CONTENTS

Preface		xi
1	Introduction: The Costs of Corruption	1
Par	et I Corruption as an Economic Problem	7
2	The Economic Impact of Corruption	9
	Payments that Equate Supply and Demand	10
	Bribes as Incentive Payments for Bureaucrats	15
	Bribes to Reduce Costs	18
	Organized Crime and Corruption	23
	Conclusions	25
3	Corruption of High-Level Officials	27
	Payments to Obtain Major Contracts and Concessions	27
	Privatization	35
	Conclusions	38
4	Reducing Incentives and Increasing Costs	39
	Program Elimination	39
	Establishing a Credible Privatization Process	42
	Reform of Public Programs	44
	Competitive Pressures in Administration	49
	The Deterrent Effect of Anticorruption Laws	52
	Procurement Reform	59
	Conclusions	68
		vii

Contents	viii
5 Reform of the Civil Service	69
Pay Reform	71
Conflicts of Interest	75
Carrots and Sticks	78
Corruption in Hierarchies	82
The Rediscovery of Contract	84
Conclusions	87
Part II Corruption as a Cultural Problem	89
6 Bribes, Patronage, and Gift Giving	91
Bribes, Gifts, Prices, and Tips	92
The Similarity of Bribes and Gifts	96
Patronage, Gift Giving, and Economic De	evelopment 104
Conclusions	110
Part III Corruption as a Political Problem	111
7 Corruption and Politics	113
Kleptocracy	114
Bilateral Monopolies and Mafia-Dominat	ed States 121
Competitive Bribery	124
Conclusions	125
8 Democracy and Corruption: Incentives and	
Electoral Systems	127
Buying Political Influence and Buying Vot	
Conclusions	142
9 Controlling Political Power	143
Checks and Balances in the Legislative Pr	
Accountable Implementation	146
Federalism: Exit and Voice	149
Independent Judicial and Prosecutorial In	stitutions 151
Openness and Accountability	162
Conclusions	174
Part IV Achieving Reform	175
10 The Role of the International Community	177
Controlling Corruption in Development F	Projects 179

	Contents	ix
	Supporting Reform	182
	Limiting Corruption in International Business	185
	Controlling Money Laundering and International	
	Criminal Enterprise	190
	New International Institutions	193
	Conclusions: Policy Fads and Policy Reforms	196
11	Domestic Conditions for Reform	198
	Political Structure and Reform	199
	Scandal and Crisis as Catalysts	209
	Natural Resource Wealth and Foreign Aid	213
	Demands for Reform	215
	Sustaining Reform	219
	Conclusions	222
12	Conclusions	225
References		230
Name Index		253
Subject Index		259