, and where utilities are state-owned. Bribes in the utility sector are also correlated with many of the macroeconomic and political factors that previous studies have found to affect the overall level of corruption. [http://econ.worldbank.org/files/12028_wps2783.pdf]

Johnston, Michael and Kpundeh, Sahr J. 2002. “Building a Clean Machine: Anti-Corruption Coalitions and Sustainable Reform.” World Bank Institute Working Paper 28639.



Abstract: The authors argue that social action coalitions, linking public and private actors, are a way to mobilize participation and advocacy. In Part I, the authors employ Wilson's (1973) analysis of the incentives that motivate and reward participation in organizations. This approach helps them identify ways in which the anti-corruption goals can be augmented by other kinds of appeals, even when material incentives are scarce. The authors also identify four stages of the coalition-building process—formation, credibility, expansion, and transformation—in which differing combinations of incentives will be necessary to address the group's most important problems and opportunities. In Part II, the authors examine two important coalition-building efforts in light of the discussions thus far—Ghana's Anti-Corruption Coalition, and the Bangalore Agenda Task Force in Bangalore, Karnataka State, India. In Part III, the paper links those cases to a broader analysis, suggesting that while purposive incentives are common in the early phases of all coalitions, other varieties must be added to the mix. Wilson's scheme points to ways in which the imaginative use of incentives can aid the transition from one phase of coalition development to the next. The authors conclude with general strategic issues, suggesting ways in which their analysis can be applied to those questions given the important variations to be found among cases.

[<http://www-wds.worldbank.org/>]

Morisset, Jacques, and Neso, Olivier Lumenga. 2002. “Administrative Barriers to Foreign Investment in Developing Countries.” World Bank Policy Research Working Paper Series: 2848.

Abstract: The paper presents a new database on the administrative costs faced by private investors in 32 developing countries. The database contains not only information on general entry procedures, such as business and tax registration, but also captures regulation on land access, site development, import procedures, and inspections. The data include measures on the number of procedures, direct monetary costs, and time. The cost of administrative procedures vary significantly across countries. The most important barriers appear to be the delays associated with securing land access and obtaining building permits, which in several countries take more than two years. Countries that impose excessive administrative costs on entry tend to be equally intrusive in firm operations, thereby weakening the argument that barriers to entry are a substitute for the government's unwillingness or inability to regulate enterprise operations. The level of administrative costs is positively correlated with corruption incidence and exhibits a negative correlation with the quality of governance, degree of openness, and public wages. These correlations suggest that administrative reforms need to be incorporated into the broader agenda for reforms such as trade and financial liberalization, the fight against corruption, and public sector administration. [http://econ.worldbank.org/files/15291_wps2848.pdf]

Mauro, Paolo. 2002. “The Persistence of Corruption and Slow Economic Growth.” IMF Working Papers: 02/213.

Abstract: There is increasing recognition that corruption has substantial, adverse effects on economic growth. But if the costs of corruption are so high, why don't countries strive to improve their institutions and root out corruption? Why do many countries appear to be stuck in a vicious circle of widespread corruption and low economic growth, often accompanied by ever changing governments through revolutions and coups? A possible explanation is that when corruption is widespread, individuals do not have incentives to fight it even if everybody would be better off without it. Two models involving strategic complementarities and multiple



equilibria attempt to illustrate this formally.
[<http://www.imf.org/external/pubs/ft/wp/2002/wp02213.pdf>]

Aizenman, Joshua, and Mark M. Spiegel. 2002. "Institutional Efficiency, Monitoring Costs, and the Investment Share of FDI." NBER Working Paper: 9324.

Abstract: This paper models and tests the implications of costly enforcement of property rights on the pattern of foreign direct investment (FDI). We posit that domestic agents have a comparative advantage over foreign agents in overcoming some of the obstacles associated with corruption and weak institutions. We model these circumstances in a principal-agent framework with costly ex-post monitoring and enforcement of an ex-ante labor contract. Ex-post monitoring and enforcement costs are assumed to be lower for domestic entrepreneurs than for foreign ones, but foreign producers enjoy a countervailing productivity advantage. Under these asymmetries, multinationals pay higher wages than domestic producers, in line with the insight of efficiency wages and with the evidence about the multinationals wage premium.¹ FDI is also more sensitive to increases in enforcement costs. We then test this prediction for a cross section of developing countries. We use Mauro's (2001) index of economic corruption as an indicator of the strength of property right enforcement within a given country. We compare corruption levels for a large cross section of countries in 1989 to subsequent FDI flows from 1990 to 1999. We find that corruption is negatively associated with the ratio of subsequent foreign direct investment flows to both gross fixed capital formation and to private investment. This finding is true for both simple cross-sections and for cross-sections weighted by country size. [<http://papers.nber.org/papers/w9324>]

Glaeser, Edward L. and Andrei Shleifer. "The Injustice of Inequality." NBER Working Paper: 9150.

Abstract: In many countries, the operation of legal, political and regulatory institutions is subverted by the wealthy and the politically powerful for their own benefit. This subversion takes the form of corruption, intimidation, and other forms of influence. We present a model of such institutional subversion focusing specifically on courts and of the effects of inequality in economic and political resources on the magnitude of subversion. We then use the model to analyze the consequences of institutional subversion for the law and order environment in the country, as well as for capital accumulation and growth. We illustrate the model with historical evidence from Gilded Age United States and the transition economies of the 1990s. We also present some cross-country evidence consistent with the basic prediction of the model. [<http://papers.nber.org/papers/w9150>]

Djankov, Simeon, Porta, Rafael La, Lopez-de-Silanes, Florencio, and others. 2002. "Courts: the Lex Mundi Project." NBER Working Papers: 8890.

Abstract: In cooperation with Lex Mundi member law firms in 109 countries, we measure and describe the exact procedures used by litigants and courts to evict a tenant for non-payment of rent and to collect a bounced check. We use these data to construct an index of procedural formalism of dispute resolution for each country. We find that such formalism is systematically greater in civil than in common law countries. Moreover, procedural formalism is associated with higher expected duration of judicial proceedings, more corruption, less consistency, less honesty, less fairness in judicial decisions, and inferior access to justice. These results suggest



that legal transplanted may have led to an inefficiently high level of procedural formalism, particularly in developing countries. [<http://www.nber.org/papers/w8890.pdf>]

Svensson, Jakob. 2002. "Who Must Pay Bribes and How Much?" CEPR Discussion Papers: 3167.

This paper uses an unique data set on corruption containing quantitative information on estimated bribe payments of Ugandan firms. The data has two striking features: not all firms report they need to pay bribes; and there is considerable variation in reported graft across firms facing similar institutions/policies. To explain these patterns we construct a simple bargaining model. The model yields predictions on both the incidence and the level of graft. Consistent with the model we find that variation in policies/regulations (across industries) explain the incidence of corruption, while variation in profitability and technology choice explain the variation in bribes for the group of bribe paying firms. These findings suggest that public officials act as price (bribe) discriminators, and that prices of public services are endogenously determined in order to extract bribes. [<http://www.cepr.org/pubs/dps/DP3167.asp>]

Garoupa, Nuno, and Jellal, Mohamed. 2002. "Information, Corruption and Optimal Law Enforcement." CEPR Discussion Papers: 3560.

Abstract: The paper considers the role of asymmetric information on the emergence of collusion between criminals and enforcers, in the framework proposed by Bowles and Garoupa (1997) and Polinsky and Shavell (2001). The paper proposes that the optimal criminal sanction for the underlying offense is not necessarily maximal. The authors achieve this result by coupling the criminal sanction for the underlying offense with a criminal sanction for corruption, both imposed on offenders. A higher criminal sanction for the underlying offense implies that the government must spend more resources to detect and punish corruption (since the likelihood of collusion increases). Thus, the government could reduce this sanction, save on detection, and increase the criminal sanction for corruption (in order to offset the negative effect on deterrence).

[<http://www.cepr.org/pubs/dps/DP3560.asp>]

Blumkin, Tomer and Gradstein, M. 2002. "Transparency Gloves for Grabbing Hands? Politics and (Mis)Governance." CEPR Discussion Papers: 3668.

Employing the canonical political agency model, this Paper studies the incentives of the government to provide high-quality services by reducing corruption. Acting as a principal in a moral hazard framework, the public disciplines the incumbent by replacing him if the generated output is unsatisfactorily low. The implications of the model indicate the importance of transparency, of the media, and of political contestability for taming corruption. The existing empirical evidence is shown to broadly support these conclusions.

[<http://www.cepr.org/pubs/dps/DP3668.asp>]

Ahlin, Chris, and Bose, Pinaki. 2002. "The Pitfalls of a Partially Honest Bureaucracy: Bribery, Inefficiency, and Bureaucratic Delay." Vanderbilt University, Department of Economics Working Papers: 0224.

Abstract: Bribery, it has been argued, allocates resources efficiently. We show that this conclusion need not hold in a dynamic extension of a simple static model in which it does.



When permits are awarded over time and applicants can reapply, a partially honest bureaucracy results in inefficiency. This can take the form of both misallocation and bureaucratic delay, both of which are strategic maneuvers by dishonest bureaucrats to increase bribery income. Efficiency is a non-monotonic function of the fraction of bureaucrats that are honest. Consequently, small differences in monitoring costs may lead to very different optimal levels of corruption. [<http://www.vanderbilt.edu/Econ/wparchive/workpaper/vu02-w24.pdf>]

Abstracts of Working Papers on Corruption, 2001

Lederman, Daniel, Loayza, Norman, Soares, and Rodrigo Reis. 2001. "Accountability and Corruption: Political Institutions Matter." World Bank Policy Research Working Paper Series: 2708.

Abstract: The results of a cross-country empirical analysis suggest that political institutions are extremely important in determining the prevalence of corruption: democracy, parliamentary systems, political stability, and freedom of the press are all associated with lower corruption. Using a cross-country panel the authors examine the determinants of corruption, paying particular attention to political institutions that increase political accountability. Previous empirical studies have not analyzed the role of political institutions, even though both the political science and the theoretical economics literature have indicated their importance in determining corruption. The main theoretical hypothesis guiding the authors is that political institutions affect corruption through two channels: political accountability and the structure of the provision of public goods. The results suggest that political institutions are extremely important in determining the prevalence of corruption: democracy, parliamentary systems, political stability, and freedom of the press are all associated with lower corruption. In addition, the authors show that common findings of the earlier empirical literature on the determinants of corruption related to openness and legal tradition do not hold once political variables are taken into account. [http://econ.worldbank.org/files/2594_wps2708.pdf]

World Bank and the Government of Romania. 2001. "Diagnostic Surveys of Corruption in Romania." World Bank Working Paper 28997.

Abstract: These surveys provide information on both actual experiences with corruption and on perceptions of the level of corruption. The patterns of corruption as perceived by households, enterprises, and public officials will be explored in this Section, and the patterns of actual experiences in the next. Even though perceptions of the level of corruption may be different from the reality, an understanding of these perceptions is still important since perceptions form the basis for decision-making. The survey results show that corruption is perceived by the public to be widespread. About two-thirds of the Romanian public believes that all or most officials are corrupt. Public officials reported lower perceived levels of corruption, although still high: 44 percent reported that all or most officials are engaged in corruption. While the perception of widespread corruption is clear, it is also clear that many people believe that corruption has achieved a state of normalcy. Half of households reported that bribery is part of everyday life, while only one in eleven reported bribes to be completely unnecessary. Enterprise managers and public officials were less negative with four tenths and a third, respectively, reporting corruption to be a part of everyday life. [<http://www-wds.worldbank.org/>]



World Bank Institute. 2001. "Investigating Corruption in Ukraine: a Case Study of Internet Journalist Georgy Gongadze." WBI Working Paper 26713.

Abstract: The September 2000 disappearance and murder of the Internet journalist Georgy Gongadze highlighted once again the serious security threats faced by journalists investigating corruption. Whether it be the Ukraine or elsewhere in the developed or developing world, journalists run the risk of reprisal for seeking to uncover wrongdoing. In Ukraine, a major political crisis erupted when allegations emerged that the Ukraine president, Leonid Kuchma, and his presidential administration, may have ordered the killing. These allegations intensified when the President's office was accused of obstructing the investigation into the case. The disappearance of Gongadze and the manner in which the President's office led the investigation provides journalists in developing and transitional countries the opportunity to reflect on the issue of their own security when they seek to uncover corruption. Too often in these instances, part of the dynamic becomes their own government, which refuses to protect you or indeed even actively targets you. The purpose of this case study is to re-visit the Gongadze affair, and take a closer second look at a political scandal that shook Ukraine in the fall of 2000 and winter of 2001, and continued causing political tremors in 2002. The goal of the case study is to examine different challenges that journalists face when investigating corruption. The case study is comprised of eleven sections that examine different aspects of the Gongadze case and encourages journalists to evaluate how they conduct their own investigations. The study is meant for journalists to consider the Gongadze affair and reflect on their own security as investigative journalists, and think about the measures they should take to avoid personal harm. [<http://www-wds.worldbank.org/>]

Persson, Torsten, Tabellini, Guido, and Trebbi, Francesco. 2001. "Electoral Rules and Corruption." NBER Working Papers: 8154.

Abstract: Is corruption systematically related to electoral rules? A number of studies have tried to uncover economic and social determinants of corruption but, as far as the authors know, nobody has yet empirically investigated how electoral systems influence corruption. try to address this lacuna in the literature, by relating corruption to different features of the electoral system in a sample from the late nineties encompassing more than 80 (developed and developing) democracies. Their empirical results are based on traditional regression methods, as well as non-parametric estimators. The evidence is consistent with the theoretical models reviewed in the paper. Holding constant a variety of economic and social variables, the authors find that larger voting districts - and thus lower barriers to entry - are associated with less corruption, whereas larger shares of candidates elected from party lists - and thus less individual accountability - are associated with more corruption. Altogether, proportional elections are associated with more corruption, since voting over party lists is the dominant effect, while the district magnitude effect is less robust. [www.nber.org/papers/w8154.pdf]

Wei, Shang-Jin, and Wu, Yi. 2001. "Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises." NBER Working Papers: 8187.

Abstract: Crony capitalism and self-fulfilling expectations by international creditors are often suggested as two rival explanations for currency crisis. This paper examines a possible linkage between the two that has not been explored much in the literature: corruption may affect a country's composition of capital inflows in a way that makes it more likely to experience a



currency crisis that is triggered/aided by a sudden reversal of international capital flows. The authors find robust evidence that poor public governance is associated with a higher loan-to-FDI ratio. Such a composition of capital flows has been identified as being associated with a higher incidence of a currency crisis. The authors also find some weaker evidence that poor public governance is associated with a country's inability to borrow internationally in its own currency. The latter is also associated with a higher incidence of a currency crisis. To sum up, even though crony capitalism does not forecast the timing of a crisis, it can nevertheless increase its likelihood. This paper illustrates a particular channel through which this can happen. [<http://www.nber.org/papers/w8187.pdf>]

Smarzynska, Beata, and Wei, Shang-Jin. 2001. "Corruption and Foreign Direct Investment: Firm-Level Evidence." CEPR Discussion Papers: 2967.

Abstract: This Paper studies the impact of corruption in a host country on a foreign investor's preference for a joint venture versus a wholly owned subsidiary. A simple model highlights a basic trade-off in using local partners. On the one hand, corruption makes local bureaucracy less transparent and increases the value of using a local partner to cut through the bureaucratic maze. On the other hand, corruption decreases the effective protection of investor's intangible assets and lowers the probability that disputes between foreign and domestic partners will be adjudicated fairly, which reduces the value of having a local partner. The importance of protecting intangible assets increases with investor's technological sophistication, which tilts the preference away from joint ventures in a corrupt country. Empirical tests of the hypothesis on a firm-level data set show that corruption reduces inward FDI and shifts the ownership structure towards joint ventures. Conditional on FDI taking place, an increase in corruption from the Hungarian level to that of Azerbaijan decreases the probability of a wholly-owned subsidiary by 10-20%. Technologically more advanced firms are found to be less likely to engage in joint ventures. On the other hand, US firms are found to be more averse to joint ventures in corrupt countries than investors of other nationalities. This may be due to the US Foreign Corrupt Practices Act. [<http://www.cepr.org/pubs/dps/DP2967.asp>]

Fisman, Raymond, and Wei, Shang-Jin. 2001. "Tax Rates and Tax Evasion: Evidence from 'Missing Imports' in China." CEPR Discussion Papers: 3089.

Abstract: Tax evasion, by its very nature, is difficult to observe. In this Paper, we present a case study of tax evasion in China. The novel feature of this approach is that at a very disaggregated level of individual products, we can measure evasion relatively precisely, by comparing the values that China reports as imports from Hong Kong, with what Hong Kong reports as exports to China. We can match up this 'evasion gap' with the tariff and VAT tax schedule at the product level. The result is striking: using the data in 1998, we find that on average, a 1% increase in the tax rate results in a 3% increase in evasion. The result is similar when a first-difference specification is used with data in 1997 and 1998. This relationship is nonlinear: the evasion elasticity is larger at high tax levels. Furthermore, the evasion gap is negatively correlated with the tax rates on closely related products, suggesting that part of the evasion takes place by mis-reporting the type of imports, in addition to under-reporting the value of imports. This effect is even more pronounced when the evasion gap is measured using quantities rather than values. [<http://www.cepr.org/pubs/dps/DP3089.asp>]



Djankov, Simeon, La Porta, Rafael, Lopez-de-Silanes, Florencio, and others. 2001. "The Regulation of Entry." CEPR Discussion Papers: 2953.

Abstract: We present new data on the regulation of entry of start-up firms in 85 countries. The data covers the number of procedures, official time, and official cost that a start-up must bear before it can operate legally. The official costs of entry are extremely high in most countries. Countries with heavier regulation of entry have higher corruption and larger unofficial economies, but not better quality of public or private goods. Countries with more democratic and limited governments have lighter regulation of entry. The evidence is inconsistent with public interest theories of regulation, but supports the public choice view that entry regulation benefits politicians and bureaucrats. [<http://www.cepr.org/pubs/dps/DP2953.asp>]

Bonaglia, Federico; Braga de Macedo, Jorge, and Bussolo, Mauricio. 2001. "How Globalization Improves Governance." CEPR Discussion Paper: 2992.

Abstract: Globalization, governance and economic performance affect each other in very complex mutual relationships. In this paper, we establish a clear and well-circumscribed hypothesis: "Is there an effect of globalization on governance?" To test this hypothesis or, even more specifically, to test how openness can affect the quality of domestic institutions, we survey available theoretical explanations of causal relationships between globalization and governance. Microeconomic theory helps us identify trade policy, competition by foreign producers and international investors, and openness-related differences in institution building costs and benefits, as three major transmission mechanisms through which openness affects a country's corruption levels. Examining a large sample of countries covering a 20-year long period, we found robust empirical support for the fact that increases in import openness do indeed cause reductions in corruption, a crucial aspect of governance. The magnitude of the effect is also quite strong. After controlling for many cross-country differences, openness' influence on corruption is close to one third of that exercised by the level of development. Some cautious policy conclusions are derived. [<http://www.cepr.org/>]

Harrison, Mark, and Kim, Byung-Yeon. 2001. "Plan, Siphoning, and Corruption in the Soviet Command Economy." Warwick Economic Research Paper: 606.

Abstract: This paper reconsiders Andrei Shleifer and Robert Vishny's suggestion that a socialist industry will always prefer to cut both price and output relative to a market-clearing equilibrium in order to maximize bribe income. The evidence from recent archival studies of the Soviet economy does not support this conjecture. To understand the evidence the authors present an analytical framework within which a plan-setter and an effort-setter interact, subject to a hard resource constraint, to determine real output and hidden inflation simultaneously. The authors find that managers who used resources that were obtained corruptly were able to produce more real output with less hidden inflation and fulfill the plan more honestly as a result. The authors find clear rationales for plan-setters to have tolerated corruption and siphoning while maintaining plan tension, and the authors associate reduced plan tension in the 1970s with the spread of disloyal behaviors. [www.warwick.ac.uk/fac/soc/Economics/research/twerps.html]

Celentani, Marco, and Ganuza, Juanjo. 2001. "Organized vs. Competitive Corruption." Universitat Pompeu Fabra, Economics and Business Working Paper: 526.



Abstract: The researchers study bureaucratic corruption in a model in which a constituency sets required levels for a given set of activities. Activities are carried out by external providers who are supervised by bureaucrats. Bureaucrats can allow providers to deliver lower activity levels than contracted in exchange for a bribe. The constituency sets the optimal activity levels weighing off the value of activity levels, their costs, as well as the possibility for the bureaucrats to be corrupt. The authors compute equilibrium corruption in two different settings: 1) Each bureaucrat maximizes his own individual utility (competitive corruption), 2) An illegal syndicate maximizes total proceeds from corruption (organized corruption). The authors show that the illegal syndicate acts in such a way as to restrain the total number of corrupt transactions, so that corruption is lower when it is organized than when it is competitive. [<http://www.econ.upf.es>]

Abstracts of Working Papers on Corruption, 2000

Hellman, Joel S., Jones, Geraint, and Kaufmann, Daniel. 2000. "Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition." World Bank Policy Research Working Paper Series: 2444.

Abstract: In a decade of transition, fear of a leviathan state is giving way to increased focus on oligarchs who "capture the state." In the capture economy, the policy and legal environment is shaped to the captor firm's huge advantage, at the expense of the rest of the enterprise sector. This has major implications for policy. The main challenge of the transition has been to redefine how the state interacts with firms, but little attention has been paid to the flip side of the relationship: how firms influence the state-especially how they exert influence on and collude with public officials to extract advantages. Some firms in transition economies have been able to shape the rules of the game to their own advantage, at considerable social cost, creating what authors call a "capture economy" in many countries. In the capture economy, public officials and politicians privately sell underprovided public goods and a range of rent-generating advantages "a la carte" to individual firms. The authors empirically investigate the dynamics of the capture economy on the basis of new firm-level data from the 1999 Business Environment and Enterprise Performance Survey (BEEPS), which permits the unbundling of corruption into meaningful and measurable components. The authors contrast state capture (firms shaping and affecting formulation of the rules of the game through private payments to public officials and politicians) with influence (doing the same without recourse to payments) and with administrative corruption ("petty" forms of bribery in connection with the implementation of laws, rules, and regulations). [<http://econ.worldbank.org/docs/1199.pdf>]

Gatti, Roberta, and Fisman, Raymond. 2000. "Decentralization and Corruption: Evidence across Countries." World Bank Policy Research Working Paper Series: 2290.

Abstract: Empirical estimates suggest that fiscal decentralization in government spending is associated with lower government corruption. The relationship between decentralization of government activities and the extent of rent extraction by private parties is an important element in the recent debate on institutional design. The theoretical literature makes ambiguous predictions about this relationship, and it has remained virtually unexamined by empiricists. The authors make a first attempt at examining the issue empirically, by looking at the cross-country relationship between fiscal decentralization and corruption as measured by a number of



different indices. Their estimates suggest that fiscal decentralization in government spending is significantly associated with lower corruption. Moreover, The authors find that the origin of a country's legal system - for example, civil versus common legal code - performs extremely well as an instrument for decentralization. The estimated relationship between decentralization, when so instrumented, and corruption is even stronger. The evidence suggests a number of interesting areas for future work, including investigating whether there are specific services for which decentralized provision has a particularly strong impact on political rent extraction, and understanding the channels through which decentralization succeeds in keeping corruption in check. [<http://econ.worldbank.org/docs/1048.pdf>]

Wei, Shang-Jin. 2000. "Corruption, Composition of Capital Flows, and Currency Crises." World Bank Policy Research Working Paper Series: 2429.

Abstract: Corruption affects the composition of capital inflows in a way that may raise the likelihood of a currency crisis. Crony capitalism and international creditors' self-fulfilling expectations are often suggested as rival explanations for currency crises. A possible link between the two has not been explored. The author shows one channel through which crony capitalism can increase the chance of a currency/financial crisis by altering the composition of capital inflows. Using data on bilateral foreign direct investment and bilateral bank loans, The author finds clear evidence that in corrupt countries the composition of capital inflows is relatively light in foreign direct investment. Earlier studies indicated that a country with a capital inflow structure is more likely to run into a currency crisis down the road (partly through international creditors' self-fulfilling expectations). Therefore, crony capitalism, through its effect on the composition of a country's capital inflows, makes the country more vulnerable to currency crises brought about by self-fulfilling expectations. Corruption may also weaken domestic financial supervision, with a subsequent deterioration in the quality in banks' and firms' balance sheets. [<http://econ.worldbank.org/docs/1184.pdf>]

Kaufmann, Daniel, and Wei, Shang-Jin. 2000. "Does 'Grease Money' Speed Up the Wheels of Commerce?" IMF Policy Working Paper: WP/00/64.

Abstract: In an environment in which bureaucratic burden and delay are exogenous, an individual firm may find bribes helpful to reduce the effective red tape it faces. The efficient grease hypothesis asserts therefore that corruption can improve economic efficiency and that fighting bribery would be counter-productive. This need not be the case. In a general equilibrium in which regulatory burden and delay can be endogenously chosen by rent-seeking bureaucrats, the effective (not just nominal) red tape and bribery may be positively correlated across firms. Using data from three worldwide firm-level surveys, we examine the relationship between bribe payment, management time wasted with bureaucrats, and cost of capital. Contrary to the efficient grease theory, we find that firms that pay more bribes are also likely to spend more, not less, management time with bureaucrats negotiating regulations, and face higher, not lower, cost of capital. [<http://www.worldbank.org/wbi/governance/pubs/greasemoney.html>]

Schneider, Friedrich, and Enste, Dominik. "Shadow Economies around the World: Size, Causes and Consequences." IMF Working Paper: WP/00/26 February 2000.

This paper presents estimates of the size of the shadow economy in 76 developing, transition, and OECD countries, which are derived by combining figures from different estimation methods. We describe and discuss the strengths and weaknesses of the different estimation methods. We find that the growth of the shadow economy, which is now remarkably large in the 76 countries, is strongly related to increasing burdens of taxation and social security contributions, as well as to the extent of state regulatory activities. Rising corruption also has a clearly positive impact on the growth of the shadow economy.
[<http://www.imf.org/external>]

Dabla-Norris, Era. 2000. "A Game-Theoretic Analysis of Corruption in Bureaucracies." IMF Working Papers: 00/106.

Abstract: This paper examines interactions between self-interested agents in a two-tier government hierarchy, consisting of a central authority and bureaucrats in a two-stage game, where the actions of agents affect private sector allocations. Conditions under which lower-tier corruption arises as an equilibrium characterization of the game are identified. If bureaucratic corruption sufficiently reduces the tax base, policies that deter corruption may be optimal. When monitoring is expensive or ineffective, lower-level corruption arises as equilibrium. Tax farming and the sale of offices can occur in these equilibria. In addition, strategic complementarities between bureaucrats may give rise to multiple equilibria.
[<http://www.imf.org/external>]

Wolf, Thomas A, and Gurgen, Emine. 2000. "Improving Governance and Fighting Corruption in the Baltic and CIS Countries: The Role of the IMF." IMF Working Papers: 00/1.

Abstract: This paper examines the indirect role the IMF plays in combating corruption in the Baltic and CIS countries by promoting structural reforms that help improve economic governance and thus reduce opportunities for rent-seeking behavior. The analysis draws on examples of actual experience with corruption and outlines some of the structural measures under IMF-supported arrangements, which, if successfully implemented, can be expected to help gradually alleviate corruption. It also summarizes IMF-wide initiatives under way to strengthen public sector transparency and accountability, and highlights the key structural areas likely to receive emphasis in the IMF's future policy advice to countries in the region.
[<http://www.imf.org/external/pubs/ft/wp/2000/wp0001.pdf>]

Abed, George T., and Davoodi, Hamid R. July. 2000. "Corruption, Structural Reforms, and Economic Performance in the Transition Economies." IMF Working Paper: WP/00/132.

Abstract: Recent studies have highlighted the adverse impact of corruption on economic performance. This paper advances the hypothesis that corruption is largely a symptom of underlying weaknesses in public policies and institutions, a formulation that provides deeper insights into economic performance than do measures of "perceived corruption." The hypothesis is tested by assessing the relative importance of structural reforms vs. corruption in explaining macroeconomic performance in the transition economies. The paper finds that for four widely used measures of economic performance-growth, inflation, the fiscal balance, and foreign direct investment-structural reforms tend to dominate the corruption variable.

Tanzi, Vito, and Davoodi, Hamid. 2000. "Corruption, Growth, and Public Finances." IMF Working Papers: 00/182.

Abstract: The paper discusses some channels through which corruption affects growth such as the impact of corruption on enterprises, on the allocation of talent, and on investment. It also discusses the impact of corruption on some aspects of public finance. [<http://www.imf.org/external/pubs/ft/wp/2000/wp00182.pdf>]

Gupta, Sanjeev, Davoodi, Hamid, Tiongson, Erwin. 2000. "Corruption and the Provision of Health Care and Education Services." IMF Working Paper: WP/00/116.

Abstract: Government intervention to correct market failures is often accompanied by government failures and corruption. This is no more evident than in social sectors that are characterized by significant market failures and government intervention. However, the impact of corruption on the public provision of social services has not been analyzed. This paper reviews the relevant theoretical models and users' perceptions of corruption in the public provision of social services. It then provides evidence that reducing corruption can result in significant social gains as measured by decreases in child and infant mortality rates, percent of low-birthweight babies, and primary school dropout rates. [<http://www.imf.org/external/pubs>]

Gupta, Sanjeev, de Mello, Luiz, and Sharan, Raju. 2000. "Corruption and Military Spending." IMF Working Paper: WP/00/23.

Abstract: Anecdotal evidence relates corruption with high levels of military spending. This paper tests empirically whether such a relationship exists. The empirical analysis is based on data from four different sources for up to 120 countries in the period 1985-98. The association between military spending and corruption is ascertained by using panel regression techniques. The results suggest that corruption is indeed associated with higher military spending as a share of both GDP and total government spending, as well as with arms procurement in relation to GDP and total government spending. This evidence indicates that defense spending can be considered for constructing governance indicators. [<http://www.imf.org/external/pubs>]

Duggan, Mark, and Levitt, Steven D. 2000. "Winning Isn't Everything: Corruption in Sumo Wrestling." NBER Working Papers: 7798.

Abstract: Although the theoretical literature on corruption is well developed, empirical work in this area has lagged because it has proven difficult to isolate corrupt behavior in the data. In this paper, the authors look for evidence of corruption in an unlikely place: the highest echelons of Japanese sumo wrestling. This paper provides strong statistical evidence documenting match rigging in sumo wrestling. A non-linearity in the incentive structure of promotion leads to gains from trade between wrestlers on the margin for achieving a winning record and their opponents. The authors show that wrestlers win a disproportionate share of the matches when they are on the margin. Increased effort can not explain the findings. Winning on the bubble is more frequent when the two competitors have met often in the past. Success on the bubble tends to rise over the course of a wrestler's career, but declines in his last year, consistent with the game theoretic predictions. Wrestlers who are victorious when on the bubble lose more frequently than would be expected the next time they meet that opponent, suggesting that part of the payment for throwing a match is future payment in kind. Systematic differences across



wrestling stables suggest that the stables play a role in facilitating the corruption. In times of increased media scrutiny, the match rigging disappears. [www.nber.org/papers/w7798.pdf]

Smarzynska, Beata K., and Wei, Shang-Jin." 2000. Corruption and Composition of Foreign Direct Investment: Firm-Level Evidence." NBER Working Papers: 7969.

Abstract: This paper studies the impact of corruption in a host country on foreign investor's preference for a joint venture versus a wholly-owned subsidiary. There is a basic trade-off in using local partners. On the one hand, corruption makes local bureaucracy less transparent and increases the value of using a local partner to cut through the bureaucratic maze. On the other hand, corruption decreases the effective protection of investor's intangible assets and lowers the probability that disputes between foreign and domestic partners will be adjudicated fairly, which reduces the value of having a local partner. The importance of protecting intangible assets increases with investor's technological sophistication, which tilts the preference away from joint ventures in a corrupt country. Empirical tests of the hypothesis on a firm-level data set show that corruption reduces inward FDI and shifts the ownership structure towards joint ventures. Technologically more advanced firms are found to be less likely to engage in joint ventures. [<http://www.nber.org/papers/w7969.pdf>]

Wei, Shang-Jin. 2000. "Natural Openness and Good Government." NBER Working Paper: 7765.

Abstract: This paper offers a new interpretation of the connection between openness and good governance. Assuming that corruption and bad governance drive out international trade and investment more than domestic trade and investment, a "naturally more open economy"--as determined by its size and geography--would devote more resources to building good institutions and would display lower corruption in equilibrium. In the data, "naturally more open economies" do exhibit less corruption, even after taking into account their levels of development. "Residual openness", which potentially includes trade policies, is found not to be important once "natural openness" is accounted for. Moreover, naturally more open economies also tend to pay better civil servant salaries relative to their private sector alternatives--indicative of the marginal benefit of good governance in a society's revealed preference. These patterns are consistent with the conceptual model. [<http://www.nber.org/papers/>]

Blanchard, Olivier, and Shleifer, Andrei. 2000. "Federalism With and Without Political Centralization. China versus Russia." NBER Working Papers: 7616.

Abstract: In China, local governments have actively contributed to the growth of new firms. In Russia, local governments have typically stood in the way, be it through taxation, regulation, or corruption. There appears to be two main reasons behind the behavior of local governments in Russia. First, capture by old firms, leading local governments to protect them from competition by new entrants. Second, competition for rents by local officials, eliminating incentives for new firms to enter. The question then is why this has not happened in China. We argue that the answer lies in the degree of political centralization present in China, but not in Russia. Transition in China has taken place under the tight control of the communist party. As a result, the central government has been in a strong position both to reward and to punish local administrations, reducing both the risk of local capture and the scope of competition for rents. By contrast, transition in Russia has come with the emergence of a partly dysfunctional democracy. The central government has been neither strong enough to impose its views, nor



strong enough to set clear rules about the sharing of the proceeds of growth. As a result, local governments have had few incentives either to resist capture or to rein in competition for rents. Based on the experience of China, a number of researchers have argued that federalism could play a central role in development. We agree, but with an important caveat. We believe the experience of Russia indicates that another ingredient is crucial, namely political centralization. [<http://www.nber.org/papers/w7616.pdf>].

Angeletos, George-Marios, Kollintzas, Tryphon. 2000. "Rent Seeking/Corruption and Growth: A Simple Model." CEPR Discussion Papers: 2464.

Abstract: The goal of this paper is to propose a simple paradigm for understanding rent seeking and corruption in the growth context. The authors develop an endogenous growth model where entrepreneurs, as intermediate-good producers, may engage in rent-seeking activities. The latter are defined by the following properties: (i) their internal effect is positive, (ii) their external effect is negative, and (iii) they use real resources. Their formulation may be viewed as a parable for theft and fraud, organized crime, industrial espionage, lobbying and policy influence, misgovernance, institutional inefficiency, tax evasion, etc. The economy is shown to fall into a trap of high rent seeking/corruption and low growth. Agents' perceptions about the external effects of rent seeking, and the complementarity or substitutability of intermediate inputs, are crucial. Contrary to conventional wisdom, higher returns to capital and more competition can be detrimental for welfare and growth, as they induce more rent seeking/corruption. Finally, their paradigm yields insights into the relationship of R&D, politico-economic equilibrium, income distribution, and growth, as well as the design of tax/growth policies in the presence of rent seeking/corruption.

[<http://www.cepr.org/pubs/dps/DP2464.asp>]

Dal Bo, Ernesto. 2000. "Bribing Voters." University of Oxford, Department of Economics Discussion Paper: 39.

We show how an outside party offering incentives to voters can manipulate at no cost collective decisions made through voting. Under influence, these decisions can become inefficient. Therefore, the market for policies may be more likely to fail than the markets for goods, because (democratic) politics involves influence and collective decisions to a greater extent than markets for goods do. We develop and use a model to analyze different incentive schemes, credibility situations, and payoff and information structures. We discuss implications for the efficiency of democracy, voting, lobbying, committee decision making, and legislatures. [www.economics.ox.ac.uk/]

Sanyal, Amal. "Bribes for Faster Delivery." Unitat de Fonaments de l'Anàlisi Econòmica (UAB) and Institut.

Abstract: The paper models the practice of charging bribes for faster delivery of essential services in third world countries. It then examines the possibility of curbing corruption by supervision, and secondly, by introducing competition among delivery agents. It is argued that a supervisory solution eludes the problem because no hard evidence of the reduction of corruption can be established for this type of offenses. It is also shown that using more than one supplier cannot eliminate the practice, and the bribe paying part of the market attains a determinate proportion as the number of suppliers increases. However the bribe rate and



average waiting time come down at a diminishing rate with increase in the number of suppliers, and this property can be used to determine an optimal number of suppliers.
[<http://pareto.uab.es/wp/2000/47400.pdf>]

Celentani, Marco, and Ganuza, Juan Jose. "Corruption and Competition in Procurement."
Universitat Pompeu Fabra, Economics and Business Working Paper: 464.

Abstract: We consider a procurement problem in which the procurement agent is supposed to allocate the realization of a project according to a competitive mechanism that values bids in terms of the proposed price and quality. Potential bidders have private information about their production costs. Since the procurement agent is also in charge of verifying delivered quality, in exchange for a bribe, he can allow an arbitrary firm to be awarded the realization of the project and to produce a quality level lower than the announced. We compute the equilibrium level of corruption and we study the impact on corruption of the competitiveness of the environment, and in particular of: i) an increase in the number of potential suppliers of the good or service to be procured, ii) competitive (rather than collusive) behavior of procurement agents, and iii) an increase of competition in the market for procurement agents. We identify the effects that influence the equilibrium level of corruption and show that, contrary to conventional wisdom, corruption may well be increasing in competition.
[www.econ.upf.es/deehome/what/wpapers/listwork.html]

Abbink, Klaus. 2000. "Fair Salaries and the Moral Costs of Corruption." University of Bonn, Economics Discussion Papers.

Abstract: In a bribery experiment, the authors test the hypothesis that distributive fairness considerations make relatively well-paid public officials less corruptible. Corrupt decisions impose damages to workers whose wage is varied in two treatments. However, there is no apparent difference in behavior. [ftp://ftp.wipol.uni-bonn.de/pub/RePEc/bon/bonedp/bgse1_2000.pdf].

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