Governments often don’t work well

Poor-performing states are the central challenge of the 21\textsuperscript{st} century

Generic challenges

• Simple lack of state capacity (e.g., cartel activity in C. America)
• Abusive behavior by street-level bureaucrats (e.g., use of force by police)
• Inefficiency and poor service delivery (e.g., education)
• Corruption

Today we are focused on the last issue, though some of the same strategies may apply to other problems
What explains variation in corruption?

An economist’s view
- Officials will exploit opportunities for rents
- Policy interventions: drive costs up, benefits down, prevent buyers from meeting sellers

A sociologist’s view
- Societal culture and norms are the main determinant of whether officials engage in corruption (Example: Zaidenweber)
- Policy interventions: organizational change, moral appeals

A psychologist’s view
- Irrational calculation of costs and benefits
- Interpersonal differences (personality)
- Policy interventions: training, find the right “types”
Toward a unified model
(at least of sociological and economic approaches)

Returns to corruption = Benefits of corruption (B) – costs of corruption (C)

Benefits:

Costs:
Toward a unified model (2)

Returns to corruption = Benefits of corruption (B) – costs of corruption (C)

- **B** = opportunities for corruption (o) * financial gains per opportunity (g)

- **C** = [costs of getting punished (s) * p₁ (getting caught)] * p₂ (getting punished if caught)]
  + psychic costs (q)†
  + social costs (z) ++
  - punishment for being clean (l) +++

- Strategies for preventing corruption:
  - Reducing o, g
  - Increasing s, p₁, p₂
  - Increasing q
  - Increasing z
  - Reducing l

- Psychological strategies [not discussed here]
  - Getting “good” types into the organization and “bad” types out of the organization.
  - Getting people to think and plan financially

†Individual morality, guilt, etc.
++Ostracism from uncorrupt peers, etc.
+++Ostracism from corrupt peers, criticism from superiors, lack of prospective promotion, threats, etc.
### Some common strategies for controlling corruption

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategies</th>
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<tbody>
<tr>
<td><strong>Reducing opportunities (o)</strong></td>
<td>• Eliminating bureaucracy and regulation&lt;br&gt;• Isolation / sequestering (e.g., military units in MX)&lt;br&gt;• Reduce discretion in spending / financial controls</td>
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<td><strong>Reducing gain per opportunity (g)</strong></td>
<td>• Bidding for bribes (agencies compete)</td>
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<td><strong>Reducing the punishments for being clean within a corrupt organization (l)</strong></td>
<td>• Whistleblower laws&lt;br&gt;• Media coverage of whistleblowers&lt;br&gt;• Organizational culture</td>
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<td><strong>Increasing the severity of punishment (s)</strong></td>
<td>• Prison terms, death sentence, asset forfeiture</td>
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<tr>
<td><strong>Increasing the chance of being punished if caught (p₂)</strong></td>
<td>• Media&lt;br&gt;• Ease of dismissal (labor laws for public employees)&lt;br&gt;• Life tenure for judges&lt;br&gt;• Independence of prosecutors&lt;br&gt;• “Capacity building” for prosecutorial apparatus&lt;br&gt;• Witness protection</td>
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<td><strong>Increase the probability of getting caught (p₁)</strong></td>
<td>• More aggressive enforcement (wiretapping)&lt;br&gt;• Vetting, background checks, recurrent polygraphing, etc.&lt;br&gt;• “Illicit enrichment” / “inexplicable wealth” laws&lt;br&gt;• Media openness and investigation&lt;br&gt;• Sunshine laws, transparency legislation, eGovernment&lt;br&gt;• Decentralization?</td>
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<td><strong>Increasing the psychic costs of engaging in corruption (q)</strong></td>
<td>• Esprit de corps with the organization&lt;br&gt;• Public morality campaigns</td>
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