Controlling Corruption: Role of Bureaucratic Competition, Punishment and Media

Abstract

Corruption in economics literature is defined as the misuse of public office for private gain. Historically, corruption has come down drastically in the developed part of the world over the last century; but it is still quite rampant at the developing countries and considered as a major obstacle to their development. The form of corruption that is prevalent in routine activities in the developing world is perhaps bureaucratic corruption involving bribery which may take two alternative forms: extortion and collusion. While in the former, a compliant agent is forced to pay a bribe by a bureaucrat/official in exchange of a service, the latter is a mutually beneficial bribe agreement between the bureaucrat/official and the non-complying agent.

Conventionally, enforcement strategies like punishment takes different forms for extortion and collusion. Since extortion has a victim, self-reporting by the same is a possibility, asymmetric punishment is often advocated where the bribe taker alone is punished. Collusion, being victimless is more difficult to detect and hence requires alternate control mechanisms such as whistleblowing or media reporting.

This thesis focuses on whether anti-corruption strategies such as enforcement, introduction of competitive bureaucracy and media-watch are able to control collusion and extortion when they coexist. It exploits the role of morality and peer effect in the process. The welfare implications of anti-corruption strategies are also discussed.