Three paradigms for the analysis of corruption

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◼─────── ABSTRACT ─────── ◼

In the last decades a growing awareness emerged of the relevance of corruption as an hidden factor which may negatively affect political and economic decision-making processes. In spite of a lively scientific debate there is no general consensus on a commonly accepted definition of what corruption is.

The A. distinguishes three main paradigms, focusing on different (though not irreconcilable) variables.

The first is the economic paradigm, which usually takes the principal-agent model of corruption as its founding pillar. In this paradigm corruption is considered the outcome of rational individual choices, and its spread within a certain organization is influenced by the factors defining the structure of expected costs and rewards.

A second approach – the cultural paradigm – looks at the differences in cultural traditions, social norms and interiorized values which shape individuals' moral preferences and consideration of his social and institutional role. These are a leading forces that can push a corrupt public or private agent (not) to violate legal norms.

A third neo-institutional approach considers also mechanisms which allow the internal regulation of social interactions within corrupt networks, and their effects on individuals' beliefs and preferences. Though the corrupt agreements cannot be enforced with legal sanctions,

several informal, non-written rules, contractual provisos and conventions may regulate the corrupt exchange between agent and corruptor.

The A. underlines that corruption is the outcome of a multitude of individual and collective choices which change public opinion towards corruption and its diffusion throughout the state, markets and civil society. There is no univocal recipe to deal with anti-bribery measures, since corruption is a complex and multifaceted phenomenon.

Reforms aimed at dismantling systemic corruption have to be finely tuned against its hidden governance structures, i.e. its internal regulation of exchanges and relationships. Otherwise, a vicious circle may emerge: the more an anti-corruption policy is needed, because corruption is systemic and enforced by effective third-parties, the less probable its formulation and implementation.

Only when official rules are complemented by coherent informal institutions, bottom-up initiatives, they tend to produce the expected outcomes and make anticorruption regulation more effective.

Three paradigms for the analysis of corruption

1. Introduction.

Corruption, in spite of an extensive reference to it in the public debate and in the political agenda, is a somewhat cluttered concept. In the last decades a growing awareness emerged of the relevance of such phenomena as an hidden factor which may negatively affect political and economic decision-making processes in any complex organization and social relationships. The issue of dissipation, misappropriation and distortions in the allocation of resources caused by systemic corruption developing within both liberal-democratic and authoritarian regimes has become a serious concern for international institutions and national policy-makers in an increasing number of countries.

A corresponding interest came out also within the social sciences but, as it often happens, in spite of a lively scientific debate there is no general consensus on a commonly accepted definition of what corruption is. It is quite obvious that such an old-fashioned concept, bearing a long historical heritage, may carry several meanings. Among them, in classical political theory the term corruption was used to indicate a degenerative process operating at a macro-social level, through the perversion of certain constitutive features of an institutional system (1). In this macro perspective – which obviously requires a preliminary normative judgement, i.e. a value-based distinction between "better" and "worse" institutions – the theoretical focus is on the general premises and consequences of the state of degradation of political systems as a whole and social values underlying them.

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(1) See for instance Aristotle, who considered corruption as forms of deviation from the three constitutions – monarchy, aristocracy and democracy; Machiavelli describing corruption as a degradation of citizens' political virtues; Montesquieu who looked at corruption as the perversion of a good political order into an evil one. See among others Friedrich (1972) and Dobel (1978) for an analysis of this concept of "corruption" in classical political philosophers.

A different approach – which is dominant in the social sciences, and will be adopted here – takes corruption as a specific social practice, having distinctive features which can be defined at micro-level, minimizing value-laden implications and requirements. Corruption is a type of behaviour, a specific social practice which can emerge within a particular relational context. Any explanation of its facilitating conditions and effects, however, may requires an analysis of variables at a macro-level, but there is a clear distinction between individual actions and their social premises or consequences (Gambetta 2002). More or less stable configuration of informal rules and enforcing mechanisms can in fact regulate the patterns of systemic corruption, making its equilibria more resilient to political reforms and judicial prosecution (della Porta and Vannucci 1999, 2005, 2007, 2012, 2014; Vannucci 2012).

2. Three paradigms for the study of corruption: the economic approach.

Several factors should be taken into consideration to explain and qualify nature and mechanisms of corruption. We may distinguish three main paradigms in the literature on corruption, focusing on different (though not irreconcilable) variables. The first is the economic paradigm, which usually takes the principal-agent model of corruption as its founding pillar. The economic approach emphasizes the crucial role of individual incentives reflecting contextual opportunities to engage in corrupt activities. Corruption is considered the outcome of rational individual choices, and its spread within a certain organization is influenced by the factors defining the structure of expected costs and rewards. As with other behaviours involving deviation from laws and/or informal norms, the individual decision to participate in corrupt exchanges depends also on the expected risk of being reported and punished (or "cheated" by the partner in the deal), the severity of the potential penal and administrative penalties, and the expected rewards as compared with available alternatives. As Rose-Ackerman puts it:

«In a study of corruption, one can make substantial progress with models that take tastes and values as given and perceive individuals as rational beings attempting to further their self-interest in a world of scarce resources. Information may be imperfect; risks may abound; but

individuals are assumed to do the best they can within the constraints imposed by a finite world» (Rose-Ackerman 1978, 5).

As an axiom is taken that: "corruption is a crime of calculation, not passion. True, there are both saints who resist all temptations and honest officials who resist most. But when bribes are large, the chances of being caught small, and the penalties if caught meagre, many officials will succumb" (Klitgaard 1998, 4). Soreide (2014, 26) observes that:

«The theory of individual utility maximization postulates quite simply that an individual will be involved in corruption if the benefits associated with the act are expected to outweigh the costs. (...) The expected benefits obviously include monetary gains as well as positions and power for oneself, one's family, or one's allies. The list of possible costs consists of the bribe payment, moral "costs" of violating norms and rules, efforts to hide the crime and money laundering, as well as the perceived risk of detection and the consequences of prosecution and punishment».

In this "politics as a market" approach, corruption is generally defined within a principal-agent theoretical framework, identifying three necessary prerequisites of such conception of "abuse of entrusted power", which is a defined as a social practice emerging within a (at least) three-actors relationship:

1. delegation of decision-making power from one (individual or collective) actor – i.e. the principal, the truster, etc. – to another actor – i.e. the agent, the fiduciary, etc. – in order to pursue and realize the first actor's interests and values;

2. the trust-giving, the betrayal of trust possibility, the control of agent's actions and capabilities problems, usually dealt with rules, supervision and enforcement mechanisms, which consequently develop due to the "asymmetric information" condition of actors involved within such relationship (2);

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(2) Trust here can be defined here as the expectation or belief by the principal that the other actor (e.g. the agent) in a transaction – where the first delegates decision-making power to the latter – will not cheat. Asymmetric information among the contracting parties exists on relevant profiles of the transaction: on agent's future actions (moral hazard) – whose monitoring has a cost – and on agent's motivations (adverse selection), which influence his future efforts and integrity. When trust overcomes a certain threshold, reducing transaction costs of monitoring and enforcing

3. the interest of a "client" – the potential corruptor – in the agent's activity, which he may try to influence entering in an exchange relationship – the corrupt exchange – with him (3).

Not any breach/betrayal of trust, nor any failure of the control and sanctioning mechanisms of agent's actions by the principal, which are a potential consequence of the delegation of decision-making power, can be labelled as corruption. Not any form of agent's misbehaviour or malfeasance is corruption, even if often contiguous to it, having similar causes or corrupting effects. In formal terms, within the P-A framework corruption could therefore be defined as:

(i) the infringement of formal rules and/or informal constraints (corresponding to explicit and/or implicit norms and contractual clauses) within an exchange relationship stating the delegation of decision-making power from a principal/truster to an agent/fiduciary to pursue the interests of the first;

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the deal, a cooperative relationship – i.e. the exchange –between the two can take place. The sources of trust can be diverse, as we will see, both transaction-specific and institutional. This is an application to the P-A framework of Gambetta's definition: "trust (or, symmetrically, distrust) is a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action" (GAMBETTA 2000, 217). We limit here the analysis to the issue of public agents' trustworthiness. We do not consider the reciprocal source of potential of distrust, assuming that the public agent who accepts the exchange trusts his principal, i.e. he believes – for instance – that the principal will not "cheat" him not paying his public servant's salary.

(3) The basic components of corruption within a P-A perspective can be found in Banfield's definition (1975: 587) of corruption within governmental organization: "The frame of reference is one in which an agent serves (or fails to serve) the interest of a principal. The agent is a person who has accepted an obligation (as in an employment contract) to act on behalf of his principal in some range of matters and, in doing so, to serve the principal's interest as if it were his own. The principal may be a person or an entity such an organization or the public. In acting on behalf of his principal the agent must exercise some discretion; the wider the range (measured in terms of effects on the principal's interest) among which he may choose, the broader his discretion. The situation includes third parties (persons or abstract entities) who stand to gain or lose from the action of the agent. There are rules (both laws and generally accepted standards of right conduct) violation of which entails some probability of penalty (cost) being imposed upon the violator".

(ii) the violation of such rules – which are aimed at preserving the principal's interest – realizes when the agent enters into another exchange with a corruptor, offering the discretionary power to take (or to abstain from) decision or to provide confidential information which assign or preserve property rights over resources the corruptor would otherwise not be entitled to;

(iii) in the corrupt exchange the agents receives from the corruptor as a reward money or other valuable resources (i.e. the bribe) (4).

Within this framework every market relationship or organizational relationship, involving individual or collective actors, public as well as private entities, can be influenced by corruption. Corruption in the public sector, as such, implies a fourth condition:

(iv) the principal/truster is the political sovereign, whose interest can be defined as public interest depending on the institutional setting of the corresponding polity. The exercise of public decision-making power in a democratic government can correspondingly be analytically described as a complex chain of principal-agent relationships between electorate, elected officials and bureaucrats in their functional and hierarchical attribution of roles and functions (5) According to Cox and

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(4) State activity, like market exchanges, modifies the existing structure of property rights over valuable resources. Public agents may use the coercive power of the state to create, regulate, allocate and maintain property rights to the advantage of corrupters. In the transaction between the corrupt agent and the corrupter, in fact, property rights created or allocated through the political process are exchanged. Three decision-making sectors may create such rights: a) the acquisition of goods and services paid by the private actors for more than their market value; b) the selling of the licensing of use of public goods for a lower price than their market value; c) the arbitrary use of enforcement activities, that attribute the competence to selectively impose costs or reduce the value of some private goods to public agents (ROSE-ACKERMAn 1978: 61-3). Corruption therefore is "just a black market for the property rights over which politicians and bureaucrats have allocative power. Rather than assigning rights according to political power, rights are sold to the highest bidder" (BENSON 1990: 159; BENSON AND BADEN 1985).

(5) A similar representation implies that along the chain all principals are "benevolent", i.e. public-interest oriented: "apart from a limited number of countries and situation, however, this is not the current state of affairs. Most principals' must be assumed to be non-benevolent, which by implication means that both corruption deterrents in this model can be easily cheated upon: there is hardly any risk of being

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McCubbin (2001, 2-3), in fact, each polity – according to the divisions and needs of its society and rulers – select a set of institution to resolve its fundamental political problems:

«These institutions define a sequence of principal-agent relationships. In a typical representative democracy, for example, there are three broad delegations that might be noted. First, the sovereign people delegate decision-making power (usually via a written constitution) to a national legislature and executive. […] A second step in the delegation of power occurs when the details of the internal organization of the legislature and executive are settled. […] A third step in the delegation of power takes the legislature (or its political chiefs) as principal and various bureaus and agencies as agents».

More generally, in this ideal liberal-democratic institutional setting the ultimate principal/truster can be identified as the sovereign people, i.e. the citizenry, while any public officials (elected, appointed, nominated, selected by merit, etc.) is the agent/fiduciary. Any agent entrusted by public organizations (governments, public companies or agencies, etc.) with the power to manage resources in the interest of the principal also has private interests that may not coincide with those of his principal/truster. Moreover, he can hide information on himself as well as on the characteristics and content of his tasks and activities. This is the reason why, in the delegation of power and responsibilities to the agent, the principal usually does not attribute him an unconstrained capability to act in his interests, laying down rules and procedures which limit the agent's range of discretion, and develops various mechanisms of legal, administrative, social, political or contractual control and enforcement of infringements and abuses. Among the rules posed by the principal there is the prohibition of accepting payments or other rewards from "third parties" for the accomplishment of delegated tasks, as this would increase the risk of the agent disregarding the interests of the principal.

Corruption causes then a specific distortion of the relationship between principal and agent– to be distinguished by other distortions and abuses – induced by a third actor, the corruptor. The exchange

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detected if there is no one seeking detection; similarly, no severe punishment will be enacted if those responsible for enacting legal remedies are themselves corruptible" (TEORELL 2007, 4).

relationship with a briber causes/prompts the agent to violate constraints imposed by (formal and informal) rules. By offering money or other rewards, the corrupter succeeds in obtaining from the agent favourable decisions, reserved information, protection (della Porta and Vannucci 2012, 6). In the transaction between the agent and the corruptor property rights on resources created and allocated as a consequence of the public agent's activity and influence are shared between the two. The agent modifies (or maintain, having the power to modify) to the advantage of the briber such allocation of property rights, obtaining as a reward a fraction of the value thus created.

3. The cultural paradigm.

A second approach – the cultural paradigm – looks at the differences in cultural traditions, social norms and interiorized values which shape individuals' moral preferences and consideration of his social and institutional role. Ethical standards matter in corruption. They are a leading forces that can push a corrupt public or private agent (not) to violate legal norms. Taken as a relevant explanatory factor, they have been labelled in different ways in the literature on corruption: moral costs in economic theory, cultural norms in comparative politics, professional standards in constructivist perspectives, informal constraints in neo-institutional theory.

In an economic perspective *moral cost* of corruption is a *negative addendum*, reflecting individual's ethical preferences, that enters in the choice of individual actors whether or not to engage in corrupt exchanges. Reframed as a first-party control mechanism over certain rules, moral cost can be considered as *normative barriers*, expressing the agent's preferences and internalized values addressing his actions (6).

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(6) *First-party mechanisms* are enforced on oneself by an actor: "An *actor* who imposes rules and sanctions on himself is exercising first-party control" (ELLICKSON 1991, 126). This mechanism is based upon the structure of internalized values (such as ethical or moral codes) and self-control system, sanctioned by the personal feeling of discomfort or guilt which – even if not discovered and exposed – accompanies certain actions (in this case, the betrayal of trust of agents towards the interests of citizenry they should realize, or between partners in illicit deals). As Coleman (1990, 243) puts it: "The norm may be internal to the individual carrying out the action, with sanctions applied by that individual to his own actions. In such a case a norm is said to be internalized. An individual feels internally generated rewards for performing actions

Normative barriers depends on the self-imposed and self-enforced rules constraining the agent not to accept corrupt deals with other actors, whose intensity corresponds to the "moral character" of an individual facing the choice among different actions that are rule-governed in the interest of the public organization. Normative barriers are stronger the higher is the degree of agent's identification with the public organization's values and purposes. They correspond to a self-inflicted loss of utility that results from engaging in an illegal or socially blamed actions (Rose-Ackerman 1978, 113; della Porta and Vannucci 2005) The higher the moral cost for a given agent, the stronger will be his "preference for formal rule-fulfilment", that is, the kind of psychological suffering, discomfort or guilt personally expected in case of infringement, perceived as a betrayal of public trust, independently from its detection. In general terms, moral costs are higher when public agents' preferences ordering over his actions (and their outcomes) are closer to those embodied by the rules addressing the functioning of the public organization, and backed by the values which prevails within his social circles. In this case, in fact, the betrayal the public trust becomes a cause of discomfort in itself, similar to betraying the own agent's second-order preferences towards his own integrity (Hirshmann 1982; Pizzorno 2007).

Individuals belonging to different societies and organizations can be *pushed towards* corruption by the nature of their internalized values and by social pressures. While the economic paradigm in the last decades dominated scientific research on corruption, theories on "moral costs" – or better, on normative barriers against corruption –consider not only the influence of exogenous macro-variables on the degree of "average ethical aversion" against corruption, but also endogenous dynamics which shape individuals' preferences and moral constraints (Pizzorno 1992). If the economic perspective considers corruption as a crime of calculation, not passion, according to the cultural approach also *passions matter* in corruption choices, which means ethical judgements, civicness, public spiritdness. As Elster observes: "Although it is hard to prove, I believe that a variation in corruption across countries is explained largely

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that are proper according to an internalized norm or feels internally generated punishment for performing actions that are improper according to an internalized norm."

by the degree of public-spiritedness of their officials, not by the cleverness of institutional design" (Elster 1989, 158). According to Pizzorno (1992), the average degree of "sense of the state" of public officials and politicians is a crucial variable, perhaps the most relevant factor in the explanation of variations in corruption across countries and along time. The analysis of such factors requires a more in-depth research on the mechanisms which allow actors to enter and operate within networks of corrupt exchanges, through a selection and socialization process which – besides transmitting "routines" and informal norms – also shapes them along time their interiorized values.

Generally speaking, any theory of normative barriers has to explain under which conditions agent's preferences on the outcomes of his actions (in the exercise of a delegated power, or as potential corruptors) tend to overlap, are homogeneous or coherent with purposes embodied by state procedures and rules. In countries, organizations and exchange relationships where agents exhibits stronger normative barriers there is trust that a correct and effective exercise of the decision-making power delegated to the agent will not be misused or deceived – even without implementing strict controls. On the contrary, lower normative barriers encourage defection from their contractual and procedural constraints, therefore promoting distrust towards agents, which can be counterbalanced by a strengthening of public supervision, i.e. state-backed enforcement mechanisms.

Developed within rational choice approaches, the notion of moral costs implies that individuals are able to manage "rationally" a trade-off between different interests ("ethical"/second-order versus "material"/first-order preferences, for instance) and consequently maximize their utility. Expressing moral preferences as a cost is functional to formal economic modeling of purposeful corruption choices. The implicit assumption is that a same *numeraire* can be used by an agent to weight – as an constant unit of account – both the measure of worth of the expected proceeds of corrupt exchange and the loss of utility caused by moral discomfort. On the contrary, ethical preferences imply that the individual's evaluation of any conceivable action – and even more clearly when they are stigmatized as *corrupt* within a certain society – can be expressed only in a framework of mutually recognized values, i.e. in an inter-subjective and relational dimension. Unlike moral

costs, the concept of interiorized normative barriers reflect individuals' preferences, slowly developed through a socialization process and the intergenerational transmission of norms, values, principles. When normatively oriented, agents do not evaluate the "economic cost" of an infringements of their interiorized normative standard, which are shared and recognized as valuable within their relevant social circles.

A notion of moral cost as exogenously given preferences is, implicitly or explicitly, challenged also by comparative approaches that stress how several mechanisms can induce variations in values and cultures, not only among different individuals, but also across groups, social contexts, states and historical periods. The "average distribution" of moral costs may vary along time, normally in slow-moving process, as a cultural heritage (Pierson 2004). Variations in normative barriers could therefore explain different individual responses to similar opportunities for corruption. Even when comparable institutional frameworks produce analogous structures of incentives, the diffusion of political corruption may vary – even significantly, as Transparency International *Corruption Perception Index* shows – due to the average moral attitudes among the citizens, entrepreneurs, public agents (7) Among others, the robustness and other properties of social capital, civicness, political culture, amoral familism, religious beliefs have been considered in the literature as macro-variables having a direct effect on the average structure of "ethical preferences" of actors potentially involved in corrupt deals (8)

Taking normative barriers as a sort of psychological aversion to the betrayal of public trust, i.e. as a first-party enforcement mechanisms of rules against corruption, some factors we be singled out that through social interaction influence their strength and evolution. In other words, there are social processes that – under certain conditions – make individual preferences and values adapt to prevailing beliefs and expectations about the reality of corruption. When socially transmitted

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(7) Cfr. Transparency International, *Corruption perception index*, in http://www.transparency.org/cpi2014.

(8) When looking for cultural norms and values framing the choices of individuals belonging to different societies and organizations, a first observation, fuelled by comparative analysis, often points to *religion* as a determinant. Several studies have found, for instance, a statistically significant correlation between the diffusion of hierarchical forms of religion (Catholicism, Eastern Orthodoxy and Islam) and corruption (LA PORTA ET AL. 1997; 1999; TREISMAN 2000, PALDAM 2001).

and enforced values are coherent with state-backed rules and procedures, corruption will be collectively labelled and individually experienced as a blameable activity; vice versa, it will be taken as a "normal" or justifiable activity when shared and convergent expectations on its unavoidability or "normality tend to prevail", socialization on its daily practice is set in motion, etc..

In the literature on corruption normative barriers/moral costs are a neglected variable– even when they are taken as a *variable*, and not as a parameter exogenously given (9). Hirschman (1982) formulated a theoretical hypothesis on factors shaping normative barriers along time, emphasizing how the incidence of corruption depends not only on institutional opportunities, but also on "public morality" or "public spirit", i.e. on how many individuals within a certain society are *corruption-prone* or *corruption adverse*. The evolution of public ethics standards among citizen and public officials may reflect generalized *disappointment* after cycles of strong involvement in public affairs and collective action:

«Corruption can thus be viewed as a response to a change in tastes: losses in satisfaction that is yielded by action in public interest are made up by material gains. But ordinarily the process is not one of small variations in individual preferences, This is so because the practice of corruption has a further, powerful effect on the public-private preferences. If I act this way, o the erstwhile public citizen will argue in order to justify his corrupt actions to himself» (Hirschman 1982, 124).

When the diffusion of values oriented towards the pursuit of private welfare follow an intense but unsatisfactory mobilization centred on public issues, the "moral barriers" against the application of the same logic to the management of public affairs are inexorably lowered. A shift in the balance between the "public versus public oriented" preferences of agents – generated by discontent – is the premise for a diffusion of corruption. In turn, when such practices become a dominant feature of public life, the "bad example" contribute to this "value shift" lowering normative barriers: "corruption, which is at first a response to

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(9) An underling hypothesis is that moral costs are either constant, a sort of "fixed cost" of corruption, or increase as the size of the bribe increases (Rose-Ackerman 1978: 121). Alam (1990) adopt an analogous concept of "aversion to corruption", defined as the value of the marginal utility of corruption payoff relative to that of a legal activities.

dissatisfaction with public affairs becomes a determinant of further, more profound dissatisfaction which in turn sets the stage for more corruption. At the end of the process the public spirit is driven out altogether" (Hirschman 1982, 124-125).

In fact, the structure of values underlying the so-called neo-liberal paradigm – dominant since 1980s' in western democracies economic and social policy-making, after the cycle of collective mobilization of the 1960s and 1970s – may have produced a similar result. It is not just the corresponding regulative framework, or better the de-regulative policy approach underlying neoliberalist policies, which may be corruption-enhancing: "in an attempt to reduce certain kinds of government interventions in the economy, it encourages or provide space for a number of mutual interferences between the government and private firms, many of which raise serious problems for both the free market and the probity of public institutions" (Crouch 2011, 93). The glorification of "greed" as petrol fuelling the self-regulating gears of markets – coherently with a naïve expression of the neoliberalist creed – has been exemplified by the fictional character Gordon Gekko, the cynical trader of "Wall Street" movie, in a often quoted speech:

«The point is, ladies and gentleman, that greed, for lack of a better word, is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit» (10).

Clearly, *amoral neoliberalism* as "a cynical ideology according to which profits have to be maximized at all costs" defines a structure of values conflicting with any conceivable notion of public ethics and public spiritedness (della Porta 2013). Mény (2000, 213) observes that "corruption is thus more likely to spread in cases where the 'immune defence systems' of the group tend to weaken and the 'moral cost' drops; as will occur when public behaviour is less prized than private, when producing results comes to matter more than observing standards, monetary values more than ethical or symbolic values".

When shared and transmitted through socialization, amoral conceptions and practices of capitalism may bring to the application of a similar "market fundamentalism" (Stiglitz 2012) also in the relationship between private and public agents. Since corruption in a democratic

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(10) Quotation from the movie *Wall Street*, directed by Oliver Stone, 1987, in http://www.imdb.com/title/tt0094291/quotes.

decision-making implies precisely the substitution of a demand-supply logic to the universalistic principles of the rule of law, we may expect that amoral neoliberalism as an internalized set of values produces a twofold effect. First, it weakens normative barriers against corruption, especially when accompanying the disappointment which follows public engagement cycles, according to the Hirschman's hypothesis. Secondly, being involved in corrupt practices, i.e. applying a market logic within a "bureaucratic" and "state-centred" environment, may produce within circles of agents involved in illicit acts a self-legitimizing stance, therefore reversing into some sort of moral benefit the practice of corruption itself.

According to Pizzorno (1992) a crucial variable shaping moral costs (or benefits) of corruption is the nature of ethical values and criteria for moral judgement which are currently applied within certain social groups, organizations, "circles of moral recognition" modelling along time the individuals' "ethical preferences". Specifically, a category of political actors vulnerable to corruption are "business politicians" (della Porta 1992), as well as other bureaucratic and economic agents who originate from or are socialized within groups not fostering the respect of law and legal procedures as a value in itself. Business politicians can be described as "homines novi" – literally *new men* – whose entry into politics from the Roman Republic onwards is considered to have raised the tolerance threshold for deviation from established norms and customs (11).

Pizzorno (1992: 45) has suggested that the "homines novi" are more susceptible to participation in corruption because of lower moral costs of behaving illegally:

«entering politics, the 'new men' tend to break with what still binds them to their roots or, leaving aside metaphors, to detach themselves from the reference groups in which they were socialized. Politicians who belong to the socially dominant classes and have been socialized in reference groups whose morality is the same as that of legal authority, on

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[11] According to Banfield and Wilson (1967), for instance, in American cities the greater propensity of *newcomers* to involvement in political corruption can be explained by the need of new entrepreneurs and political bosses to break into a world which tends to exclude them. Once they have "arrived", these same social groups become defenders of the new order.

the other hand, continue to view their actions as being judged and rewarded according to the criteria of those groups and therefore conform to their norms».

Monetary and political rewards gained through corruption, in fact, can be enjoyed in a socially and personal satisfying manner only if this does not lead to stigmatization by an individual's reference groups, i.e. those groups whose members' judgments really matter for the individual. For an individual, in fact, "the moral cost is lower the more ephemeral appear to him those circles of moral recognition that offer positive criteria for the respect of the law" (Pizzorno 1992: 46). Individuals will incur in a psychological suffering when in both their own (and their peers') perspectives corrupt behavior involves a violation of values – such as "public service oriented" ethics – which are internalized (12) Typically, the internalization of norms depends also on so-called *pride in one's position* and the prestige of public service: the more public roles are socially rewarded in the public consideration, the less desirable it becomes to violate official procedures and norms – since it implies the risk of a costly exit from those social circles.

The congruence between *legal rules* regulating public agents' conduct and the *informal norms* which shape the value structure of social groups – politicians, entrepreneurs, functionaries , professionals, etc. – is therefore the key variable. Higher consistency between them makes first-party (the internalized sense of guilt, expressed by normative barriers) and second-party (ostracism, social stigma, etc.) enforcement mechanisms constraining. The activation of "virtuous" or "vicious" circles above described between state and societal accountability in turn influence the strength of normative barriers. The (divergent) contents and the degree of institutionalization of informal constraints which de-facto regulate public agent's activity – and their private counterparts' – come here into play. But informal norms can generate a structure of incentives going

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(12) The diffusion of corruption, like other white collar crime, can be explained with reference to *work-related subcultures* providing a specialized "reality construction" on the basis of ideological commitment or work concerns (HOLZNER 1972: 95). Work-related subcultures "tend to isolate their members from the mainstream of social life (…). Because of this isolation, work-related subcultures are often able to maintain a definition of certain criminal activities as acceptable or even required behavior, when they are clearly condemned by society as a whole" (COLEMAN 1987: 422-23).

both ways. They can support legal rules against corruption, as well as an alternative sets of non-written codes of conduct and "values" justifying and disciplining it. Far from anomic behaviour, corruption emerges as endemic, i.e. well-regulated. This is precisely the focus of the neo-institutional paradigm.

4. The neo-institutional paradigm.

A third neo-institutional approach considers not only moral values or economic incentives, but also mechanisms which allow the internal regulation of social interactions within corrupt networks, and their effects on individuals' beliefs and preferences (13). The concept of normative barriers is a cross field to introduce two variables, which refer to the informal "institutional framework" where the exchange between corrupt agent and corruptor takes place. Public agent's and corruptor's reciprocal "contractual obligations" are illegal or contrary to socially enforced informal codes of conduct which regulate their activity. As a result, they cannot be overtly arranged nor enforced through state third party-mechanisms. The risk of being cheated by the partners, who may renege on their promises, failing to pay the agreed bribe or failing to provide the agreed favors, consequently increases. In these cases, the public agent and the corruptor of course cannot ask a judge to protect their property rights over the resources that were exchanged. In the agreement between public agents and corruptors: "contracts are not enforceable in court of law; the assets of the illegal operation may be seized at any time that law enforcement agencies identify the operation and the associated assets; all participants are subject to the risk of arrest and imprisonment" (Reuter 1983: 114). The natural environmental conditions for corrupt exchanges are secrecy, lack of transparency, severely restricted participation, significant exit costs (Lambsdorff 2002: 222). High transaction costs, in other words, are a by-product of the uncertainty on the successful conclusion of their deal: "Since corruption transactions occur outside the law, there are many opportunities for the parties to take advantage of each other. Numerous situations allow for

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(13) A neo-institutional approach to the analysis of corruption has been adopted, among others, by Husted (1994), della Porta and Vannucci (1999; 2012), Lambsdorff (2007).

the systematic distortion of information in order to benefit a particular party in a corruption transaction" (Husted 1994: 19) (14).

The corrupt contractual agreements cannot be enforced with legal sanctions, but several first, second, and third-party enforcement mechanisms are nevertheless available to actors. Informal, non-written rules, contractual provisos and conventions may in fact regulate the corrupt exchange between agent and corruptor, with sanctions attached to them. Without any enforcement mechanisms, in fact, the corrupt exchange would be doomed to failure, being trust in potential partners' goodwill a scarce resource in itself, even more in illicit deals. Once a certain organizational texture and 'cultural adaptation' to corruption has developed, informal codes and governance structures provide internal stability and enforcement mechanisms to illegal dealings in specific areas of public activity, reducing uncertainty among partners in relationships which thus appear more lucrative and less morally censurable. This co-evolution of incentives and cultural values, in other words, is path dependent: the heritage of corruption in the past produces increasing returns in subsequent periods by providing informal norms, learning of specialized skills, organizational shields and other mechanisms of protection against external intrusion by the authorities and internal friction among corrupt actors (della Porta and Vannucci 2012, 219-22.). Along time, the informally regulated practice of corruption may also influence other economic and cultural variables, since it neutralizes moral barriers and creates more profitable opportunities rooted in formal procedures and decision-making processes.

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(14) Transaction costs are the costs incurred by social actors to establish, maintain and transfer property rights, i.e. to protect ones' capability to exercise a choice over valuable resources (ALLEN 1991). In this perspective, they are "associated with the transfer, capture, and protecting of rights" (BARZEL 1989: 2). Such rights simply reflect the individual's expected capability to consume or transfer valuable assets, that can – or can not – be guaranteed by third-party state enforcement mechanisms (which can be invoked only in case of *legal* rights). The difference between ordinary exchanges of legal commodities and corrupt exchanges is that in the latter case property rights over the resources at stakes are more fragile, uncertain, aleatory. Actors participating to corrupt exchanges can indeed be assimilated to thieves, who "lack legal rights over what they steal; nevertheless, they are able to consume it and to exclude others from it, to derive income from it, and to alienate it. [...] The lack of legal rights may reduce the value of those capabilities, but it does not negate them" (BARZEL 1989: 110).

Under certain conditions, the "value of the word given" to partners in the corrupt exchange can have a positive consideration in the actor's moral preferences. For instance, personal or idiosyncratic sources of trust and loyalty towards counterparts can generate an ethical preference towards "integrity in corruption", a moral stance that to be trustworthy in the management of bribes has a value in itself. *First-party control* occurs when the violation of the informal norms of corruption produces for those who have internalized their obligations a psychic cost, feelings of guilt or discomfort. If all partners in corrupt deals share similar internalized norms, reciprocal trust – if existing – will not be betrayed and illegal exchanges can be successfully concluded.

Under certain condition such *moral benefit* of corruption can be amplified by the existence of strong sources of loyalty alternative to the state, particularly within societies where there are relevant (ideological, ethnical, religious, etc.) cleavages and contrasting sub-cultures (Pizzorno 1992). Kinship, ethnic, political and other social ties, in fact, tend to strengthen such first-party enforcement mechanisms. The corrupt exchange can be judged as functional to the realization of long-term purposes of actors and organizations (especially political parties with a strong ideological orientation) towards whom the agent and/or the briber identify, or are altruistically inclined (15).

Second and third-party enforcement mechanisms can also guarantee an *hidden order* within the corrupt deal: accountability and trustworthiness towards partners in corruption, opposite to the usual meaning of accountability in the public agent's activity.

Second-party enforcement is based on the sanctions directly administered by partners in the corrupt exchange, which often rely on the transaction-specific expected advantages of a reiterated relationship. In repeated interactions, in fact, the menace of termination of the

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(15) In the words of an Italian politician: ""I have been strongly and morally helped by the awareness that I was using the bribes that I received in recent years in the interests of the party. It has been decisive in the fact that I can still walk proudly into the Milan headquarters of the party and I am known by collaborators, functionaries and leaders as the one who decisively contributed, for such a long time, to party life" (Mani Pulite: 23). Italian party cashiers were also selected by leaders precisely for their high and undisputed and publicly recognized level of *integrity* in the management of bribes (DELLA PORTA AND VANNUCCI 1999, 97-99).

exchange relationship (as well as other forms of direct retaliation) in case of cheating may under certain condition – long time horizon and high frequency of interactions, low discount rate of future payoffs, etc – discourage defection and cheating in the corrupt exchange. The circulation of information about one's previous actions within the network of actors involved in corruption further on increases the effectiveness of partner's expected sanctions, since also reputational assets enter into play.

Third-party enforcement mechanisms may imply within networks of corrupt and corrupting actors a widespread adhesion to informal rules stating how to behave in hidden exchanges and how to punish those who do not fulfil their prescriptions and proscriptions. In this opaque universe agents' cheating is individually enforced, within the circles of participants to the "corruption game", with social stigma and blame, but also with marginalization and ostracism, i.e. through elimination from a "market" where profitable opportunities could emerge.

As the domain of corruption network extends, raising the costs of the ex-ante gathering of information, identification of partners, monitoring and sanctioning of deceitful partners, the demand for protection increases. A specialized third-party enforcer, distinct from actors involved in the deal, may also enter into the scene selling his protective services. As we will see, individuals or collective actors (organizations) can use different resources (influence over the public authority; ideological rewards; violence, information and economic resources, the power to assure or deny access to profitable opportunities) to enforce rules and contracts, i.e. to protect the allocation of rights emerging from the corrupt exchange:

«the essence of enforcement power is in the enforcer's ability to punish (i.e., to impose costs). Those costs can be imposed both by the use of violence and by other means. (…). Different third parties impose costs by different means. The state imposes costs through use of the physical force of the police, and the Catholic church through excommunication and the prospect of purgatory. As is evident from these illustrations, the ability to impose costs does not necessitate the use of physical force, nor does it require a formal organization" (Barzel 2002, 38-9)».

Third-party enforcers of the informal constraints regulating corrupt exchanges "reduce uncertainty by establishing a stable (but not necessarily efficient) structure to human interaction" (North 1990, 6). Either public (politicians, bureaucrats, etc.) or private (entrepreneurs, brokers, etc.) actors may enter as individuals in the protection market, using different means to sanction cheating or defecting partners. Certain organizations can also become third-party enforcers in corrupt exchanges: political parties, firms, mafia and other criminal groups, private associations, Masonic lodges, trade-unions among them. Enforcement provided by organization may be more or less effective according to several factors, among them its nature, scope, stability, internal structure (16). Political parties, for instance, can use their influence over public decision-making processes – whose implementation is guaranteed by the coercive authority of the state – to impose costs on cheaters in corruption contracts, or vice versa to promise future advantages to those who respect those informal rules. They can, in fact, use as an enforcing mechanism their capability to rule out cheaters from future profitable interactions with public bodies or party structures: career perspectives for lower-level bureaucrats, support

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(16) Rules governing the corrupt exchange are enforced through sanctions, whose administration is also governed by certain "procedures". Third-party enforcers can be self-constrained by second-order rules, or they can solve disputes more arbitrarily – making the outcome of their enforcement activity less predictable, therefore reducing the "quality" of their protection services. Third-party enforcers are rarely *neutral* to the transacting parties, nor they necessarily do restrict themselves to prescribing and impartially enforcing rules for compliance, as in the idealized rule-of-law operations of the state. There are problems of reliability and incentive-compatibility in the activities of actors and organizations involved as enforcers in the market for corruption. In order to be credible, accepted and trusted by corrupt actors, enforcers have to control and exhibit specific resources, whose use is costly –they have to be compensated for their services. At the same time, protection has "public good" attributes that makes it exploitable by free-riders, at least to a certain degree (Gambetta 1993): when expectations converge towards a smooth functioning of the rules of corruption, the demand for third-party enforcement declines. Specialized enforcers must therefore police also their "extractive" activities, in order to motivate and monitor payments of protection-money. On the other hand, since the essence of protection consists in the power to impose costs, partners in corrupt transactions must also be reassured that the guarantor will not use its power in order to seize (instead of protect) assets exchanged.

for publicly appointed positions or candidatures for elected politicians, awards of public contracts or licenses to entrepreneurs, etc. They might also appeal to common ideological values to obtain the compliance of their corrupt members. Criminal organizations also have the power to enforce illegal deals by using coercion, as well as their reputation as "tough guys" able to adjudicate disputes. Cartels of contracting firms may menace exclusion from profitable long-term relationships. In table 1 some of the main factors influencing organizations' enforcement capability are schematically represented. In general terms, the "quality" of the governance mechanisms of corrupt transaction can be defined as:

Table 1: Enforcement mechanisms within corrupt exchanges				
Enforcement mechanism		*Rules enforced*	*Sanctions*	*Sanctioning agent*
First-party control		*Moral benefit*	Interiorized ethical values and beliefs	Psychological suffering and guilt	Cheating agent on himself
Second-party control		*Hidden accountability*	Informal contractual obligations	Termination of the relationship; inflicting costs through other means (including violence)	Partners in corrupt exchanges
Third-party control	*Social control*	*Hidden accountability*	Informal codes of conduct regulating illegal deals	Ostracism or reputational damage with a loss of opportunities for exchange;	Other individual actors who interact – with different

				blame.	roles – in the network of corruption
	Individual enforcement	*Hidden accountability*	Informal codes of conduct regulating illegal deals; informal contractual obligation	Exclusion from future opportunities for exchange; violence, etc.	Specialized individual third-party enforcers using private resources or resources derived from their position within a network of relationships
	Organizational enforcement	*Hidden accountability*	Informal codes of conduct regulating illegal deals; informal contractual obligation	Exclusion from future opportunities for exchange; adverse political influence; adverse bureaucratic decisions, ideological "excommunication"; violence, etc..	Specialized third-party enforcers using resource derived from their roles within an organization

5. Some conclusive remarks.

An inclination towards corruption or towards integrity is not etched in the genetic heritage or cultural roots of a society. Corruption, akin in this to good governance, is the outcome of a multitude of individual and

collective choices, supported and discouraged by the institutional matrix, social relationships and circles of recognition, the structure of social values and cultural norms. The combination of these elements creates expectations, habits, beliefs, preferences, ways of thinking and judging the sense of one's own – as well as others' – actions, which direct its evolution over time and change public opinion towards corruption and its diffusion throughout the state, markets and civil society. An effective anticorruption policy addresses such change discouraging individual involvement in illicit deals through material disincentives, societal recognition of the value of integrity, moral barriers.

A major challenge in anticorruption is how to accomplish with policy measures a difficult exit from systemic or widespread corruption. In general terms, anti-corruption policies are effective when they diminish opportunities for and increase societal and normative barriers against corruption. But any reform which influences macro-variables may have only a remote connection – in both spatial and temporal terms – with the factual conditions and informal constraints influencing the activities of a specific subset of actors who can accept or offer a bribe, while the *script* which regulates their transactions remains substantially unaltered (17) There is no simple or univocal recipe to deal with anti-bribery measures, since corruption is a complex and multifaceted phenomenon, influenced by a multitude of interrelated variables which affect both the anticipated benefits, the expectations and the socially recognized values which allow for such calculations to take place in the first place. Such conditions can explain the difficulties encountered in their implementation: "the history of anti-corruption campaigns around the world is not propitious. At the national and local levels, in ministries and in agencies such as the police, even highly publicized efforts to reduce corruption have tended to lush, lapse, and, ultimately, disappoint" (Klitgaard et al. 2000: 11).

A point emerge from previous analysis: reforms aimed at dismantling systemic corruption have to be finely tuned against its hidden governance structures, i.e. its internal regulation of exchanges and relationships. The hidden accountability of corrupt deals, in fact, is a

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(17) According to the script approach, any crime can be identified and classified according to the routine steps followed by its actors, using this identification to find crime prevention measures (CORNISH 1994).

powerful force lowering the effectiveness of both legal and societal mechanisms of control and enforcement.

Moreover, in the absence of countervailing forces *external* to the corrupt environment – such as the entry of "honesty-promoting" competitors in the political arena, a strong anticorruption movement from below, channeling the pressure towards integrity of the public opinion, etc. – a vicious circle may emerge: the more an anti-corruption policy is needed, because corruption is systemic and "centripetal", i.e. enforced by effective third-parties, the less probable its formulation and implementation. In this case, in fact, most policy makers will also be involved – as participants in illegal deals, therefore liable to be blackmailed, or indirect beneficiary of rents collected through corruption. In this context even apparently robust policy measures – the institution of an anti-corruption authority, for instance – can easily be reversed into yet another corruptible or useless public agency, not executing or financing its operations.

Only when official rules are complemented by coherent informal institutions they tend to produce the expected outcomes. The fertile ground of any anticorruption regulatory reform lies therefore in a simultaneous set in motion of bottom-up initiatives, empowering societal actors, allowing them to become really influential towards those political entrepreneurs having the authority to change the formal "rules of the game", making anticorruption regulation more effective. The involvement of civil society and local community participation in anti-corruption policies may represent a potential preliminary *spark* to set in motion any conceivable *positive feedback* interplay between actors' interests towards integrity and optimistic expectations that an exit from systemic corruption can be found. Recognizing the importance of "appropriate cultural resources" in the promotion and maintenance of integrity, anti-corruption projects should adapt to the social values prevailing in each country (Newell 2011).

In recent years social movements denouncing kleptocratic practices, corrupt politicians and entrepreneurs, have developed a radically different explanatory framework. Consequently, also the policy toolkit enlarged. The fight against corruption is a basic constituent of a wider effort of citizens to oppose the deterioration of the quality of democratic processes. In order to raise resistance against corruption it is

therefore necessary to restore or discover new accountability and transparency mechanisms that will permit a more effective control of citizens on the rulers. This implies the revitalization of a conception of politics intended not as a technique, but as a contribution to a realization of the common good. Experiences and experiments that increase the citizens' opportunities to participate in public policies, in the formulation, decision-making and implementation phases, increase information available to the public, spreading a broad awareness and knowledge that in the "technocratic" conception of politics are instead – for ideological beliefs or "wilful misconduct" – kept jealously hidden (della Porta et al., 2014).

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