

## The political economy of controlling corruption

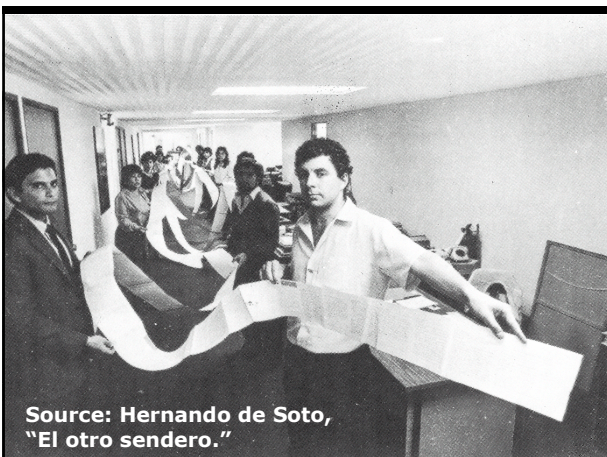
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## Two kinds of corruption

1. Bribes in exchange for permits required for **legitimate activities**.
2. Bribes in exchange for **preferential treatment**, for instance, to get the contract in a public procurement process even though one is not the best bidder.



Source: Hernando de Soto,  
"El otro sendero."

## What to do?

1. Incentives strategy
  - punish offenders
  - be lenient towards whistle blowers
2. Opportunities strategy
  - reduce room for discretion
  - make regulation transparent, ensure functioning judiciary, create ombudsman

One probably needs both, but focus should be on opportunities strategy.