

Disrupting Systemic Corruption: External Accountability and Corruption

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Abstract:

Source of “external” accountability like ombudsmen, auditors, the justice system, parliamentary committees, and anti-corruption commissions are often internalized by systemic corruption and hence cease to be sources of external accountability. One reason is that the rules by which these organizations are supposed to operate can be compromised by the government, and this violation of the rules is not easily verifiable by the media, the citizenry or international organizations. This paper suggests a number of bright line rules that if followed would at least occasionally expose systemic corruption. These rules have the important property that whether they are being followed is easily verifiable by the media, the citizenry and international organizations. The combination of these two properties: that compliance with these rules is easily verifiable, and that if followed they would occasionally disrupt systemic corruption, makes them more reliable as a source of truly external accountability.

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“Use your enemy’s strength against him”, Sun Tzu

Introduction

In the 1990s, Vladimir Montesinos, the chief of the secret police in the government of Alberto Fujimori, ran a system of corruption in Peru. He bought off the media, the parliamentary opposition, the judiciary and the armed forces, and extracted significant rents for himself and possibly Fujimori as well. The system is vividly documented in a series of videos and well described by McMillan and Zoido (2005). Such systems of rent extraction are not rare. In fact hybrid regimes that have the form of democracy but lack genuine political competition are a significant and rising proportion of the world’s governments (Diamond 2002). While in some cases the goals of such regimes may simply be power itself, in most cases at least a secondary purpose is rent extraction. Effectively many of these electoral regimes run systems of rent extraction, and significantly compromise democracy in the process. An analysis of how these systems can be disrupted is the main topic of this paper.

This paper begins with a short analysis of how an honest principal may deal with incidental corruption. It compares two strains of the micro “individual level” literature on corruption: the economics of crime (prevention) and principal agent theory. The economics of crime prevention focuses on incentives based on punishments meted out after corruption is observed and verified. The fundamental insight of principal agent theory, however, is that the agent can be induced to take the right action (not be corrupt) by appropriate incentives even if corruption itself cannot be observed. On the whole, we find that principal agent theory makes better suggestions in combating corruption. Using this theory, we suggest some concrete policies and reforms that could help alter incentives in incidentally corrupt systems.

Next, the paper analyzes a harder set of circumstances: combating corruption when the principal involved is corrupt. A frequent occurrence in misgoverned countries is the emergence of systems of rent extraction. Low level bureaucrats buy jobs from their superiors, with the intention of collecting bribes—sometimes the bribes are even shared with the superiors. The usual remedies of raising salaries and increasing accountability to superiors are ineffective or even counterproductive in this situation. The equilibrium price of a job rises after wage increases, leading to low level bureaucrats becoming indebted to buy jobs, and thus in even greater need to demand bribes. Accountability to corrupt supervisors can lead to even honest bureaucrats being forced to be corrupt.

Tackling systemic corruption is difficult because any system to confront it can be captured. However, another aspect of systemic corruption makes it easier to tackle than incidental corruption. Since the system is interconnected an exposure followed by a determined investigation can sometimes lead to the whole system unraveling and the government being dismissed or losing the next election. Unlike effective systems of fighting incidental corruption, only a small number of acts of corruption need to be independently exposed.

This paper looks at four empirical examples of systemic corruption: Belarus, Kenya, Brazil, and Turkey. The central insight, based on empirical evidence, is that systems of corruption can be sometimes exposed, disrupted and removed through a process of unraveling.

It is this insight that the saying by Sun Tzu refers to in our framework. Systemic corruption has a great strength in that the players have assigned roles and loyalties, and the integrity systems to contain it are themselves compromised. But this strength can be used against systemic corruption because a single exposure can cause the system to unravel. A conviction of a low level official could be used to gather evidence on the system he was involved in, the purchase of his job, the bribe sharing arrangements and even the conviction of his senior officers and other members of the system. Even if the actual conviction of other people is outside the jurisdiction of the case, a judicial process in which facts are found and publicized can create enough legal and political momentum that it becomes difficult to stop.

Another advantage in tackling systemic corruption is that the remedies can be political, and thus based on less evidence than required in a court of law. Even a reasonable suspicion of systemic corruption may be enough to dismiss the government if the citizenry is significantly opposed to corruption.

The usual mechanisms of external accountability, the justice system, anti corruption commissions, auditing agencies, inspector generals are made ineffective by systemic corruption. In a sense they get internalized and thus are not sources of external accountability. Consider the following mechanisms:

If there is reasonable suspicion of corruption, then the attorney general will appoint his top prosecutor to investigate the case. Or..

If there is suspicion of corruption, the government will create a commission for inquiry. The meetings will be held in secret to ensure a frank discussion can take place. Or..

The government will appoint an anti-corruption commission to investigate charges of corruption. This commission will be special powers of search and seizure (like the anti corruption agencies in Singapore and Hong Kong were according to Klitgaard 1988)

Each of these rules, which sound like they would be effective if the higher levels of government were honest, and the problem was incidental corruption, would be ineffective or even counterproductive in systemically corrupt countries. They could be used to threaten independent minded legislators and officials and hence to solidify the systems of corruption. Violations in these rules can not be easily detected by the media, the citizenry or international organizations. Rather we propose a set of rules, such that violations are easy to detect and that if they were followed would sometimes expose systemic corruption.

In broad terms systemic corruption needs to be disrupted rather than controlled. The basic question we will ask is whether a set of bright line, externally verifiable rules can be implemented that would disrupt systemic corruption and make it more likely for a process of unraveling to take place. We develop a set of rules that could promote and facilitate the unraveling process. These rules will expose systemic corruption occasionally, and then the system may unravel like the Monetsinos experience, which might lead to an electoral loss of the government. If the government goes as far as to massively rig the elections, then the presumption is that the government will be overthrown by protest as happened in Peru after the exposure of the vlavideos, and is now happening in an increasing number of countries (Economist, A rainbow of revolutions, Jan 20, 2006). (Note that this does presume some orderly mechanisms for the transfer of power like elections, which is sadly not the case in much of the world. The ideas contained in this paper would not apply to the truly dysfunctional states that do not have multi party elections. Our advice for people working on these countries is that they should press for multi party elections. The reforms described below would be less effective or perhaps even ineffective in the absence of elections.)

Such bright line rules should be observable by both the citizens of the country, and external observers. These rules should be such that they should – at least in a probabilistic sense – be capable of exposing grand corruption to the general public and outside observers, and any attempt to compromise the rules themselves should also be obvious. In that case either evidence of grand corruption or attempts to compromise the integrity system would be exposed, and a combination of domestic and external pressure could be used to press for a new election. In the election, a government that was either exposed as corrupt, or violated the bright line rules would be dismissed.

The following are a sample of some of the “bright line rules” and suggestions developed:

Random assignment of judges and prosecutors to cases. (Randomization can be done in ways that are easy to verify) [Note that random assignment of prosecutors is not efficient when the problem is incidental corruption, where the efficiency of exposure could be raised by purposeful assignment according the comparative advantage of different prosecutors]

Direct elections of some public prosecutors, or appointment of some public prosecutors by the opposition parties.

Requirements for public declarations of assets and incomes of public officials, combined with randomized audits of their finances.

Requirements for public declarations of financial flows in fiscal systems like PETS, combined with audits by randomly selected auditors. Possibly also laws that allow private parties and NGOs to audit public finances at will.

Freedom of Information Acts that allow the public access to public official's finances, and government finances. (FOIAs count as verifiable rules because the effectiveness of FOIAs can be tested by experiments)

Empowering the opposition by requiring opposition leadership of accountability committees in the legislature.

Introducing question time when ministers have to publicly answer questions posed by legislators. These sessions should be broadcast live on TV and radio.

Random selection of citizens for "legislative juries" with the power to review laws and recommend referenda on laws, or even new elections.

The existence of privately owned media and access to international media.

The paper next examines three ways local governments can disrupt systemic corruption. First, the existence of local governments creates a form of the separation of powers. Higher level governments can discipline lower level governments.

Second, local governments are excellent training grounds for future national politicians—who become trained both in the arts of politics and running elections, and in managing a government.

Third, local governments allow innovative ideas to be tried in some places and replicated only if they are successful.

This paper concludes with recommendations for various actors for combating corruption. We provide recommendations for citizens, the media, activists, the World Bank, foreign governments and local governments. Finally we do also provide recommendations for the government itself, though it seems it would only be receptive to our recommendations in extraordinary circumstances.

2. Accountability and Incidental Corruption

2.1 Principal agent theory vs. the economics of crime

There are two strains of microeconomic theory related to the control of incidental corruption: principal agent theory and the economics of crime. (The term incidental is meant to convey that the various acts of corruption are not part of the same system. The term is not meant to denote rarity: incidental corruption can be rare or widespread.) The fundamental insight of principal agent theory is that a principal can induce an agent to undertake actions optimal for the principal even if the principal can only observe outcomes, and outcomes are affected by unobserved factors in addition to the agent's actions. The

archetypical case is of a firm's owner giving incentives based on profits to the manager or worker to exert effort, where profits depend on many variables besides effort. The economics of crime on the other hand focuses on how potential criminals can be dissuaded from committing crimes by the use of punishments based on observable and verifiable behavior. The fundamental insight of the economic theory of crime is that as the verifiability of punishments decreases, the severity of the punishment should rise.

The application of the economic theory of (detering) crime to corruption may involve setting very high penalties because the probability of detecting a corrupt transaction is low – neither party to which has an incentive to expose it. For many acts of corruption which are tolerated in various societies, this may lead to a social reluctance to report the crime, even on the part of people who would like corruption to be eliminated. Consider the example of a school teacher who is well known to sell better grades. Even upstanding, socially responsible people in many societies would not report the teacher to the police if the consequence was the teacher going to jail – it is simply too distasteful a prospect to imagine your child's school teacher in jail. They are more likely to report their teacher if the likely consequence was that the teacher would be fired. Proving that the school teacher actually took bribes is however very difficult. Hence the likely consequence is that reforms based solely of incontrovertible evidence of criminal wrongdoing are unlikely to be effective.

Principal agent theory would advise that rather than look for evidence of actual bribery, the exams be occasionally rechecked and if the teacher was found to veer too far away from reasonable grading then the teacher should be gently punished – say with a salary cut, or being required to take a course on grading in the summer. Such a reform would not eliminate corruption. If a teacher was to favor a few students by marginally better grades, it would be difficult to detect. On the other hand the reform may actually lead to improvements in grading even when no corruption was taking place. Were this to happen, it would be a happy consequence.

To take another example, let's suppose civil servants are systematically absent from work, and compare two reforms to improve performance. In the first severe punishments would be handed out for unjustified absences. This may, however, lead to simply a more diligent pursuit of collecting the proper – if false – justifications for absences. It is in fact easy to obtain fraudulent doctor's notes in many countries – not to mention that it is often difficult for a genuinely sick person to get one. A set of reforms in Venezuelan Hospitals for instance that punished nurses for unjustified absences did not reduce absences but did lead to a reduction in unjustified absences (Jaen and Paravisini 2001).

Principal agent theory would suggest that reformers simply place requirements on total absences. Some absences no doubt are caused by factors outside the agent's control. But as long as the punishments are not draconian, and the rewards significant but not extravagant, there is no great injustice in providing incentives for attendance.

2.2 The use of civil charges to combat corruption

We now consider an intermediate way of tackling corruption: the use of civil charges of neglect and mismanagement in corruption related cases, where corruption itself is difficult to prove. Corruption itself – and its most typical manifestation, bribery – is very easy to hide. However, the consequences of corruption are not always so easy to hide, and this is especially true for the more harmful forms of corruption. It is very difficult to expose the corrupt behavior of the judge who, after accepting the same bribe from both parties, then makes a fair decision; but a judge who makes a large number of unfair decisions is more easily identifiable.

The consequences of corruption can be used to bring charges of neglect or mismanagement against public officials – even if no money has been seen changing hands. Even civil cases can be used to exert some sort of discipline on government officials, and the evidence may be sufficient to result in serious action,

such as firing the relevant officer. The attendant publicity may well shut down the corrupt businesses, serving as a deterrent to corruption.

We now offer two examples we became aware of during our field work in Indonesia. The more usual legal approach – pursuing corruption charges directly – faced a number of serious obstacles under current law in Indonesia (circa 2001). Photocopies were inadmissible as evidence and the legal definition of corruption was restrictively narrow: Only embezzlement was included in the definition of corruption, and the case became moot if the money has been paid back. The term approximately synonymous with the English word corruption, “Koruspsi, Kolusi, Nepotism”, while popularly used, and often abbreviated to KKN, was not a legal term.

Several cases in Indonesia suggested the usefulness of an indirect legal approach which would rely on charges of official neglect rather than corruption.

1. In Malang, East Java, corruption had literally introduced sand in the grease of automobile engines. The case involved the production of sub-standard motor oil, produced by a businessman who had essentially purchased a stamp of approval from the relevant government officials. When Malang Corruption Watch investigated the motor oil factory, following complaints to a consumer rights association, they found that the oil was not being made in the correct way and that the quality of the oil was substandard. This constituted evidence enough to charge the manager of the company, who was in fact indicted and had to shut down operations due to reputational effects. It was not feasible, however, to file charges of corruption against the government officials who approved the oil for sale. Charges of neglect might instead have been brought successfully against them.

2. The “café corporation” in North Sulawesi was supposed to channel small loans to farmers. However only half the loans it officially gave were to farmers; the others were given to non-farmers for whom they were not intended. And of the loans promised to the farmers, only half were actually given. When the others objected, a government agency investigated the case. It is relatively simple to show that a loan was given to someone who is not really a farmer, and the prosecutors were in fact able to get a conviction on charges of mismanagement.

We don’t always need direct evidence of corruption itself to fight corruption in the courts. Harmful instances of corruption often provide clear evidence of wrongdoing, as in the case of giving approval to substandard motor oil, giving loans meant for farmers to non-farmers, allotting land to businessmen for the purpose of development who then merely log it, under-performing on reforestation projects, awarding contracts to construction firms who do shoddy work, and so on. In these and other cases, even though no direct evidence may exist of corrupt collusion, there may be clear evidence for neglect and mismanagement. It would be wrong to charge, convict and jail an official for corruption on the basis of such evidence, but such evidence should be enough to suspend or even fire an official on charges of neglect or mismanagement. This in itself would provide some deterrence to official corruption, especially in the most visibly harmful cases.

Table 1. A Comparison of Anti-corruption efforts suggested by the economics of crime and principal agent theory

Form of corruption	Remedy suggested by economics of crime	Remedy suggested by principal agent theory
	Evidence required	Evidence required
Doctors dilute vaccines	Try doctors for diluting vaccines. Evidence required of actual dilution.	Provide doctors with kits to check if vaccines are at required strength, and punish doctors – by fines and suspensions etc. – for giving substandard vaccines. Only evidence of substandard vaccines is required.
Loans in microfinance programs meant for poor farmers are given to the non-poor or to non-farmers in exchange for bribes	Try loan officers for taking bribes and misallocating funds. Evidence required of bribes.	Punish loan officers, with fines, suspensions or dismissals for giving loans to the obviously non-poor and non-farmers. Only – often readily available – evidence of who the loan was given to is required
Regulatory officials create deliberate delays to demand ransoms	Try official caught taking bribes Evidence required of bribes	Punish officials for not registering companies on time Only evidence of delays in registration required

2.3 Experimental Evidence on Controlling Corruption.

Azfar and Nelson (2006) designed an experiment to examine the impact of three factors on corruption: The likelihood that effort exerted by an “Attorney General” to expose corruption would succeed in exposing corruption of the “Executive”; the wages of the potentially corrupt executive and the attorney general; and the political independence of the attorney general. Theory suggests that since the main deterrent to corruption is the foregone wages from losing the executive’s position, both an increase in the ease of exposure and of wages would reduce corruption. They find that increases in wages and the ease of exposing corruption both reduce corruption. Barr et al. (2004) find similar effects in a sample of Ethiopian nurses. The impact of political independence on effort at exposing corruption and corruption itself will be discussed in a later section.

There is one actual field experiment on controlling corruption that we are aware of. Ben Olken has conducted an experiment where he randomly increased the probability of auditing the funds of Indonesian local governments in World Bank financed projects. He finds that credible threats to increase the probability of audits do in fact reduce corruption.

Both these examples do not fit easily in either the framework of the economics of crime and principal agent theory, and perhaps correspond best to a civil trial. Azfar and Nelson model the mechanism of exposing the executive in a way that is much simpler than obtaining a criminal conviction, and the executive in fact faces no punishment other than losing the stolen funds and (often) not being elected in the next round. In a way this is closer to a high publicity civil trial than anything else – except for the requirement that the investigation be carried out by an attorney general. In Olken’s experiment too, while

criminal charges were feasible, they were seldom used as a consequence of audits. Rather the corrupt local officials faced social and political costs.

2.3 Summary of dealing with incidental corruption

The tone of this section has suggested that principal agent theory, rather than the economics of crime, points to a more realistic set of reforms to control corruption. While we think this is often the case, a few caveats are in order.

It is worth keeping in mind that principal agent theory itself is a dangerous and poorly understood tool. A point that is obvious the moment it is made, but not obvious when many organizations design incentives, is that agents respond to the incentives they are given, and not to the reason why the principal gives them the incentives. Give a teacher incentives for better student performance, and grades will often improve but perhaps as a consequence of teaching for the test or even teacher induced cheating (Jacob and Levitt 2003 find that this happens even in US public schools). So incentives must be given in such a way that agents can only get higher payoffs by actually improving performance on factors that the principal really cares about. (Azfar and Zinnes 2005 find that giving trainers incentives based on student's performance on 80 questions improved performance – measured by satisfaction ratings, not test performance – but giving incentives based on 20 questions did not, perhaps because trainers were teaching for the test).

In summary, by using a combination of incentives for good behavior, civil penalties for corruption related instances where neglect and mismanagement can be proved, and criminal penalties when evidence of the most harmful kinds of corruption can be proved, a committed principal can significantly reduce corruption. Klitgaard (1988) contains examples of such successful efforts in Singapore and Hong Kong, which are now so well known that they are not worth repeating here. The problem, however, is often that the principal – i.e., senior government officials who make the rules and enforce them – are themselves corrupt and complicit in the acts of incidental corruption that most people experience. We now turn to the more challenging problem of how to deal with corruption when the principal himself is corrupt.

Systemic corruption

3.1 Introduction

Many countries in the world suffer from systemic corruption. Systemic corruption is analogous to organized crime. Actors are not acting on their own but rather in concert with each other, and serve to both maintain the system that allows them to extract rents and to take their own share of the rents. McMillan and Zoido provide an excellent account of how a system of corruption was maintained by Fujimori and Montesinos in Peru. Systems of corruption involve both the sale of jobs and sharing rents from bribery or theft, and compromising the systems of integrity that could control corruption.

Montesinos and Fujimori had compromised the systems of integrity by buying the judiciary, the legislature, the press and the broadcast media to the extent that they had reduced Peruvian democracy to a set of electoral formalities. It is the aim of this paper to offer a set of bright line rules that if implemented in conjunction with a system of regular multi party elections would prevent the emergence of systemic corruption as happened in Peru.

3.2. The sale of jobs

In many corrupt systems jobs are systematically sold by senior officials in exchange for both up front payments to purchase the position and bribe sharing arrangements. The practice has a long and distinguished history. Noonan (1984) describes how jobs were sold in the Catholic Church in the late middle ages. The passage which describes how priests took bribes from the common folk and bought

their jobs in the expectation of this revenue, and how the bishops who sold the priests their jobs, bought their own jobs is worth reading. The East India Company too sold customs posts, and many military positions were sold in European armies. The exchange of prestigious Ambassadorial positions in exchange for campaign contributions continues to the present day even in developed countries.

In developing countries there are often systems where the jobs of low level officials like customs officers, tax collectors etc. are sold in exchange for explicit payments to senior officials. These sales are often packaged with job protections, so the officials who buy their jobs also buy some protection from being fired. Sometimes the regular civil service protections suffice, but at other times extra protection is offered. These arrangements also often include bribe sharing agreements where low level officials share their bribe receipts with the senior officials who hired them. Not all sales of jobs are intended to result in bribe farming. Sometimes jobs of school teachers, and “ghost workers” are sold not primarily for the purpose of selling the right to demand bribes, but simply the right to collect on a pay check.

3.3 The effectiveness of remedies for incidental corruption when jobs are sold.

Now let us consider what would happen if we were to apply the micro-economic remedies suggested by principal-agent theory or the economics of crime in a system where jobs are sold. An increase in wages would lead to a higher price for the jobs. Such an increase in the price of job would either constrict employability in the public sector to the elite, or lead to officials having to borrow money to buy their appointments. Those who thus go into debt may be compelled to take bribes even if they otherwise wouldn't. The increase in wages would also increase the value of patronage networks and may increase the proportion of people who join them.

Raising public sector wages is a good preventative measure for reducing the likelihood that corruption emerges and becomes entrenched, but once systemic corruption is in place, raising salaries itself is unlikely to be effective unless combined with various other accountability measures.

The use of microeconomic incentives by increasing the likelihood of being fined, suspended, fired or imprisoned would simply not be enforced. Such laws would be still born, used rarely and possibly even selectively to punish those who step out of line in the system of corruption. One of the reasons why Montesinos may have videotaped the bribe payments may have been that he wanted the evidence to blackmail anyone who stepped out of line in his system of corruption.

A similar point can be made about the general mechanisms of accountability in systemically corrupt countries.

The usual mechanisms for external accountability.

The following mechanisms of accountability exist in many countries:

The judiciary: Corruption is a crime and can generally be prosecuted as a criminal charge – though in some countries, the crime of corruption is defined too narrowly and this does interfere with trying corruption case. Typically a corruption charge has to be brought by a public prosecutor because it is a criminal offense. Standards of proof are also high because of the criminal charge.

Ombudsmen and inspector generals: Many countries have an office of an ombudsman or an inspector general who is supposed to take oversee public sector employees and detect, punish and prevent corruption and other public sector crimes and misdemeanors.

Anti corruption commissions: Anti corruption commissions as the name suggests are supposed to focus on combating corruption. Sometimes they are given significantly greater power of search and seizure than the regular justice system.

Accountability committees in parliament: Many legislators have accountability committees. These committees are supposed to oversee the branches of government.

These mechanisms of accountability do not work because they can be captured by a systemically corrupt government. A systemically corrupt government can ensure that cases get assigned to complicit judges, or even that public prosecutors decline to charge officials with corruption. Montesinos had bribed the judiciary and got cases assigned to judges in his pocket. Ombudsmen, inspectors general, and anti corruption commissioners likewise may only target members of the opposition or rival politicians in the ruling coalition. If they are given extraordinary powers, they could simply use these to punish those who deviate from the system. Hence these mechanisms may be ineffective, or worse, counter productive in terms of reducing corruption. It is noteworthy that one of the best known systems of corruption was created in Peru, where the government of Fujimori had given extraordinary powers to law enforcement agencies because of the struggle with the Shining Path guerillas.

What is needed is the establishment of some easily verifiable rules that either empower randomly selected people, or multiple people so that a complete capture of the mechanisms of external accountability is not possible. For instance if cases were randomly assigned to judges, sooner or later a case would end up with an honest judge – even Montesinos could not corrupt all the judges. Systemic corruption involves so many acts of corruption that if even some judges are honest, a system of random assignment will lead to a case eventually ending up with an honest judge. Because the system is interconnected this may generate enough information for serious political consequences.

3.4 Tackling Grand Corruption.

Scholars who study corruption are often asked “What can you do about corruption?” The “what” in that question depends critically on who is referred to by “you”. If the “you” refers to a chief executive, with a legislative majority, and significant moral authority, who is committed to reducing corruption in an impartial way, the advice could be to create an anti corruption commission, house it with smart and honest staff, give them significant powers of search and seizure, conduct a thorough review of regulatory and procurement laws,the list could go on.

Typically however this is not the circumstance in which advice has to be given. Even if the chief executive is committed to fighting corruption, he may not be inclined to be impartial about who is to be investigated and convicted. Giving advice that legitimizes the kind of draconian powers used to good effect in Hong Kong and Singapore, would only serve to allow many corrupt governments to prosecute the opposition and may even solidify rather than contain systemic corruption.

The following section first considers how to improve the political checks on corruption. Subsequently we discuss the types of audits and examinations that are needed in order to produce the type of exposure needed to unravel corruption. Systemically corrupt regimes will have little incentives to adopt these rules, but they form the basis of what outsiders should insist on in their dealings with systemically corrupt regimes, and what the forces for integrity should push through in moments of extraordinary politics. These moments are admittedly rare, and therefore much of the discussion here also has implications for actors outside the government itself, and implications for each set of actors are discussed in section 4 on recommendations.

3.8 Political Controls - Elections

Elections form the bedrock of accountability on our framework. The basic presumption is that various mechanisms as listed in this paper will lead to an exposure of corruption, and the electoral consequence of significant corruption will be the government being voted out of office. Elections offer a mechanism for the orderly removal of corrupt governments from power.

Non democracies too may remove corrupt governments from power by revolution but the costs of revolution are much higher than elections and the likelihood much lower. Elections provide a focal point

for citizens to exert control over the government – everyone should vote on a particular day – and thus if an election is held an orderly change of government is more likely than a change of government by revolution. Elections also offer a focal point if they are rigged or cancelled, because in this case the cancellation or rigging of the election becomes the focal point for protest (as happened in Serbia, Georgia, and Kyrgyzstan). Ultimately electoral systems do rely on protest as a final sanction. To constrain the most corrupt regimes there may have to be a reasonable chance of a revolution if an election is cancelled or rigged. Rigged elections precipitated protests in Chile, Ecuador, Georgia, Kyrgyzstan, Nicaragua, the Philippines, and the Ukraine, and in many instances corruption was one of the major precipitating factors of the protests (Karatnycky and Ackerman 2005).

Several arguments have been made about the advantages of democracies (by which we mean governmental systems where the government is elected in a multi party election): Democracies are more likely to provide goods and services that citizens want (Oates 1972, Hayek 1945); democracies are more likely to protect property rights (North 1983, 1990, Olson 1993); democratic decision making is more likely to lead to rule obedience (Tyran and Feld 2003); democracies are unlikely to go to war with other democracies (Levy 1988); and democracies are likely to have less corruption (Treisman 1999). In this paper we focus on the last of these arguments, and present some idea on the design of electoral systems to increase their effectiveness at reducing corruption.

The literature shows a strong relationship between democracy and corruption. Treisman finds that 50 years of uninterrupted democracy has a large and significant effect on corruption. More recently Persson and Tabellini have examined the impact of various details of electoral systems on corruption. They find that presidential systems, more independent legislators, and larger electoral districts reduce corruption (pp 191-198).

Both single member districts and proportional representation have different advantages in fighting systemic corruption. Single member districts have the advantage that voters can vote against any person they consider corrupt and therefore the corrupt politicians would find it more difficult to be elected to the legislature. However single member districts have the disadvantage that they encourage political monopolies (the PRI in Mexico, the LDP in Japan, the Congress in India, and now the ANC in South Africa) and duopolies (the PPP and the Muslim League in Pakistan) which can leave voters with a restricted set of choices – sometimes with no option other than voting for a corrupt party or “wasting their vote”. Single member districts also reduce the number of independent legislators. There are also significant advantages to incumbency. In the US a number of legislative seats, especially in state elections, are simply not contested.

Proportional representation, on the other hand, has a significant advantage in terms of allowing a greater number of parties into the legislature – and thus increasing the likelihood that there would be some vigorously anti-corruption legislators, who if properly empowered by institutions like “parliamentary question time” could significantly reduce systemic corruption. Proportional representation, however has a significant disadvantage because the use of party lists makes it difficult for the electorate to exclude corrupt politicians from the legislature that buy themselves slots high on a party list.

In our field work in Indonesia (circa 2000) we found a particularly dysfunctional electoral system. Political parties were allowed to change the list after elections. Corrupt politicians bought their places on party lists, and then sold their votes for the indirect election of the Mayor (Bupati). We conducted a survey in West Java to assess the system. Most citizens and journalists thought the system was corrupt and would not have voted for the Mayor elected by the local councils (Azfar 2002). The system was eventually reformed with direct elections for mayors.

Even without the dysfunctional institution of allowing parties to change the list after elections, systems of indirect election are susceptible to corruption and capture. In general therefore direct elections may be

preferable for reducing corruption – this may explain the effect that Persson and Tebllini find for Presidentialism. Similarly systems of indirect elections of the Upper houses of legislatures could be replaced with systems of direct elections – though the timing of the elections for the upper and lower house, could be different – in fact it may be a good idea to stagger elections to create more accountability moments. There is significant inertia in political systems because those it selects typically have a comparative advantage of being selected by that very system. However external pressures can lead to reform. US senators resisted changing the system of elections to direct elections until members of the house – who initially selected them – vowed to follow popular referenda in their own voting for senators.

Electoral systems could also be designed that take advantage of both the benefits of proportional representation – greater variety of parties in the legislature – and the ability to exclude corrupt politicians. For instance there could be a requirement for primaries, which would allow citizens to exclude corrupt politicians at the primary stage (some U.S. politicians involved in the Abramoff scandal may be excluded at the primary stage in the 2006 elections). Another system may be a two stage election for parliamentary seats, mimicking the procedure for presidential elections in many countries. A number of candidates would run in the first two rounds and the top two would then compete in a run-off. This would minimize strategic voting in the first stage and allow the entry of third parties – for instance, the Liberal Democrats in the UK might get more Members of Parliament as a result. Or citizens could have the option of crossing out the names of candidates on a party list that they do not want to get elected on the party slate (citizens would only be allowed to cross someone off a party list if they voted for that party). Citizens could also be given the right to remove corrupt elected officials through recalls. We discuss this idea next.

3.9 Political Controls - Recalls

A system of recalls whereby the electorate can simply call a new election by (say) collecting enough signatures is one mechanism for getting rid of a corrupt government. The main concern here is frivolous recalls. One option is to raise the number of signatures required. Another option may be the requirement to conduct a randomized survey of a representative sample of people and have a high threshold (60% or 2 standard deviations above 50%). In the face of significant allegations of corruption, and with a citizenry opposed to corruption it may be possible to call a new election even with such a threshold, but it is high enough to protect a government from a frivolous election. (The survey itself would not be enough to change government, just to call for a new election).

Changes of government brought about by recalls, regular elections or even revolutions are more likely if a significant proportion of the population is made aware of corruption. We now discuss several bright line rules that would increase this likelihood, starting with the random assignment of judges and prosecutors.

3.10 Helping to Expose Corruption Through Civic Engagement: The Use of Participation and Surveys to Improve Governance

The primary purpose of participatory governance is improved preference matching, and improved accountability is more like a secondary byproduct. A survey based system of governance where preferences were elicited by surveys and communicated to public officials could have a similar effect – but without the benefits of discussion. One example of participatory governance, “Deliberative Democracy” designed by Professor Fiskin of Stanford (REFS, web site etc.) involves collecting a set of randomly selected people and asking them to discuss issues and vote on them. The meetings are often televised and in some instances may even have changed popular opinions about reforms.

Here we consider adaptations that target corruption. Suppose a set of randomly selected people was gathered and asked to discuss reforms about campaign finance. The result may be a franker discussion and stronger proposals for reform than in a legislature where each member of the legislature has some

need for financing their campaign. (Remember that the US Senate was loathe to change the system of indirect elections, because it benefited sitting senators, and the system was changed through external pressure). Another option may be to empower each member of the randomly selected group to identify a public official for investigation. The person could also identify who would investigate the official. This would have the benefit of having a selection system for investigation that can not easily be completely captured (if a non-randomly selected body were empowered to select people for investigation, the government could capture the selection process) and does not waste too many resources on investigating obviously honest officials (as random selection of officials for investigation would). The World Bank could use such an institution to finesse the issue of compromising sovereignty in its efforts at increasing accountability. If a randomly selected set of citizens – rather than World Bank staff – is asked who to audit and who should audit, then no reasonable notion of sovereignty is compromised. Other organizations like to Open Society Institute could also sponsor these accountability councils. These councils could be televised and may generate considerable interest. Imagine being able to watch a show where a “citizen’s council” decides on which congressperson’s finances to audit, or investigate, etc. If the country had a FOIA, this could, in theory, be done by an independent NGO and would not need any government support – if the show is popular it could even fund the investigation.

Note the application of the principles of randomization and disruption. The random selection of people into the council could be protected from capture – it is feasible to construct systems where randomization can be verified by anybody. Empowering randomly selected people to decide who to investigate prevents complete capture – or at least makes it very difficult. Even an incompletely captured system would occasionally expose an act of corruption that was part of the system, and then the process of unraveling could be used to expose the system itself (as happened with Montesinos and appears to be happening with Abramoff)

3.11 Exposure or the threat of Exposure: The random assignment of judges and prosecutors.

In many developed countries, judges are randomly assigned to cases. The process of assignment can be highly visible – for instance a bingo ball, a roulette wheel or a pack of cards could be used in clear view of everyone. It takes only a modicum of civility for everyone to agree whether such a process was duly followed or not.

If there were even a few honest and diligent judges, the random assignment of cases would ensure that at least some cases be heard in a court where there were fewer institutional obstacles to exposing corruption. There remains however another important obstacle if corruption is treated as a criminal charge: the assignment of prosecutors.

As discussed above changes in the law that allow civil charges to be brought by private parties on cases of neglect, mismanagement etc., could be an effective remedy against harmful forms of corruption where the victims knew they were being victimized and had some means to pursue legal cases. Another option is instituting a rule where private persons can file criminal charges on their own – a process known as “Qui Tam”. The adoption of “Qui Tam” could lead to a significant improvement in integrity in many systemically corrupt countries where the prosecutors office itself has been compromised. But in the absence of “Qui Tam”, if civil cases were not allowed, or in instances where a criminal case is really called for, the assignment of prosecutors becomes an issue.

Criminal law systems generally require that charges be brought by a public prosecutor. Public prosecutors are typically appointed by the executive branch of government and typically purposefully assigned to particular cases. Each of these steps is liable to capture by those running a system of corruption.

A remedy for the second problem – assignment to cases – is the random assignment of prosecutors to corruption cases. Assuming that there were some honest judges and prosecutors, and combined with the random assignment of judges this would at least occasionally lead to a situation where both the judge and the prosecutor were honest. This would lead to an occasional conviction of someone involved in a system of corruption. An advantage in dealing with a system is that it may not be necessary to independently expose every corrupt act. A conviction of a low level official could be used to gather evidence on the system he was involved in, the purchase of his job, the bribe sharing arrangements and even the conviction of his senior officers and other members of the system. Even if the actual conviction of other people is outside the jurisdiction of the case, a judicial process in which facts are found and publicized can create enough legal and political momentum that it becomes difficult to stop.

Thus, dealing with systemic corruption at once creates a disadvantage and an advantage for those who seek to control corruption. It creates a serious disadvantage because many of those, who are often counted on in integrity systems to expose corruption, can not or will not do so. It creates an advantage in that one or two cases may be enough to expose a system. Each case does not have to be tried independently. It is this insight that the saying by Sun Tzu refers to in our context. Systemic corruption has a great strength in that the players have assigned roles and loyalties, and the integrity systems to contain it are themselves compromised. But this strength can be used against the system because a single exposure can cause the system to unravel.

Note that the remedy offered, the random assignment of judges and prosecutors, would in general not be the most efficient if the problem was using an honest judicial system to control incidental corruption. Prosecutors and perhaps even judges would then be purposefully assigned on the basis of their comparative advantage to specific cases. The random assignment of judges and prosecutors may not be the most effective way to deal with incidental corruption but it may be the most robust capture resistant way to deal with the far more pernicious practice of systemic corruption. Given the far greater costs of systemic corruption, and the likelihood that it will emerge if given the chance, all countries would be well advised to adopt rules on randomized assignment of judges – even if they think they do not have systemic corruption at the present moment.

There still remains the concern that all the prosecutors may be corrupt. If the appointments are made by the ministry of justice or some other branch of the executive, all the appointments may be reluctant to prosecute government officials. We now discuss a set of remedies that make it likely that at least some prosecutors are not part of the corrupt system.

3.12 Direct elections of prosecutors

One method to deal with the fear that the executive branch may appoint lazy or complicit prosecutors to prevent exposure is to involve the citizenry in the selection of prosecutors. One important reason against having multiple elections is that these elections tax the civic virtue of the citizenry who may be disinterested and not really want to decide who should be elected to various unglamorous posts (Cooter 2003). The office of attorney general however is one that does interest the citizenry, and is perhaps particularly likely to do so in places where corruption is rife. Another concern is that direct elections end up selecting people who like – or at least can tolerate – running election campaigns. Again this may be a virtue, because the love of attention and power that comes with an affinity for politics, may in fact lead to a greater enthusiasm for the diligent prosecution of high profile cases. Rudolph Guliani, when attorney general of New York, used the office of attorney general to pursue high profile organized crime cases and launch a highly successful political career as mayor, and Eliot Spitzer is now using the publicity associated with the prosecution of high collar white collar crime cases to launch a political career as governor of New York State.

New York is not unique in this regard, most US states (44/50) and many districts have direct elections for prosecutors. However the practice is rare elsewhere in the world. Some federal systems do however have public prosecutors appointed by the state/provincial governments. In Pakistan, when Nawaz Sharif was the chief minister of the Punjab, he appointed a public prosecutor who indicted Asif Zardari, the husband of the Prime Minister Benazir Bhutto, for corruption. This would have been unlikely had all the prosecutors been appointed by the federal government.

Two related sets of experiments have been conducted to assess the impact of direct elections of prosecutors on the likelihood of exposure and the extent of corruption. Azfar and Nelson (2006) ran an experiment on SUNY Buffalo undergraduates, where they varied the wages, transparency and the direct election of the “attorney general”. Barr et al. (2004) ran a similar experiment except that they used a sample of Ethiopian nurses as their subjects. As described above, wages and transparency did reduce corruption in both experiments. The direct election of the attorney general did increase the vigilance of the attorney general in both experiments. However, this only resulted in an actual reduction in the level of corruption in the Barr et al. experiment. There are several possible explanations for the discrepancy, one of them is that the more experienced subjects of the Barr et al. experiment figured out that the direct election would increase the likelihood of exposure but the undergraduates at SUNY Buffalo did not. Azfar, Nelson and their collaborators are running a new round of experiments in Mexico and Pakistan to further investigate this question. The new set of experiments have the added option of constitutional choice: the voters can choose whether to have direct elections or not.

An alternative to direct elections would be the appointment of some prosecutors by the legislature, or even the opposition parties. While possibly an improvement on selection by the executive, the process may not be as good as direct elections as the opposition itself may be captured (as was the case in Peru under Fujimori).

3.13 Randomized audits and the Public Declaration of Assets.

The logic of accounting systems is to put in place a set of rules such that they would expose wrongdoing if they were followed and could be detected by audits if they were not followed. Similarly the public declaration of assets makes wrongdoing more difficult to hide. Ill-gotten gains can be hidden in the accounts of relatives, friends and associates, but this makes them complicit and increases the likelihood of identification when systemic corruption unravels.

Requirement for public declarations of assets of public officials need to be matched with randomized audits of public officials. These audits should include the audits of relatives, friends and associates so attempts to hide wealth are discovered. Exposures that show how people game the system should be used to adapt the system.

The auditors should also be randomly selected. By thus randomizing the selection of both the auditor and the audited official, it can become quite likely that if there are a large number of corrupt officials, corruption will occasionally be revealed. An alternative, as discussed above, is the random selection of people who decide who to audit and who should audit. Another option is to empower private auditors to audit whoever they want and to offer a prize for the identification of a corrupt official.

3.14 Public Expenditure Tracking Systems and Randomized Audits of Governmental Finances

Just like the private finances of public officials, an examination of the finances of public sector entities can reveal certain kinds of corruption. Here, Public Expenditure Tracking Systems (PETS) that require each layer of government to state how much it receives from, and sends to each other layer can reveal corruption. In a now famous example, Reinikka and Svenson introduced a Public Expenditure Tracking System in Uganda and reduced reported leakages from around 80% to around 20%! It is an open question

whether actual leakages fell by quite that much because some leakages can be hidden from PETS by determined officials (they basically have to convince various layers of government to lie about what they're getting). But if this were followed by a deep audit of some randomly selected points, such collusive reporting could be spotted.

In a recent ground breaking study Olken (2004) has shown that increasing the probability of audits can substantially reduce corruption in local government infrastructure projects. The randomized implementation of the audits makes the study particularly compelling. There remains an open question about how likely the system of audits is to get captured itself, but reform options like a second round of audits, where the auditors are chosen from other organizations – perhaps by a system like auditors getting selected by randomly selected people – could be used to identify the capture of audits.

3.15 The legislature – accountability committees, and question time

The legislature can play a significant role in exposing corruption in the executive branch if properly empowered to do so. Accountability committees for instance should be headed by the party in opposition to the executive. These committees should be given significant powers to investigate members of the executive branch and to question them in the legislature. This would not prevent corruption in all cases (Monetsinos had in fact compromised the opposition) but may reduce it in some cases. Other reforms like question time, where any legislator can ask questions of the executive in a widely broadcast regular proceeding may be more effective at disrupting corruption.

The executive branch should be regularly questioned by the committee and other legislators, and the proceedings should be televised live and broadcast again in the evening. The chief executive is questioned every week in the British Parliament and his senior ministers every day except Friday. Each legislator has a limit of 2 questions, around 20 questions are asked each day, and questions are shuffled, thus virtually guaranteeing that opposition members will get to ask several questions every day. Questions not answered in the oral period receive written answers which are made public. This process also ensures that any attempts to pack the proceedings with innocuous questions by the majority party would be visible to electorate. There tends to be significant interest in these proceedings, making it worthwhile for networks to carry them, and for the information revealed to have significant political consequences.

In Croatia Parliamentarians can ask 30 questions of the executive branch every month. One such set of questions on a bribe allegedly taken by the Foreign Minister Miomir Zuzul led to his resignation. However, the president Stjepan Mesic easily won a reelection soon after, showing that political fall out from a corruption scandal can be limited.

Whether to allow the legislature itself to dismiss the government following a demonstration of corruption in question time is a difficult question. On the one hand it would make the legislature look like an impotent debating society if it could not dismiss the government following such a demonstration, but on the other hand allowing the legislature to dismiss the government runs counter to presidential systems – which appear to reduce corruption. One possibility is to merely authorize the legislature to call for a large nationwide survey asking about a recall and only call a new election if a supermajority asks for a recall. The survey could even explicitly ask about whether people thought the government was corrupt, rather than whether voters simply wanted the government recalled – for (say) unpopular fiscal policies. This would not prevent all citizens from opportunistically responding the government was corrupt, simply to get a chance to change it, but with a modicum of civic virtue amongst a proportion of the citizenry, asking specifically about corruption may reduce recalls for other reasons.

The essence of the argument is that there should be a political mechanism to dismiss a government that appears to be corrupt even in the absence of incontrovertible evidence of corruption. Electorates are of

course supposed to do this, and even to dismiss governments on grounds of being incompetent or simply prioritizing services other than what people want. But in the case of corruption, perhaps, the electorate should not be required to wait for a scheduled election to change government.

The political and judicial mechanisms for dismissal are not mutually exclusive. The system could allow for both, and depending on the complexity of the case or the sophistication of the form of corruption the judicial mechanism may in fact be more effective. The two mechanisms may even be complementary. The facts found in a judicial investigation may help a political ouster. The advantage of the political process is that it allows the dismissal of a corrupt government even in the absence of incontrovertible evidence, without compromising the rule of law – which for very good reasons is based on the need for incontrovertible evidence in criminal cases. The point is simply that while it does make sense to have high standards of proof before subjecting people to severe criminal punishments, there is no need to have the same standards of proof to dismiss a government.

The question of Parliamentary immunity is a difficult one. It is needed to prevent legislators from being intimidated by governments but also offers refuge to genuine criminals. The freedom of a few criminals is often a small price for the benefits of an independent legislature so immunity from criminal punishments may be sensible. But there does not need to be immunity from investigation. In fact a few members of Parliament should be randomly selected for investigation every year. The random selection will prevent the government from using the investigations for retaliation, and the occasional selection for an investigation will create some incentives for legislators to be honest.

3.16 The Media

The media plays a crucial role in both investigating and publicizing systemic corruption. Bernstein and Woodward exposed Watergate, Montesinos and Fujimori were eventually brought down by an airing of a video of Montesinos bribing someone, and the media led the investigations which resulted in the recent resignations in Brazil.

In fact systemically corrupt governments spend a lot of money, effort and political capital at corrupting the media itself. Indeed the media was considered so important for maintaining the systemically corrupt system by Montesinos that he spent most of the bribe money for bribing the media. Montesinos used several methods including bribery, intimidation, defamation, and state ownership of media to control the content provided to the public. Many other electoral dictatorships use similar tactics. The Committee to Protect Journalists (www.cpj.org) and Reporters Without Borders (www.rsfb.org) both contain details of various ways the press is intimidated and suppressed in many countries.

A variety of bright line verifiable rules can be implemented that make it likely there will be at least some inquisitive, independent and diligent journalists who will expose corruption if systemic corruption exists. Note that while it would be nice if all journalists were honest and diligent, it is only necessary that some journalists be diligent and honest for systemic corruption to occasionally be exposed. We have already mentioned how an advantage in fighting systemic corruption is that only some instances need to be exposed for the system to unravel. There is also another advantage, a system of corruption creates a lot of evidence – even if it is all private knowledge. Montesinos bribed hundreds of people. Other systems of corruption may be smaller but would generally involve at least dozens of people. A diligent investigator could uncover parts of such a system, and then the system would unravel. But such an investigator could be threatened or neutralized – Reporters Without Borders reports that 63 journalists were killed, 800 arrested and 1300 physically attacked or threatened in 2005. In addition 1000 media outlets were censored in 2005.

This brings us to a set of verifiable bright line rules that the forces for integrity should encourage a country to adopt to prevent such intimidation.

1. Prohibit censorship – this will not prevent subtle forms of censorship, including inducements for self censorship by tactics like withholding advertising revenue from critical newspapers – but it is a useful law to have in place to prevent the most obvious forms of corruption.
2. Commit to allowing an international investigation in the death of any journalist and allow any imprisoned journalist to appeal in an international court.
3. Sell media outlets. Djankov et al. find that state ownership of the media is correlated with worse governance across countries. While there are anomalies like the BBC and NPR which provide excellent coverage, in general allowing the government to own the media creates space for systemic corruption. A bright line rule could be “Allow private TV channels and have no state owned newspapers”. Private ownership of media is also problematic, especially if monopolized, but there is no easy solution since authorizing the government to use more anti trust regulations could strengthen its hand against the media.
4. Allow foreign journalists to cover stories in the country. In many small developing countries, there is a simple lack of journalists with the training and independence to cover stories. In these instances, if foreign journalists were allowed to cover stories, the likelihood of exposure would rise. Foreign journalists also have the benefit of protection from their embassies.
5. Allow foreign transmissions of radio and television broadcasts. Allow web sites of foreign newspapers – with increased access to the internet and the improvement of computer translations this move could significantly increase the ability of activists to get news.

3.17 Freedom of Information Acts (FOIAs)

A Freedom of Information Act allows the general public to access information by filing requests. Supplementary legislation that requires local governments, political parties, and public officials to disclose their finances makes FOIAs a more useful anti-corruption tool.

A large number of FOIA acts have been adopted in the past few years. Banisar 2004 (available at) writes that (as on Spring 2004) over 50 acts had been adopted and 30 more were in the works. Many of these acts in developing and transitional countries have actually leapfrogged over the FOIA laws of developed countries. A particularly noteworthy example is India’s recent FOIA that has changed the default from all government documents being secret unless otherwise specified to all being public unless otherwise specified – sadly the Act explicitly omits Kashmir from its purview.

A FOIA counts as a verifiable rule because it can be easily verified by experiments. Civil Society Organizations and even private people can simply file requests for information and record how soon and how well public servants respond to their request. FOIAs can be used both for the initial exposure of corruption and in the process of unraveling systemic corruption – by starting independent investigations of officials who may be implicated in the scandal.

FOIAs are typically limited by concerns about privacy and national security. The appeals process that decides whether some requests for information should be denied should include members of the opposition and a unanimous vote should be required for classification as secret. This would make it less likely that information, which could expose corruption, would get opportunistically labeled as “secret for the sake of national security”.

The above ideas should facilitate the unraveling process at all stages – it should produce more opportunities for exposure and unraveling, as well as increase the likelihood of publicity and public outcry. Coupled with the political reforms suggested in the previous section, they should make governments more accountable to their citizens in terms of honesty and integrity.

Much can be done along the same lines of this framework at the local level, and we discuss this next:

3.18 Local Governments and the Separation of Powers

The existence of multiple layers of government creates the opportunity of the separation of powers. Different levels of government can then discipline each other. In Indonesia a recent study (Olken 2004) has shown that increasing the likelihood of audits by a central government agency reduces corruption in local governments. However if the central government agency was itself corrupt, the system of audits could end up getting used for cementing a rent extraction system rather than disrupting it. The logic of disruption dictates that a second round of audits, where any private firm or NGO can re-audit the central government's audit be instated to prevent systemic corruption involving the central governments auditing agency.

Local governments can also discipline national level governments. In the US where district and state attorney generals are generally directly elected, and other wise appointed by local officials, cases against federal officials are often first filed in local courts. As mentioned above a public prosecutor appointed by the party in opposition to the central government, filed a case against Asif Zardari, the husband of Prime minister Benazir Bhutto in Pakistan. Once facts are found, the trials acquire a momentum that even an attorney general appointed by, and loyal to, the executive branch, can not stop.

3.19 Local Governments as Training Grounds for Chief Executives

One problem with fighting systemic corruption is the limited contestability of political markets. In some democratic but highly corrupt countries like Bangladesh, voters simply do not have a choice of a credible leader untainted by corruption. Local governments provide an excellent training ground for politicians, both in the process of governing and in the process of campaigning and hence increase the contestability of political markets. Hence the existence of local governments at the provincial level, and for the capital city and largest city can increase the choices that voters have, and allow them to throw the rascals out rather than just amongst rascals.

3.20 Local Governments and Experimentation

Finally local governments allow ideas to be tested in some places and then tried elsewhere if they work. Sometimes as in the Olken study, local governments can also be used to do a proper scientific analysis based on the randomized assignment of localities to treatment and control groups.

Many of the reforms suggested here: the people's accountability councils; requirements for the declarations of assets of public officials; giving the opposition leadership of accountability committees; parliamentary questions, could be legislated by a majority in a local council in many countries. If shown to be effective at reducing corruption this may increase the pressure in neighbouring localities to implement similar reforms. A University or NGO could even arrange for a high publicity competition where localities compete for the adoption of anti-corruption legislation. A recent IRIS project in Romania created such a competition between cities for the adoption of deregulatory reforms, eventually the central government did adopt some of the deregulation reforms as well. Thus, if effective the process may even create a dynamic that induces the central government to adopt some of these reforms – though admittedly the resistance to adopting anti corruption reforms may be higher.

The Usual Mechanisms of Accountability, Why They Don't Work, and Mechanisms That Might Work.

Usual Mechanisms of Accountability	Why they don't work in systemically corrupt countries	Mechanisms that might work
A justice system, where public prosecutors bring cases, and the government assigns judges to cases	Public prosecutors would not charge public officials. The government would assign corrupted judges to cases	Allowing private citizens to charge public officials with civil charges related to corruption, or criminal charges (Qui Tam). Direct elections of prosecutors – or appointment by local governments Random assignment of judges
Legislative accountability committees selected by a majority	If this is the same as the executive, the committee would be complicit.	Opposition led accountability committees – though because these too could be captured. Parliamentary questions where any member of the legislature has an opportunity to question members of the executive branch every week on a live broadcast.
State owned media or regulated media	Media would be pressured to not expose corruption	Privately owned and international media. Private web sites.
Impeachment	Legislators etc. who would conduct the impeachment may be complicit – as in the Philippines.	Surveying citizens at regular intervals or holding citizen councils to decide on recalls
Giving legislative committees or ombudsmen the right to ask questions about public officials	These committees and ombudsmen would become complicit.	Freedom of Information Acts that allow any citizen to demand information

We now look at four examples where systemic corruption exists, and see what we can learn from these examples.

3.4 Learning from Belarus

Over the past 10 years, the government of Alyaksander Lukashenka has subverted democracy while maintaining the façade of multi-party elections (Silitski 2005). Lukashenko has used physical intimidation, and constitutional reform to ensure electoral victories and the continuation of personal power. We can in fact learn lessons from his efforts about how the preemption of democracy can be prevented.

The table below lists various attempts by Lukashenka to subvert democracy and ideas for bright line rules that might prevent such a subversion. If guidelines similar to these were adopted for eligibility for MCA funding, or membership of clubs like the EU or “almost EU” bodies that had benefits of trade agreements, significant incentives for the promotion of actual democracy could be created.

What Lukashenko did	Rules to prevent subversion of democracy
Killed or imprisoned journalists	Government should commit to allowing an independent inquiry in to the death of any journalist (the family of the journalist should choose the investigator). Imprisoned journalists should have the right to appeal to an international court. The reports of the inquiries into deaths and the judgement from the appeals process should be broadcast on the media.
Denied accreditation to election observers	Accreditation should be given by a panel that includes an equal number of members of the opposition. There should be a simple accreditation process that can be approved in the first instance by any member of the accreditation committee. A supermajority or even a unanimous vote should be needed to deny accreditation.
Stuffed election commission with cronies	An equal number of members of the election commission should be nominated by any significant party in the legislature – say with more than 10% of the members of parliament. Smaller parties should also get to nominate members of the election commission. Each member of the election commission should write an independent report on the election which should be broadcast, published in news papers, and on the internet. The broadcast of the reports of election members should be followed by a question and answer session with the press.
Disallowed exit polls	Allow exit polls by multiple organizations. Then pollsters could flag statistically significant differences between their polls and other polls, and between the polls and elections as evidence of rigging. Minor rigging may not be detected but major rigging would be.
Shut down universities	Either disallow the shutting down of Universities or require a majority of the opposition to shut down a University
Used firearms against protesters	Make use of live ammunition against unarmed protesters illegal in all circumstances.
Changed constitution so heads of regional administrations were appointed	Require election – preferably direct election – of leaders of provinces and capital city. These alternative power centers are important for a credible opposition.
Censored mass media	Disallow censorship in all circumstances. Allow opposition oversight of advertising budgets of state owned companies so critical newspapers can not be punished by withholding advertising revenues.

3.5 Country Experiences: Kenya

A fascinating new document by John Githongo, the former head of the Kenyan Anti Corruption Commission (KACC), documents his brave efforts to expose systemic corruption and the resistance he faced. President Mwai Kibaki came to power in 2002 after winning an election against the incredibly corrupt Daniel Arap Moi. Moi had tried to rig the elections but a combination of international observers and domestic activists foiled his attempt. The new government beholden to the forces of integrity, appointed Mr. Githongo as the head of the KACC.

The primary case of grand corruption involves the sale of “services” by “Anglo Leasing” an apparently fictitious company to the Kenyan government. The sale itself required the signatures of the secretary of interior, and the secretary of the treasury. At one point he uncovered evidence that at least 10 senior officials or legislators were involved in the scheme, and that many other similar schemes existed. It appears that a sincere investigation that followed all the leads would implicate dozens of officials. This has an important lesson for the process of “unraveling”. Corrupt systems create structures that once

understood allow the discovery of many other officials involved in the corrupt acts and many other corrupt acts.

Githongo's efforts to reverse the sale and remove the secretaries from office met with significant pressures placed by many senior officials. These included explicit extra judicial threats to kill him, and threats to use the legal system against his family members. His dogged pursuit of the issue did bear some fruit – some of the money was returned to the Kenyan government – but eventually he was forced to resign. Subsequently the parliamentary public accounts committee, led by an opposition leader, interviewed Mr. Githongo in London and the discussion has led to the resignation of two ministers. As of mid-February 2006, the saga is continuing.

A number of aspects of the story are worth highlighting. First there may have been a moment of extraordinary politics at the end of the Moi regime. It led to the appointment of Mr. Githongo. Had the forces of integrity had a set of integrity enhancing rules, like those discussed in this paper, some of them may have been adopted. The second is that systemic corruption involves many people and the system can unravel. The third is that the system will fight back and therefore the rules must include protections for key players on the side of integrity.

3.6 Country Experiences: Brazil, Exposure, unraveling, resignations and reforms.

A recent set of corruption scandals in Brazil is instructive about how the interconnectedness of systemic corruption can be used to make the system unravel (Ana Luiza Fleck Saibro 2006).

Reporters from the weekly magazine *Veja* recorded the head of procurement at the post office taking a kickback. The opposition parties called for a parliamentary investigation which the government first resisted but then assented to. The resulting investigation implicated Roberto Jefferson on the PTB, a party allied with the government. Jefferson was also implicated in another scandal when Lidio Duarate, the head of Brazilian Reinsurers Institute (IRB), reported to the media that Jefferson demanded kickbacks for giving Duarate his job and that Duarate hire Jefferson's associates.

Jefferson in turn accused the ruling party PT, which only had a minority in Parliament, of bribing legislators to get a majority. Two leaders of opposition parties Severino Cavalcanti of a conservative party and Waldemar Costa Neto of a liberal party were implicated and Costa Neto resigned from his post. The President's chief of staff Dirceu also resigned. The crisis has led to pressures for reforms that would combat corruption. There have been significant political costs for the ruling party.

What lessons can we learn from the experience? The first is the important role of the media in the investigation and public exposure of corruption. The second is the role of parliamentary investigations. The story suggests that empowering the parliamentary opposition to launch an investigation without the assent of the majority would be an accountability increasing rule – as it happened the ruling party first resisted the inquiry but then assented, but another ruling party may not have. The third is that systems of corruption which are based in the sale of jobs, can unravel as someone starts talking.

It remains an open question what would happen if the Brazilian constitution allowed for recalls. PT remains popular and the opposition parties are hardly untainted. Voters confronted with a political oligopoly of corrupt parties can not choose an honest party. But since ruling parties do not like recalls, then by backward induction, a threat of a recall could induce a ruling party to be more honest.

3.7 Country Experience Turkey: A car crash, a protest, and a change in government.

On November 3 1996 a car carrying a police chief, a prominent member of parliament, a criminal and his mistress crashed into a truck in the roadside town of Susurluk in Western Turkey. The criminal, Mehmet Ozbay (aka Abdullah Catl), was a notorious smuggler and blackmailer wanted by Interpol and had an ID card personally signed by the Interior minister Mehmet Agar. Only the member of Parliament, Sedat Bucak survived the crash. The car contained a bag full of dollars, a trunk full of arms, and the passengers pockets were full of cocaine. A very interesting piece by Ezel Akay (2003), published by the New Tactics Project www.newtactics.org documents how this accident and the lights out campaign that followed it led to a change of government in Turkey.

Immediately afterwards student protests broke out in response to this evidence of grand corruption but were repressed. Then a group of activists, and NGOs decided to start a visible non-violent campaign of asking people to turn off their lights for a minute each day at 9.00 PM. The media, while initially reluctant, joined the campaign, broadcast the happenings including images of the lights being turned off, and played an important role in the dynamics of the protest. These protests became widespread and eventually millions of Turks were turning off their lights in protest at the government's corruption. The government initially resisted the campaign and tried to discredit it but eventually the momentum created by this campaign led the National Security Council to ask the government to resign. An accident that revealed corruption and a sustained campaign had brought down a government.

A few years later Turkey has had two elections, has a large number of new parliamentarians and prospects for continued reform. However, the two implicated parliamentarians Bucak – who was in the car – and Agar – who had signed Ozbay's ID card – won their seats and remain in Parliament.

There are several lessons from this experience. The first is that an exposure of corruption needs to be followed by a sustained campaign to create genuine political costs. Governments will try to suppress these campaigns, but in a country like Turkey, which cares about its international image the ability to suppress a non-violent campaign is limited. The second is that the role of the media is indeed important, and even if initially reluctant, the media will often join a campaign once it gets going. Even in Peru, once the first "vladivideo" was broadcast on the only independent channel, the other channels found they had to join or get discredited. The third is the importance of having an external source of accountability that a can call a government to resign. In Turkey it is – unfortunately the military dominated – National Security Council, which may only have asked the government to resign because its members did not like the government in the first place. In other countries, the Supreme Court or Constitutional Court may play such a role – it was such a court that eventually asked Milosevic to hand over power to the elected government after several days of protest in Serbia. Another option would be an explicit constitutional provision for a group of citizens to ask for a recall.

The European Union currently has significant leverage over Turkey and can use this leverage to press for reforms. Recently the Center for Public Integrity released a report that showed integrity systems in Turkey were very weak. The Turkish government objected but the objectivity and specificity of the Center's methodology allowed them to respond to the Turkish government's criticisms. The hope is that the Turkish government will reform its integrity system to improve its scores on the integrity matrix.

We can come to several conclusions from the above examples: first, that the exposure of systemic corruption, or the flagrant compromise of these rules, can lead to protests and real democratic change through political channels that already exist in the country.

Popular protests and new elections have occurred in Indonesia, The Philippines, Lebanon, Serbia, Georgia, and the Ukraine. Some of these revolutions were inspired by corruption itself, but they were all driven at least in part by dissatisfaction with the constitutional mechanisms of changing a government – either because an election had been rigged or because the constitutional process of impeachment was itself compromised (Karatnycky and Ackerman 2005). In the Philippines after the senate refused to impeach

Estrada people power brought a change of government, and in Ecuador the executive's attempt to pack the courts with his cronies led to protests which brought down the government.

We should not overestimate the power of parchment, the constitution of integrity is ultimately written on the hearts of men who must ultimately demand their rights when they are denied them. The role of parchment is to provide a set of clear rules such that brave and democratic people can coordinate their demands and protests in a way that systems of corruption would be disrupted. Elections are one such set of rules. If elections are to be held regularly and often, and the population can be relied upon to change a government by protest if an election is massively rigged or cancelled, this itself offers a substantial mechanism for controlling grand corruption – especially if combined with other mechanisms that can cause systemic corruption to be exposed.

4. Recommendations

This paper should end with a set of recommendations, but for whom? We can not expect that the government itself will adopt these reforms, and therefore we focus on what others can do to combat systemic corruption in partially democratic, half dysfunctional states. We do also provide a series of recommendations that they governments themselves can adopt if they want to demonstrate a sincere will to combat or prevent systemic corruption – or perhaps simply demonstrate that there is no systemic corruption in the first place. But most of our recommendations are for other actors: ordinary citizens; the media; domestic NGOs; foreign NGOs; The World Bank; Other international organizations; foreign governments; and local governments.

4.1 What should citizens do to combat systemic corruption?

Our recommendations to citizens are that they should pay attention to the information provided by the media and by activists on corruption and other matters, they should vote, and they should protest vociferously if elections are rigged or cancelled – as they were in Serbia, Georgia and the Ukraine – or the government undertakes significant anti-integrity measures like replacing the entire judiciary with its cronies – as it was doing in Ecuador. Citizens should also pay attention to efforts by activists to mobilize them into a significant anti-corruption campaign when systemically corruption is exposed even if no election is scheduled, as they did in Turkey. Such mobilizations can effectively lead to recalls even if there is no such provision in the constitution.

4.2 The media

The media has a vital role to play in preventing systemic corruption, both for first exposing corruption, causing it to unravel, and mobilizing the citizenry into action. If citizens are the jury in this court of public opinion, the media is the prosecutor. Our advice to journalists and columnists is to courageously investigate corruption cases, to report threats and intimidation to the Committee to Protect Journalists, Reporters Without Borders, and Transparency International, to publicize cases of corruption, to follow leads to other involved parties, and to communicate to the public the efforts of activists to mobilize them into action.

Now, much of the media will be co-opted into the system of corruption. But it takes only a few independent journalists to expose systemic corruption. Once the beginnings of exposure start, the rest of the media may sequentially defect into the integrity camp to demonstrate they were not complicit – or at least that they are no longer complicit. In Peru after the first vladivideo was aired even the TV stations in Montesinos's pocket felt compelled to air the videotapes. In Turkey after initial reluctance, the media did start publishing stories and even publicizing the protests.

The international media too has a role to play. International journalists should also work to expose corruption, and work to train their local counterparts if they trust them not to be complicit in systemic corruption. Foreign journalists also implicitly have much greater protection afforded to them by their governments than local journalists enjoy. Foreign media should also be broadcast into these systemically corrupt countries. Foreign media sources should also maintain their independence from their own governments, and not either become or appear to become mouthpieces for their governments. The BBC, which has doggedly maintained its independence, does have a faithful following in much of the world.

In some cases it does seem that the foreign media has not done enough to expose systemic corruption. Simply taking the case of Peru, it seems unlikely that a sincere effort to expose Montesinos would not have produced some evidence. He had bribed 1600 people, and it seems unlikely that all 1600 could really have been that good at keeping a secret.

4.3 Activists, NGOs and Universities

The role of activists is to find evidence of pieces of the corrupt system and use this to start protests, to urge the media to pursue these cases and to publicize them, to press for parliamentary inquiries, and to create greater domestic and international pressure for reform. Use of the internet for spreading information can be effective. Activists should also keep up the pressure by exposing related cases all the way to the next election, so there is some real political bite to an exposure of corruption.

NGOs should keep their activism and service delivery wings separate, in fact ideally NGOs should do one or the other and not both. Activism requires a certain arms length and adversarial relationship with the government and working on service delivery sometimes requires close coordination. Activist NGOs can work with foreign donors but they should be careful to resist pressures to become their mouthpieces and should not get involved with donors that intensify such pressures. Doing so would quickly rob them of their credibility.

NGOs and Universities can also organize competition among local governments on the adoption of the reforms described in this paper. Universities could also study the impacts of reforms.

4.4 Advice to International NGOs and Universities.

International NGOs and Universities can help in two important ways. First, by collecting and publicizing information on these rules, which creates an important dynamic towards reform given to importance given to reform by the US and EU governments. Second, by helping NGOs learn from the experience of other countries where they have created a successful dynamic for reform.

The straightforward act of the collection of data creates an important dynamic in today's world. The MCA's explicit aid allocation rule on the basis of performance on governance ratings has focused a lot of countries attentions on these ratings. Of the ratings based on actionable variables, like days to start a business, there has apparently been considerable reform as a consequence of the MCA. These variables have the advantage that they are specific, comparable and actionable. The most frequent objections to governance ratings are that they are inaccurate and not actionable. Hence a country may simply not know what to do to improve its scores. Our response is that if a country is marginal, near the MCA threshold it should be moved up or down by a few points based on its performance on a set of objective measures, but we're getting ahead of our story.

4.5 What should Foreign Governments, aid agencies, and the World Bank do to fight systemic corruption?

The World Bank and aid agencies can do a lot to combat systemic corruption. First they could insist on accountability committees and audits to be attached to their own projects, and thus creating expertise and examples about how such a process would occur. The Kecamatan Development Program in Indonesia is one example of such an effort. By insisting on community oversight, the World Bank was able to side step a notoriously corrupt Indonesia government, without compromising sovereignty, because it was Indonesians themselves being empowered.

Second they can have clear conditionalities based on the measures proposed here.

If you want loans/aid from us please have a parliamentary debate with significant public input – including televised town hall meetings etc. – on adopting the following rules:

1. The executive branch should take questions in the legislature every week, and the chief executive at least once a month. These proceedings should be broadcast live on radio and television.
2. Cases – at least cases involving public officials – should be randomly assigned to judges
3. No domestic journalist will be killed or imprisoned. If this does happen the incident will be investigated by an international panel. Unless the government is completely exonerated, aid will be withdrawn entirely.
4. Foreign journalists and foreign broadcasts should be allowed. Foreign web sites should be allowed, and local organizations should be free to create their own websites, and access should not be tampered with.
5. Public officials will be required to declare their assets and incomes.
6. Private auditors will be allowed to audit public officials.
7. In cases of neglect and mismanagement, even when corruption may be involved, private parties will be allowed to file civil lawsuits.
8. Elections will be monitored by domestic and international observers.

Developed country governments can also make an issue of corruption by asking on visa application forms whether the applicant has ever taken a bribe. Since lying on the visa application form is a crime in the country being visited this would allow charges to be brought in corruption cases in a first world court. Penalties may be light, but the simple production of the evidence would have political costs. The World Bank could add the question of bribes to its job application forms. Since lying on those forms can lead to an employee being dismissed, the costs of being corrupt, to many civil servants who aspire to jobs in international organizations, would be quite high. In fact civil charges against human rights violators have created significant costs to these violators, even though the civil penalties – typically fines – are much gentler than their crimes warrant (Colliver and Feeny 2005). In some of these cases, the fact that questions on human rights violations are asked in the visa application forms, and lying on these applications is illegal, does help victims file cases.

4.6 The role of local governments

How can an honest local government, with a majority of honest and reform minded legislators in the local council, combat corruption in a systemically corrupt country? Our answer is that it can lead by example. It can pass local level laws saying that: all public officials in the locality should declare their assets publicly; that the local executive will take questions in the local council and these will be broadcast, and/or the sessions will be made public; that the council itself will be overseen by an accountability committee of randomly selected citizens, who will be provided with a lawyer and an accountant they can instruct to investigate financial and legal matters. Once some local governments start doing this NGOs and Universities could even organize a nationwide competition among local governments. Competitions attract attention, and the leaders of those local governments that do well at the local level could be well placed to compete on the national political stage. The World Bank could make these communities the

targets of more development projects – this makes sense from the Bank’s point of view and also provides incentives.

Local governments can also use mechanisms described above to discipline national governments by (say) questioning the relatives of national politicians who are in the local council – in systemically corrupt countries often several members of a family will be in politics and often some will be in local councils. The citizens could ask the lawyer and accountant to investigate central government issues. Finally the dynamics of the integrity competition could lead to reform even at the center as the IRIS-Romania deregulation project demonstrated.

4.7 How should a government demonstrate it is not systemically corrupt?

False accusations abound in this world and those who are accused like to have some means of demonstrating they are not guilty of the crimes they are accused of. So, what is a government accused of being systemically corrupt and hence denied MCA funding, or a World Bank loan, to do? Our answer is simple: have a referendum on adopting the bright line rules mentioned above, or at least the 8 mentioned in section X.X. If a government is on the margins of eligibility on other measures of performance and has a parliamentary debate on adopting these rules, it should be given a significant chance to compete for the loan or aid – if it does not have a debate it should not be given the chance.

These rules are also useful to have handy when a new government comes in on an anti-corruption platform after the dismissal of a corrupt regime. All too often efforts dissolve into a mix of noble pronouncements, and toothless or even counterproductive actions like the creation of ineffective or even politicized anti-corruption commissions. The rules outlined would give activists and truly earnest politicians something to make the government focus on.

Don’t get us wrong. We do not think that most corrupt government would adopt these rules. Hence we have lists of action items for other actors too. But occasionally in a moment of extraordinary politics, when Aquino replaced Marcos in the Philippines, or Yukashenko replaced Yanokovich in the Ukraine, or Shakasvilli replaced Schrevenadze in Georgia, such reforms just might have been possible, if the forces for integrity had had them handy.

Summary

We have listed a number of reforms in this paper that are both verifiable – in the sense that violations of these rules would be detected – and that if they were followed would lead to an occasional exposure of corruption. Variations of these rules could also be used to follow the initial exposure with making the system of corruption unravel. Subsequently, recalls and elections would lead to the dismissal of the government by a political mechanism.

Thus the three stage process offered here – discovery, unraveling and dismissal – would disrupt a system of corruption. It is important to be clear what this requires. It requires at least a modicum of democracy – the reforms suggested here would make the change of government more like in Shrevenadze’s Georgia but not Stalin’s Soviet Union. And it requires a citizenry that would vote out a government exposed as corrupt, and would force a government, which rigged or cancelled an election, from office by protest. In the absence of such a love of integrity and freedom no piece of parchment is going to protect the citizens of a country. But the rules enshrined in parchment can make clear what violations need to be confronted by protest. Outsiders could contribute by making it clear that excessive force against protesters would not be tolerated.

Now let us recap what the rules for exposure are: Journalists are protected by rules that automatically force an independent inquiry in case of their death, and allow an appeal to an international court in case of

imprisonment. In case of their death or imprisonment a report would be broadcast on TV and Radio and published in the newspapers. Citizens would have the right to demand information through FOIA laws. Any member of the opposition could question the government on a live broadcast. Cases would go to randomly selected judges, and be prosecuted by randomly selected prosecutors. The proceedings and judgments would be published on the internet – so that even if incontrovertible proof of corruption could not be produced there would be political consequences. Randomly selected public officials and government agencies would be audited. Charges for neglect and mismanagement in corruption related cases could be brought by private citizens. The existence of these rules would significantly increase the risk of exposure.

Now for unraveling. Rules like FOIA, the protection of journalists, and allowing citizens to file cases of neglect and mismanagement would increase the breadth of exposure following an initial exposure of corruption.

Finally dismissal. The use of a recall could lead to the quick dismissal of a government thought to be corrupt. Regular surveys could ask whether citizens want a new election because they think the government is corrupt. A supermajority could call a new election. In the election the electorate would hopefully dismiss the corrupt government – and if it chose not to in a fair election, that's its prerogative.

Glossary

Incidental corruption. Acts of corruption that involve junior officers and do not form part of a grand scheme. Often incidental corruption will take place between a junior and a private party, and his superior officer would not be able to prevent it because they would not have information, or at least verifiable information, on the corrupt exchange.

Systemic corruption. Acts of corruption that form part of a system of rent extraction. Thus often involves the highest powers in government. The system created by Montesinos where the executive bribed the legislature, the opposition, the judiciary, the military and the media to maintain control, and extracted significant rents from the economy, is close to an ideal type of this kind of corruption. Intermediate types between systemic and incidental corruption also exist. One example in the Hong Kong police force analyzed by Klitgaard which had an internal system of corruption but also an external principal – the Governor of Hong Kong and ultimately the UK Parliament that wanted to eliminate corruption in the 1970s.

Principal agent theory. A set of theories that relate to the problem of how a principal – typically with incomplete information on the agents actions – can induce the agent to take the action optimal for the principal, by offering rewards and punishments based on outcomes that are influenced by the actions – and typically also other variables unknown to the principal. The details vary from case to case, but the central insight is that the agent can often be induced to take the correct action, but at a greater cost than in the principal could actually observe actions.

Economic theory of (detering) crime. A set of theories that examine the effect of rewards and punishments on criminal behavior. The central insight is that the less likely detection and verifiability of a crime is, the more severe the punishment would need to be.

The sale of jobs. The sale of jobs is an ancient practice reportedly widespread in the Catholic Church before the reformation. The process involves senior officials selling the jobs of junior officials. Often the sale of jobs is combined by promises of protection in return for bribe sharing – junior officers share the bribes they receive with their superiors, and senior officers prevent junior officers from getting fired for taking bribes or any other reason. The sale of jobs is the cement that holds together systemic corruption. It can also be used to get the system to unravel, reductions in sentences can be offered to junior officials, to expose their superiors, who in turn can be given inducements to reveal all their juniors involved in the scheme. The senior officials may also have evidence on their own superiors. Note that it is in fact difficult to keep a system like this entirely secret.

External accountability: Accountability of the government outside itself. This includes accountability to the judiciary or ombudsman if independent, to the opposition in parliament, and ultimately the citizens. In some cases a government can be accountable to foreign institutions, like EU countries are to the EU.

Internal accountability: Accountability within a system, like that of junior officials to senior officials, and senior executive branch officials to the chief executive.

Parliamentary Questions. A tradition in Westminster and practice now adopted in many developing and transitional countries, where the executive branch has to answer questions posed by legislators from the government and the opposition. Increasingly these sessions are broadcast live. They have a significant impact on increasing the political costs of corruption since members of the governments can be asked a question about it in full view of a significant proportion of the citizenry. In Croatia parliamentary questions about a bribe led to the resignation of foreign minister Miomir Zuzul.

Unravelling: The process by which the diligent prosecution of a corruption case, often by lawyers or journalists, leads to the exposure of many other cases of corruption. Sometimes the process involves tracing the sale of jobs from the buyer – typically a junior official – up to the seller – typically a senior official – and then possibly to other buyers who bought from that senior official. At other times it can simply be the identification of many people bribed by the same person, as was the case of Archimandrite Jacobos Josakis in Greece, which led to investigation of several members of the judiciary and the priesthood, and most recently the Abramoff case in the US which has led to the investigation of several congressmen.

Freedom of Information Acts (FOIA). Freedom of Information Acts are an increasingly popular reform that gives citizens the rights to demand information from governments. Whether these acts are being implemented can be verified by filing requests for information. Hence these reforms count as easily verifiable reforms.

Random Assignment of Judges and Prosecutors. The random assignment of judges and prosecutors would disrupt grand corruption, because one of the hundreds of corrupt events would eventually get tried in a court with an honest judge and an earnest prosecutor. Cases are randomly assigned in parts of the US justice system.

Elections. Elections form the bedrock of accountability with respect to systemic corruption. Corrupt governments ultimately have to be dismissed by citizens. Elections are spreading across the world and therefore access to this pillar of integrity is increasing. Elections themselves are not enough. The system of integrity has to produce enough information for systemic corruption to get exposed, so it affects electoral results. And, elections themselves need to be protected by the willingness of the citizenry to protest if they are cancelled or massively rigged.

Recalls. Recalls allow new elections to be called before their regular schedule. The ability to recall a government engaged in corruption through a recall could enhance the system of integrity with respect to systemic corruption.

The Media. The media plays a crucial role in producing the information needed by citizens to make elections an effective accountability mechanism. The media has an important role in both investigation, and in making the extent of corruption widely known. The broadcast media, especially television, which typically has a greater following than print, and which can often show compelling footage is critical to the effectiveness of an integrity system.

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