Social Norms and Conditional Corruption: The Case of Lebanon

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Abstract

This paper explains the emergence of a conditional norm of corruption on an mesosocial level between culture and structure. It considers corruption as a result of interactions between individuals through social norms. In a game theory perspective, we show that the tolerance of corruption is dependent on the social norms generated by mutual betting on other people's behavior in society. Players tend to align their own strategy with the strategy of others. Therefore, a social norm of corruption is determined by the proportion of players who adopt a corruption strategy. The choice between corruption and honesty depends on a specific social norm. Analysis of corruption in Lebanon shows that corruption as a phenomenon is contagious and frequent to the point of tolerating it as a social norm.

Keywords: Corruption, social norms, tolerance of corruption, governance

Introduction

Corruption is an illegal and unethical behavior by a public official in order benefit from it, usually related to a bribe. It is also linked to the illegal use of public power and to illegal activities, regardless of the difficulty of separating between what is legitimate and what is not. Debates on corruption are extremely complex because the concept of corruption is ambiguous to define. All definitions are stained with subjectivity because some activities may be considered as improper or corrupted in some countries but not in others. Some activities are carried out behind stages and outside the formal and legal channels, which makes their measurement and the means of containing them even more difficult.

However, some activities, such as exchanging gifts, lead to some form of corruption without breaching regulations. For this reason, the analysis of corruption should take into account the social, cultural, political, moral, and psychological features of a country in a global framework in order to really understand the phenomenon. The tremendous scale of corruption and the widespread of shady transactions in Lebanon prompt us to

look closer at the emergence of social norms of corruption in the country. The originality of Lebanon's case resides in the fact that it contains all forms of corruption; it can vary from Petty Corruption that occurs at a small scale to Grand Corruption that occurs at the larger scale of government in a way that affects the political, legal and economic systems. For instance, public vote buying is not sanctioned in Lebanon, and may be a major asset in any election.

Some approaches link corruption to a cultural phenomenon tied to unethical or defective behavior. Other approaches try to explain corruption by the bad structure of economy and by government failure [Cartier-Bresson 2000]. This paper explains that corruption should be explained in reference to social norms. It cannot only be explained by bad governance which is related to fragile public structures or merely by the lack of culture and ethics. Only an intermediate explanation focusing on the issue of the perception of corruption based on social norm is plausible.

The case of corruption in Lebanon is interesting to analyze since this phenomenon is rampant in the country and is not only explained by a lack of culture or bad structure. The acceptance of corrupt transactions is reflected in the Lebanese people perceptions: a phenomenon so ordinary that it no longer needs to be eradicated. What makes that 23.3%[109] of the Lebanese people tolerate bribe against 1% in Switzerland? Do Lebanese have an interest in not being honest? Has corruption become a social rule?

To provide an answer to these questions, this paper uses a utilitarian approach in which individuals make a cost-benefit analysis before deciding whether it is rational to be honest or corrupt. We present a dynamic model to explain the emergence of a social norm of corruption as a result of rational strategies by players, in a game theory model where the two players are betting on the behavior of the other. The model proves that it is irrational not to be corrupted in a society characterized by endemic corruption. As an application, we explore the case of Lebanon, presenting the corruption as an accepted behavior which outbalances the failure of public institutions.

The remainder of the article proceeds as follows: section 1 presents a brief analysis of the emergence of conditional norms related to corruption. The second section of the paper displays a game theory model that shows the emergence of conditional norms through rational strategies. The last section discusses the emergence of a social norm of corruption in Lebanon where it is tolerable by all citizens.

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[109] Referring to the world values survey; Question: how far the bribe is an accepted or justified. The answers are presented in 10 levels ranging from "always justifiable" to "not justifiable".

The emergence of social norms of corruption

Economists have long disregarded social norms as a key explanation of rational behavior so it is really crucial to integrate the analysis of social norms while studying corruption since it is an individualistic decision. The core issue regarding the norm of corruption is that it exceeds the agreement between the players dealing with corruption to involve all citizens because corruption has a social repercussion on the whole society as a unit. Following the approach of the impartial spectator that Adam Smith used in his moral philosophy[110], individuals give their approval or disapproval on any social issue based on a social assessment. According to Smith, one may approve or disapprove his own personal conduct based on other's perception. Social expectation of other people's behavior leads to the emergence of a social norm of corruption.

The norm of tolerance does not only require an acceptance on the individual level. The problem is stated in a broader perspective which involves virtually all participants in social activity: "Is it acceptable to be corrupted?" and "Do other people around me accept a corrupted behavior?". The prospect of the emergence of a norm of tolerance does not depend solely on individual choices (accept or not accept) but involves an anticipation on the choices of others (whether is it was acceptable to others or not). It is not merely a positive or descriptive issue referring to an individual acceptance or not, it is also a prescriptive one. The emergence of conditional norms of corruption is therefore related to the normative agreement within a group: I do accept to pay a bribe if I am expected to pay one; "I" do agree approve that "you" receive an officious payment if it is socially unacceptable for "us" to refuse what so called a "gift".

As stated by James Coleman [1990], the study of social norms is essential for any theory that relies on individual choice. According to Coleman, social norm is defined as a rule of conduct shared by individuals and backed by a sanction. The approach followed by this article falls within this framework where corruption depends on the observation of other's behavior. Elster [1989] considered the social norms as the "cement of the society". For this reason, it seems important to include the analysis of social norms when analyzing corruption.

It is noteworthy that corruption in Lebanon doesn't generate any feeling of guilt among individuals, which encourages citizens to twist the law. Violation of the norm doesn't generate a sense of shame and this feeling drives people to accept corrupt behavior. Generalization of corruption in Lebanon is not only explained by the bad structure of the government and its

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[110] Smith points out that in every social and moral interaction two individuals make their judgments from the point of view of a third impartial spectator.

bad governance[111] and its incompetency to provide the basic services in the country. The main limit of this approach is that it puts aside all moral and individual freedom when taking decisions and doesn't explain why corruption exists in developed countries. This structural approach doesn't explain the high level of corruption in some countries such as Italy[112], nor why the north of Italy is less corrupted than the south of the country [Putnam, 1993].

On the other hand, corruption is not only a cultural problem related to a lack of ethics and education or non-civic behavior by citizens. This cultural approach has its limits too because it argues that some cultures are superior to others, and may lead to essentialist, social Darwinist, or even racial theories.

The approach suggested in this paper emphasizes on the fact that corruption is analyzed on a level between culture and structure. The thesis defended in the following paper draws a line between two perspectives both considered   insufficient:
- the first perspective is structuralist[113] [Mauro, 1996]. According to this perspective, corruption is related to the failure of economic and institutional structures. In this sense, corrupt behavior is only a reflection of poor economic performance, low GDP and administrative burdens in business [Klitgaard   1991].
- The second perspective is the culturalist approach[114]. It attributes corruption to subjective causes related to the culture and values of a society [Elster, 1989]. Accordingly, corrupt behavior is the result of failing to comply with ethical standards and civics.

Contrary to these two assertions, we suggest a three-scale rationale analyzing corruption between culture and structure, starting from a macro-societal scale referring to the structuralist approach and going towards a culturalist micro-societal approach.

More precisely, our approach refers to three scales:
- Macro-societal scale linked to the failing structure of the State.

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[111] According to the indicator of the World Bank, Government Effectiveness, the score of Lebanon is 38 over 100; The index values range between 0 and 100, the maximum value 100 means the most efficient service. Government Effectiveness measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation.
[112] According to Transparency International, the CPI (Corruption Perception Index) for Lebanon was 28 over 100 for 2016. (A low level of the CPI index refers to a high level of perception of corruption). The CPI of Italy is 44 while the CPI of New Zealand is 90.
[113] According to the structuralist perspective in sociology, human's behavior is analyzed in term of his relation to a system or a structure.
[114] The culturalism focuses on the importance of culture in human behavior.

- Micro-societal scale interprets the behavior of corruption as an individual choice.

-Meso societal scale; The approach suggested in this paper focuses on the mutual betting of the behavior of other members of society. Under this intermediate approach, corruption is contagious and the probability of not following the rules depends on anticipating the behavior of the other within a framework of mutual expectations.

Corruption should be explained by the interaction between citizens that leads to the establishment of a social norm of corruption. The commitment of individuals in corrupt activities depends on the disutility of guilt, feelings perceived by the behavior of other individuals in society. In this perspective, the payment of the bribe and the propensity to bribe depends on the frequency of corruption. It stresses on the importance of cooperation and coordination between individuals because the social sanctions will force the agents to abide by the norm. In Lebanon, where corruption is systemic, the norm that emerges led to its acceptance because it's an infectious phenomenon. The choice of individuals between an honest behavior and a corrupted one can vary depending on the frequency and intensity of social punishment.

The emergence of conditional corruption and interactions: the contribution of game theory

We suggest a model that attempts to explain the reasons why some societies tolerate corruption, while others do not. In some societies, individuals have an advantage in being corrupted. The general equilibrium of the suggested model depends on the interaction between individuals.

Suppose a model[115] in which two individuals Peter and July live in the same country and have the choice between compliance to rules established by the state without twisting the law ("Do not use corruption") or the non-compliance to existing rules and the use of corruption (the strategy "user of the corruption"). If people apply the laws, the state requires individuals to pay a tax (I). (I) represents the tax paid to the state to enforce property rights and thus constitutes its main revenues to carry out policies against corruption. If individuals are corrupt, they will pay a bribe (b) that represents the individual cost of corruption. In addition, the use of corruption entails for corrupt players an amount (R) related to the rent-seeking. On the other hand, when people do not respect the rules, they support in addition to the individual cost of corruption, a social costs (C). C is paid by the whole society. For a given population, θ measures the proportion of individuals

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[115] The model suggested in this paper is based on a model in game theory developed by professor Lemennicier on "The nature of the state and the state of nature

who use corruption and (1 - θ) the proportion of individuals who do not make use of corruption.

If both players are engaged in corruption, the gain will be:

$$G = \frac{1}{2}(R - b) - C$$

Let p be the probability of winning, and here taking the value 1/2 since the probability is uncertain. We assume that G = 1 / 2 (R - b) - C is negative.

		Peter	
		Use corruption	Do not use corruption
July	Use corruption	$\frac{1}{2}(R - b) - C$	$(R - b)$
	Do not use corruption	$(-I)$	(G - I)

Table 1 - Matrix of gains

If both players do not make use of corruption, the gain is positive and equal to (G - I). If July uses corruption and Peter does not use it, July will have a positive gain equal to (R - b). If July does not use corruption, while Peter does, July pays (-I) and loses everything.

Gain from "Use Corruption"

E(G) = θ [1/2 (R –b) –C] + (1- θ) [R –b]

- Si θ = 0   E(G) = $(R - b)$

- Si θ = 1 $E(G) = \frac{1}{2}(R - b) - C$

Gain from "Do not use corruption"

E(G) = θ (-I) + (1- θ) (G – I)

- Si θ = 0   E(G) = $(G - I)$
- Si θ = 1 $E(G) = (-I)$

There is no dominant strategy in this game, there are several mixed strategies. This game will be studied in two cases:

Assumptions of the first case	Assumptions of the second case
R-b > G-I	R-b < G-I
(-I) $>$ $\frac{1}{2}(R - b) - C$	(-I) $<$ $\frac{1}{2}(R - b) - C$

Table 2 - Assumptions of the game

First case

Under the assumptions of the first case, the gain from using corruption is higher than the gain of not using corruption when θ tends to zero. From a certain threshold θ^*, the gain from not using corruption is higher. For a given population, θ^* is the threshold at which it is irrelevant for July to use corruption.

If we represent in a graph the coordination between Peter and July, we find that the strategy "use of the corruption" is dominant as the point B gives an additional gain compared to Point C.

But if Peter adopts the same strategy of spoliation, July has an interest in adopting the "Do not use corruption"(D > A). As the interaction is symmetric, once the threshold exceeded θ^* everyone's interest is to respect the rule. Conversely, if the threshold is not met, all have an interest to use corruption.

$\theta = 0$ Gain from using corruption > Gain not using corruption
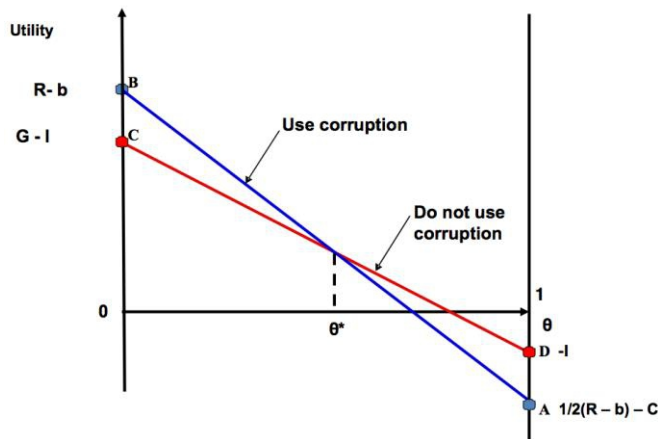$\theta = 1$ Gain from using corruption < Gain not using corruption

Figure 1 - The game based on the assumptions of the first case

Second case

Under the assumptions of the second case, the gain from using corruption is lower than the gain does not use corruption when θ tends to zero. Once the threshold is exceeded, everyone's interest is to use corruption. Conversely, if the threshold is not met, all have an interest in complying with the rules. If the ratio "θ" increases beyond θ^*, the cost of corruption is higher than that of compliance. When the share of corrupt individuals in the population increases, "Use of corruption" becomes the dominant strategy.
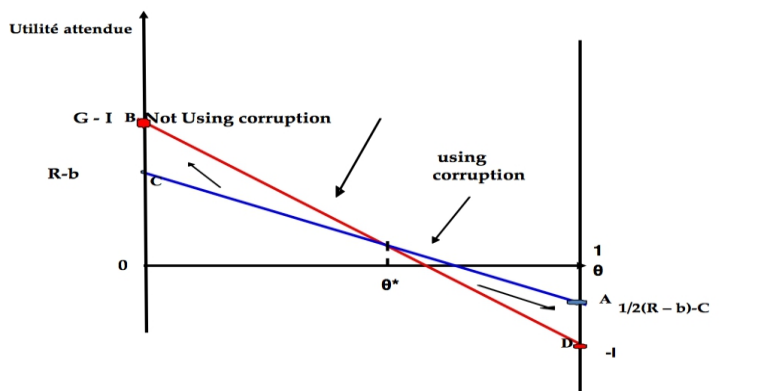
Figure 2 - The game based on the assumptions of the second case

$\theta = 0$ Gain from using corruption $<$ Gain from not using corruption
$\theta = 1$ Gain from using corruption $>$ Gain from not using corruption

The choice between the path of corruption or honesty depends on several criteria, foremost among which we find the extent of corruption and the proportion of corrupt individuals in the society.

Conclusion of the second case
If $\theta > \theta^*$ agents expect a high level of corruption, so they will have incentive to engage in corrupt activities and θ tend to 1 since the strategy to use corruption entailed more social gains.

This second case will interest us since we'll apply it later to the Lebanese case where corruption is rampant. In a society where corruption provides more gain to its members, it would be rational to be corrupted and accept corrupt behavior of others. Thus a norm for tolerance of corruption emerges indicating that it is irrational not to be corrupt in a society where everybody is corrupt.

Estimation of the threshold θ^*
E (G use corruption) = E (G does not use corruption)
= Net Increase from the use of corruption) / (Cost from the use of corruption)
θ^* is positive with (R-b) - (G-I) $>$ 0 and C$>$ G - ½ (R- b). If C $<$ G - ½ (R-b), tolerance of corruption does not depend on the proportion of corrupt people.

Discussions on the emergence of a social norm in Lebanon

The game presented in our model explains the emergence of a spontaneous order in which agents learn by trial and error or by imitating the behavior of others. Therefore, we assume that the equilibrium depends on the anticipation of the proportion of those who are corrupt, hence on the extent of corruption. The choice between the path of corruption and honesty is explained by the emergence of a conditional norm.

This norm explains why some countries not only tolerate corruption, but also consider it to be rational while others severely sanction any defective attitude. In developed countries, people are expecting honest behavior from others citizens, they are inclined to respect the regulations to avoid social and legal sanctions anticipating that a faulty behavior will be severely punished. Any deviation from this equilibrium of honesty will be severely sanctioned by society and by the State alike. Citizens are inclined to be honest because the cost of violating social norms is higher than its benefits (Becker, 1968). In this case, the norm that emerges is a norm of honesty and the society will impose social sanctions on corrupted citizens. More importantly, in this equilibrium, I tend to be honest because I expect YOU to be honest and because I expect YOU to expect ME to be honest since WE expect that a dishonest behavior would be sanctioned.

Conversely, if corruption is endemic, the strategy that brings the greatest gain to citizens is that of no "honesty". In countries where corruption is high, public policies are inefficient leading to the acceptance of corruption. This explains why Lebanese citizens expecting a dishonest behavior from politicians are inclined to avoid paying taxes without feeling any guilt. And they may even justify publicly their corrupted behavior by claiming that public funds will be stolen both ways by other corrupted officials, without worrying about any social sanction. According to Governance indicators[116] published by the World Bank, the governance in Lebanon is bad and this is explained by the low scores regarding political instability (17.39 /100) and the lack of accountability (39.42/100), (table 2).

Governance indicators	2015
Voice and accountability	39.42
Political stability	17.39
Government effectiveness	48.29
Regulatory quality	50
Rule of law	43.54
Control of corruption	38.54

Table 2: Governance indicators; Percentile rank; World Bank; 2015

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[116] According to the governance indicators, the index values range between 0 and 100, the maximum value 100 means the better quality of governance.

Social norms are highly relevant to understanding corruption in Lebanon. When individual agents in their daily interactions produce norms of tolerance toward corruption, they rely primarily on observing and anticipating the behavior of "others" defining a network of mutual expectations. In other words, in regions characterized by high levels of uncivilized behavior, people tolerate bad behavior from their neighbors because the latter also tolerate and accept their malpractices. In this sense, once the percentage of corrupt people exceeds a critical threshold, it becomes difficult to avoid the use of corruption in an environment where the bribe is perceived as not only "normal", but more legitimate, rational and justified.

Year	CPI[117] Transparency
2006	3.6
2007	3.0
2008	3.0
2009	2.5
2010	2.5
2011	2.5
2012	3.0
2013	2.8
2014	2.7
2015	2.8
2016	2.8

Table 1: Corruption Perception Indicator; Lebanon

With regard to Lebanon, corruption is rampant in the country according to Transparency International (table 1). The score of CPI that measures the perception of corruption is decreasing moving from 3.6 in 2006 to 2.8 in 20016. A contagion effect of corruption has been observed and citizens tolerate corruption it since it is socially accepted. For this reason, in a context of absence of transparency and efficiency, avoiding paying taxes is not socially punished by the society. Predicting a deficient behavior from other citizens, and predicting that the government will dilapidate fiscal revenues makes it rational not to pay taxes. As discussed previously, it is irrational not to be corrupted in a society where corruption is widely spread where perception of corruption θ exceeds the threshold (case 2 of the model when $\theta > \theta^*$). This social norm can be illustrated in the Lebanese society by the normalization of the bribe, the purchase of votes or the stealing of electricity from the main grid. Hence, individual action clearly depends on conditional social norms, taking the form of betting on the behavior of the

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[117] Corruption Perception Index, Transparency International.

other. In light of this, it has become rational for individuals to modify their strategies.

In a context of generalized corruption, reciprocity means that people will feel less guilty indulging corrupt activities. In a fractured society like that of Lebanon, citizens are of different religious background have no mutual trust toward each other due to years of struggling in civil war. As a result, the likelihood of anticipating defective behavior is higher in a fragmented and segregated society, which increases the propensity to be corrupt. The Lebanese pessimistic bets on the failing behavior of their fellow citizens confirm the theoretical model borrowed from game theory.

Conclusion

Corruption is not always a cultural problem tied to unethical or defective behavior. Nor is it explained by structural factors related to bad governance. It is a result of interactions between individuals through the social norms based on a mutual betting of the behavior of other members of society. The game model explored how a conditional norm of corruption could emerge in an intermediate level between cultural and structure.

It's important to note that corruption in Lebanon is prevalent and so frequent that condoning it has become a social norm. Referring to our model in game theory, since the perception of corruption is high ($\theta > \theta^*$), agents observe the reaction of others into a network of mutual expectations. Applying the conclusions of the game theory to the case of Lebanon, corruption is seen as a survival strategy. It is justified by a weak State, given the poor quality of public institutions and the competition between political parties within an ethnic, religious and political framework. But corruption practices are mainly developed because the socio-cultural environment is tolerant, even encouraging. This leads to the emergence of a "culture of gifts", the offer of bribe being considered as courtesy. For this reason, corruption cannot be analyzed disregarding moral, social and cultural criteria. The distinction between a lawful and illicit transaction depends to a large extent on societies and cultures, which means that it can vary across time and space.

To this end, it is necessary to define a specific moral criterion to each society and link studies of corruption to the role of the State. All policies suggest that tackling corruption should take into account the perception of corruption and the social norms that have emerged. However, if corruption became the social norm as for the case of Lebanon, any government intervention would be ineffective since corruption became the rule. All policies seem to be inefficient since corruption is considered as a defensive strategy for rational agents to protect themselves from the corruption of politicians.

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