

Challenges in the study of corruption: approaches and policy implications

Desafios no estudo da corrupção: abordagens e implicações políticas

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Abstract

In the last decades a chain of scandals fuelled a growing popular awareness of the relevance of corruption as an hidden factor which may negatively affect political and economic decision-making in public policies – in terms of growing ineffectiveness and inequality – not only in less developed and authoritarian regimes, but also in advanced capitalist democracies. This article offers a critical review of the three main theoretical paradigms of analysis of corruption, the economic, cultural and neo-institutional approach, focusing on the latter. A typology provides a general scheme of interpretation of the “institutional” equilibria within systemic corruption, which may provide also a guide for anticorruption policies. Reversing the neoliberal logic which recommends a reduction of the State’s role, popular mobilization from below can be considered as the potentially most effective anticorruption strategy in order to break down the robust equilibria of systemic corruption, increasing politicians’ responsiveness to the public expectation of stronger integrity in the public sphere.

Keywords: Corruption. Anticorruption policy. Bottom-up mobilization. Neo-institutionalism. Principal-agent. Neoliberal paradigma.

Resumo

Nas últimas décadas uma série de escândalos impulsionou o crescimento popular da consciência quanto à relevância da corrupção como um fator escondido que afeta negativamente as decisões políticas e econômicas – tomadas em sede de políticas públicas – em termos de um aumento da ineficácia e desigualdade – não apenas em regimes autoritários e subdesenvolvidos, mas também em avançadas democracias capitalistas. Esse artigo oferece uma revisão crítica dos três principais paradigmas teóricos de análise da corrupção, o econômico, o cultural e a abordagem neoinstitucional, com foco no último. A tipologia fornece um esquema geral de interpretação do equilíbrio institucional dentro de uma corrupção sistêmica, que também pode prover guia para políticas anticorrupção. Revertendo a lógica neoliberal que recomenda a redução do papel do Estado, uma mobilização popular vindo de baixo pode ser considerada como a estratégia anticorrupção potencialmente mais efetiva como meio de quebrar o robusto equilíbrio da corrupção sistêmica, aumentando a responsabilidade dos políticos perante as expectativas do público quanto a uma forte integridade na esfera pública.

Palavras-chave: Corrupção. Políticas anticorrupção. Mobilização de baixo para cima. Neoinstitucionalismo. Agente principal. Paradigma neoliberal.

1 Introduction

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, in spite of a large scientific debate, there is still no consensus on any commonly accepted definition of what corruption is. In spite of an extensive reference to it in the public debate and in the political agenda, corruption is a somewhat cluttered concept. 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.

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 require 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; VANNUCCI, 1999; 2005, 2007, 2012, 2014; VANNUCCI, 2012).

Any liberal-democratic regime traces through institutional constraints a boundary between political power – i.e., the power deriving from the occupation of certain roles of public authority – and economic power – i.e. the power deriving from the operation of the market process. We can therefore look at corruption as a practice – more or less “institutionalised” in itself – that covertly converts economic into political resources and vice versa, therefore blurring the “official” frontier between them. A

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.

market for the exercise of public authority substitutes official rules which should provide “rule of law” criteria in the allocation of public goods. Behind any form of corruption lies an hidden and unaccountable *privatization* of public resources by public agents, which are preferentially assigned to those who have more monetary, political or relational resources to offer in exchange. In modern democracies corruption, in fact, cannot be considered as a mere “abuse of entrusted power for private gain” – according to the definition most widely used in the literature – but as a social practice which tends to develop its own self-reproducing mechanisms of diffusion and dissimulation, through learning processes and adaptive expectations of actors involved in complex networks of illegal exchange. In a vicious circle, money (not only bribes and other illegal financing, but also formally regular contributions) and political power feed upon each other, deeply distorting the channels of political representation and therefore fostering public indignation, frustration and mistrust. As a matter of fact, in the last decade rampant corruption has been denounced by social movements and social scientists alike. More specifically, in the practice of “grand corruption” a minority of individuals belonging to the ruling class (politicians, high-level bureaucrats, public managers, entrepreneurs, professionals) jointly appropriate public resources and common goods – public budget, environmental assets, political consent, etc. – trying at the same time to minimize visibility, public recognisability, and criminal risks of the corresponding activities, therefore reducing both vertical and horizontal accountability of decision-makers. As a consequence, besides the socially wasteful outcome of such rent-seeking activities, an increase in the opacity of decision-making, a further escalation of economic and political inequalities, an adverse selection in political, economic and professional careers can be observed.

It is no matter of controversy – political or academic – that corruption could be curbed by reducing the monopoly rents and arbitrary power in their political or bureaucratic allocation, enhancing an open competition in the private and public sectors, increasing transparency and accountability of public actors, introducing more effective controls and feedback mechanisms on the outcomes of public policies, strengthening moral barriers and societal control over the public sphere. It is an open question, however, under which political and institutional conditions effective reforms will be realistically approved and implemented to reduce the diffusion of corruption. Heavily influenced by rational choice paradigms, policy-makers and researchers have not paid attention to the role of changes in capitalism and democracy on the spread and modelling of new patterns of corruption. Recent research on corrupt exchanges in times of neoliberalism, in fact, points at those policies as rather part of the problem, not the solution.

2 Three approaches for the study of corruption: the rational-choice 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, p. 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, p. 4). Soreide (2014, p. 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 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

(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 him³

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

- 2 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 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, p. 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, p. 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”.

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;

(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 McCubbin

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, p. 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, p. 159; BENSON; 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 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,

(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.

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 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; VANNUCCI, 2012, p. 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 approach and the “moral costs” of corruption

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

p. 4).

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,

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, p. 113; DELLA PORTA; 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 spiritedness. As Elster observes: “Although it is hard to prove, I believe that a variation in corruption across countries is explained largely by the degree of public-spiritedness of their officials, not by the cleverness of institutional design” (ELSTER, 1989, p. 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

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

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 a 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, civicism, 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 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:

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

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).

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, p. 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.

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.¹⁰

Pizzorno (1992, p. 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 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, p. 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.¹¹ 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.

10 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.

11 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, p. 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, p. 422-23).

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 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 approach: the hidden governance of corruption

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.¹² 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, p. 114). The natural environmental conditions for corrupt exchanges are secrecy, lack of transparency, severely restricted participation, significant exit costs (LAMBSDORFF, 2002, p. 222). High transaction costs, in other

12 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).

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 the systematic distortion of information in order to benefit a particular party in a corruption transaction” (HUSTED, 1994, p. 19).¹³

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; VANNUCCI, 2012, p. 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.

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

13 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, p. 2). Such rights simply reflect the individual’s expected capability to consume or transfer valuable assets, that can – or cannot – 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, p. 110).

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. 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.¹⁴

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 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)

14 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, p. 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; VANNUCCI, 1999, p. 97-99).

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, p. 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, p. 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.¹⁵ 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

15 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.

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 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:

6 Crossing the lines: a “two dimensional” approach to corruption

The conceptual framework above sketched can be translated into four different “models of corruption”, as a result of the crossing of two lines:

- I. the vertical axis of the principal-agent relationship, with its focus on the relative effectiveness of formal rules, contractual proviso and enforcement mechanisms to countervail the perverse incentives to collude between agent and corruptor, due to the information asymmetry between agent and principal (and the nature of collective actor of the latter);
- II. the horizontal axis, that relates to a wide set of social variables which may encourage or weaken collective action, positive recognition of the value of law, interiorized adhesion to public ethics, or vice-versa strengthen the internal regulation – i.e. the extra-legal institutions – of corrupt deals.

The horizontal axis is the natural loci for the application of rational calculus, modeling the agent’s and corruptor’s choice as addressed by variables which mirror the structure of incentives generated by formal rules and accountability mechanisms. To simplify, we have singled out two cases along a continuum: the existence of effective/ineffective formal institution and corresponding enforcement mechanisms. Effectiveness can be assessed in terms of strong/weak incentives to comply with formal regulation prohibiting hidden exchanges with corruptors.

When we enter the realm of societal and hidden accountability, however, the horizontal dimension of social circles and collective action enters into play, and the set of variables to be taken into consideration enlarge to the informal dimension of mutual recognition and transmission of interiorized values. According to the theoretical

Table 1: Enforcement mechanisms within corrupt exchanges

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

hypotheses outlined in the previous sections, normative barriers or moral costs can be considered as a sort of final *distilled* of the conjoint effect of several “extra-legal institutions” on individual beliefs and preferences, which are shaped by such variables in a slow-moving social process.¹⁶ In other terms, we can assume that a socio-cultural environment where “informal rules” are more or less “corruption-enhancing” can be described – in drastically simplified terms – as populated by agents having (on average) lower or higher moral costs. Moral costs are in fact strictly related (on average) to the degree of institutionalization of the non-written rules which create both societal and hidden accountability mechanisms, i.e. their capability to model both beliefs and preferences of actors involved in corruption deals.

Obviously, the formal and informal dimensions of corruption – represented by the vertical and the horizontal axis in our simplified scheme – influence each other through many complex and evolving mechanisms.¹⁷ For analytical purposes we will take them as if they could be treated separately (at least at a certain time and in a certain context) as describing the general “institutional environment” where corruption may take place.

In table 2 a four-cases typology is presented which analyzes dissimilar “institutional conditions” shaping the environment in which potentially corrupt agents operate. It could be applied, *ceteris paribus*, at different levels, from a specific decision-making process to an organization, up to a state as a whole, in which individual choices respond to similar incentives and motivations. Which context is relevant depends upon the answer to a question: to which extent are (i) formal regulation and enforcement mechanisms; (ii) informal rules and social/interiorized accountability mechanisms effective in providing agents a structure of beliefs and incentives addressing their choices towards integrity (versus corruption)?

When social and moral barriers against corruption are relatively high – due, for instance, to strong anticorruption collective mobilization and integrity-promoting standards of conduct within public organization – but the capability of state regulation to detect and sanction illegal deals is scarce (case 1) an *irregular* or *intermittent* diffusion of corruption may emerge. Agents in this case are subject to a significant, enduring “temptation” of potential gains from illegal deals, from which they are generally oriented to resist, consistently with their structure of values and beliefs. However, some of them – having weaker “public interest” oriented motivation – can be occasionally involved

16 We focus here on the macro-to-micro transition, but obviously preferences and beliefs, in turn, address along time – in the Coleman’s (1990) micro to macro transition – individual choices responding to institutional incentives, along a path of incremental change of the informal norms regulating (with a more or less discouraging/encouraging influence) corrupt exchanges.

17 See della Porta and Vannucci (2012), especially chapter 9, for an analysis of the path-dependent dynamics of the extra-legal and formal “rules of the game” of corruption, fuelled by the interplay of individual’s beliefs, actions and institutional incentives.

in such illegal activities, when they meet other agents having similar preferences and trust bonds between them are strong enough. The successful and unpunished payoffs obtained – in terms of illicit profits with almost no risk – may therefore attract few other agents within this “gray area” of willingness to accept corrupt deals. As a consequence, sometimes, in certain areas of public activity, single or small cliques of corrupt agents practice or accepts other’s corrupt exchanges, which will be constrained by the fear to be denounced or blamed by honest colleagues. Occasional and time-by-time corruption, with the involvement of a limited amount of agents, more or less homogeneously diffused in different areas, will be the corresponding outcome.

The most *virtuous* and transparency-enhancing conditions (case 2) obtains when both formal institutions and moral costs converge towards making illegal deals not attractive at all. In this case, in fact the rational calculus of monetary risks/ costs and the combined influence of “social pressure”, informal organizational control and interiorize values discourages – on average – the individual adhesion to corruption. Even when agents are positively oriented towards the fulfillment of “official rules” stating their duties towards their public “principal”, within a well-designed institutional framework, corruption is not necessarily eradicated. Sporadically corrupt deals realize also in this “high-transparency” environment when by chance a public and a private agent meet having both low risk-aversion, weak moral barriers – due to their isolation from the socialization to the prevailing integrity standard of conduct in their business, political or administrative environment, for instance– and strong reciprocal trust ties. Corrupt exchanges, however, will be infrequent, confined to a very restricted number of bureaus and agents, without significant networking extension.

We enter in the realm of *systemic* corruption when low moral barriers and weak social controls against corruption are complemented by a substantial ineffectiveness of the legal system to constrain the individual and organizational involvement in illegal activities (case 3). In this context agents are *de facto* unrestrained in their incessant search for opportunities of illicit gains. When formal rules, accountability mechanisms and moral costs have an impact almost nil on the individuals’ consideration of the expected adverse consequences of their involvement in corruption, the overall outcome is a widespread diffusion of the phenomenon. Consequently, corruption tends to develop stronger regulation and “governance structures” reducing the uncertainty on what corrupt agents can expect from each other. Among the distinguishing features of systemic corruption, in fact, three aspects can be singled out:

(a) all, or almost all activities within a certain organization having an economic value for private agents, or relevant for the interest of corrupt agents, are somehow related and in the worst case aimed to the collection of bribes;

(b) all, or almost all, public agents in the organization are implicated in an invisible network, which is ordered by unwritten norms and a commonly understood allocation of tasks and roles. Their regulated activities include the collection of bribes and their distribution; the socialization of newcomers; isolation or banishment of reluctant agents; measures of camouflage and protection from external inquiries; the definition of internal rules and their enforcement;

(c) all, or almost all, private agents in contact with the organization know the 'rules of the game' and are willing to pay bribes in order to obtain the benefits allocated as a result.

When corruption is systemic, in other words:

such acts become *normalized*, that is, become embedded in organizational structures and processes, internalized by organizational members as permissible and even desirable behavior, and passed on to successive generations of members. (...) There are three pillars that contribute to the normalization of corruption in an organization: 1) *institutionalization*, the process by which corrupt practices are enacted as a matter of routine, often without conscious thought about their propriety; (2) *rationalization*, the process by which individuals who engage in corrupt acts use socially constructed accounts to legitimate the acts in their own eyes; and (3) *socialization*, the process by which newcomers are taught to perform and accept the corrupt practices. (ASHFORD; ANAND, 2003, p. 3).

We may distinguish between two types of systemic corruption (della Porta and Vannucci 2014): in systemic *centripetal* corruption an effective third-party enforcer monitor and enforce the respect of the (illegal) norms, guaranteeing the fulfillment of corruption contracts and – eventually – imposing sanctions on opportunistic agents and free-riders, therefore reducing transaction costs. The resulting high-corruption equilibrium, in other words, is generally stable – even if a crisis of enforcement potential of the guarantor may produce its sudden collapse.

In systemic *centrifugal* corruption there is no dominant enforcer available or willing to provide such services. The informal codes regulating corruption activities are sometimes self-enforced, on reputational basis and de-centralized enforcement mechanisms, with unreliable partners banned from future interactions for instance. A plurality of actors may also compete or alternate trying to supply protection in corrupt exchanges – in a polycentric model. As a consequence, the equilibria of centrifugal corruption are somehow less robust – even if sometimes more easily adaptable to challenges of a change in external conditions.

Finally, a fourth case is exemplified by agents having on average low moral costs, who nevertheless feel to be constrained due to the operation of the machinery of effective state regulation and sanctions (case 4). A significant quote of agents seek actively opportunities for illicit gain, and when some of them find favorable conditions within a certain decision-making process, in the interstices of the legal apparatus, they naturally tend to enlarge the network of hidden exchanges. The involvement in corruption of several willing partners – colleagues, controllers, etc. – strengthen the protective barriers against external risks of formal sanctions, therefore making corruption a dominant strategy within the corresponding areas of public activities. Similar to spots in the leopard skin, *macular* corruption flourishes in restricted and isolated contexts, where nevertheless it tend to become pervasive, persistent and deep-rooted.

Table 2: Institutional matrix shaping the agents’ choices:

		Formal institutions and enforcement mechanisms	
		<i>Ineffective</i>	<i>Effective</i>
Normative barriers and societal mechanisms of control	<i>High moral and social barriers against corruption</i>	1. Irregular/intermittent corruption <i>Temptation-resisting agents</i>	2. Sporadic corruption <i>Official rules-oriented agents</i>
	<i>Low moral and social barriers against corruption</i>	3. systemic corruption (centripetal/centrifugal) <i>Unrestrained agents</i>	4. macular corruption <i>Opportunity-seeking agents</i>

7 Conclusive remarks: anticorruption policy and its enemies

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.

The four models of corruption exemplified in table 2 show how different “institutional conditions” shape the environment of individual choice. It encompasses

both the vertical dimension of formal regulation and enforcement mechanisms, implemented by the state coercive apparatus; and the horizontal dimension of informal constraints of social/interiorized accountability mechanisms, which can be more or less integrity versus corruption-enhancing.

A reasonable hypothesis is that the four resulting “equilibria” are not equally stable. *Ceteris paribus*, the systemic – i.e. *high density* – and sporadic – i.e. *low density* – corruption cases (2 and 3 in table 2) are relatively more robust and persistent, since informal constraints and the state apparatus converge towards a coherent outcome. In the first case both support the respect of anti-corruption law and regulation, in the second case both undermine it. The latter scenario realizes when a *competing* structure of expectations (finally sanctioned also by an alternative values system supporting them, i.e. lowering moral costs) substitutes the ineffective formal institutions formally stating the prohibition of corruption practices. “In such cases, formal rules and procedures are not systematically enforced, which enables actors to ignore or violate them” (HELMKE; LEVITSKY, 2004, p. 729). As Aoki (2001, p. 13) puts it: “even if the government prohibits the importation of some goods by a statutory law, but if people believe it effective to bribe customs officers to circumvent the law and make it a prevailing practice, then it seems appropriate to regard the practice rather than the ineffectual statutory law as an institution”. Multiple equilibria – with ample variations in levels of corruption – may therefore reflect divergent adaptive expectations and social values, i.e. the complementary or competing nature of informal constraints and effective/ineffective formal institutions.¹⁸

As shown in our simplified typology – the “anticorruption box” of table 3 – there are two distinct approaches in the fight against corruption: *top-down* policies, aimed at strengthening *vertical* control and sanctions over corrupt agents and bribers; and *bottom up* strategies, based on the *horizontal* mobilization and assumption of responsibility of societal actors and groups, which should fortify their role as circles of recognition of the values of integrity and law-obeying conducts (PIZZORNO, 1992). If the status quo is systemic corruption, any attempt to operate on the top-down axis of the anticorruption box – both with *step-by-step* or *big-bang* measures (ROTHSTEIN, 2011, p. 119) – risk to be insufficient or doomed to failure. A persisting, deep-rooted diffusion of ethical orientation and informal norms endorsing illicit behavior as acceptable will undermine any intensification of repression and law enforcement.

The economic “rational-choice” perspective, combined with the neo-liberal paradigm, provided the theoretical toolbox underlying anticorruption policies, measures and reforms recommended in the last decades by inter-governmental and

18 The possibility of multiple equilibria in corruption has been demonstrated by several scholars, equilibria differing in the amount of the bribes paid (CADOT, 1987), the number of corrupt exchanges (LUI, 1985), or both (ANDVIG; MOENE, 1990). Murphy, Shleifer and Vishny (1993) single out a model of multiple equilibria in levels of corruption and income.

international organizations (Oecd, World Bank, United Nations, IMF, European Union), often as a prerequisite for the subsequent distribution of economic aids and investments. In this perspective, corruption is the unavoidable result of the overextended, iper-regulated and iper-regulating, unaccountable operations of an interventionist State, through decision-making processes monopolized by public agents aiming at the creation and allocation of rents. Such explanations of the diffusion of bribery ultimately rely on the intervention of the State in the markets, in terms of both public services and regulation: as a corollary, free market are invoked as the ultimate solution for the effectiveness of anticorruption reforms, having privatization, liberalization, cuts in public spending, and deregulation as the cornerstones of any recommended policy. The dominant canon of anticorruption dictates measures aimed at cutting public budget, deregulating, privatize public assets and dismantling the social state, intensifying the repression and punishment apparatus (DELLA PORTA, 2013) – as in the inherently authoritarian ACAs (anti-corruption authorities) approach set up in Singapore and Hong Kong (HEILBRUNN, 2004). Moreover, in the principal-agent model the “equilibrium properties” of systemic corruption are generally ignored: the issue is not the relative effectiveness of institutional systems in reducing corruption incentives, but “which types of processes are likely to be successful for enacting such reforms” (ROTHSTEIN, 2011, p. 104). The structure of values underlying the so-called neo-liberal paradigm – prevailing since 1980s’ in western democracies economic and social policy-making, after the cycle of collective mobilization of the 1960s and 1970s – fits with such policy perspective, but have its drawbacks.

It is not just the regulative framework (or better the de-regulative policy approach) underlying neoliberalist policies which may be corruption-enhancing, as exemplified in the frequent evidence of bribes paid to manipulate privatization processes. The attempt to reduce state’s role in the economy unavoidably creates a quantity of un-regulated, opaque, unaccountable interactions between public agents, private corporations and other “strong” economic and financial interests, which may interfere with the functioning of markets (private corruption distorts market relationships as well) precisely as with the expected integrity of public officials. Moreover, such policies have augmented the power of giant corporations, increasing their monopoly power and therefore favouring collusive interactions with state’s agents. Finally, an “amoral” justifications of the pursuit of profits depends on the strengthening of a structure of values opposite to any conceivable notion of public ethics and public spiritedness, when public integrity is less prized than private success, profits matter more than observing ethical standards, monetary rewards more than symbolic achievements. When shared and transmitted through socialization processes, amoral conceptions and practices of capitalism may bring to the application of a similar “market fundamentalism” also in the relationship between private and public agents. Since corruption in a democratic decision-making implies 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 and moral barriers against corruption; 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.

The neo-liberal ideology promotes autonomy of the market from the state as a way to good governance. The assumption is that, the less the state intervention, the less the potential for corruption. Neoliberal practices, without any strengthening of moral barriers, have on the contrary increased the connivance between politics and business, especially in systemic corruption. The illusory advocacy of neo-liberalism turned into opposite outcomes: liberalization, deregulation and privatization fuelled corruption, while their advocates had claimed the opposite (STIGLITZ, 2012, p. 176). If corruption did not diminish, it seemed however to have changed forms. In particular, neo-liberalism has—through various mechanisms—attacked the very basis of political parties, which are not credible nor effective as third-party enforcers of corrupt deals, so changing the balance and functioning of corrupt networks. In several countries, centripetal model of systemic corruption changed, as the party is substituted for by other collective actors (religious association, free-masonry, etc.) as “trust” supplier and guarantor of corrupt exchanges. groups might play this role.

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, making them really influent towards those political entrepreneurs having the authority to change the formal “rules of the game”, making anticorruption regulation really 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).

The mutual recognition of the role of the public in the monitoring of government activities and in generalized awareness about the costs of bribery (WORLD BANK, 2000, p. 44) could, in turn, increase the perceived significance of transparency and anti-corruption commitment for bureaucrats and policy-makers, who would pay a price in terms of consent and career prospects in the case of the issue’s removal from the agenda, or even worse in the case of involvement in a corruption scandal. The shaping of similar beliefs about one’s own and others’ evaluations of the effects of bribe-

taking or offering would therefore generate a self-reinforcing model of behavior. When everybody in a society start to expect that corruption is a marginal, risky, socially blamed, low-profit activity, nobody has any incentive to take the first step along the long (and dangerous) road of corruption. Moreover, anti-corruption “trial-and-error”, incremental and decentralized processes have the well-known quality of avoiding the potentially catastrophic consequences of wider and ambitious reforms, while favoring learning processes among social movements activists, social entrepreneurs, associations, policy makers and bureaucrats – a positive-feedback mechanism in itself.

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; FONT; SINTOME, 2014).

The fight against corruption needs to be re-framed as a public good, as well as an adequate regulation. The spread of political corruption has been denounced as the result of the privatization of common goods and services – like water – and a factor contributing to the opacity and inefficiency during the corresponding processes. The increase in the price paid by citizens and the deterioration in the quality of services provided has been attributed to the big corporations’ greed, as well as to their capability to corrupt politicians at all levels.

An effective fight against corruption also requires the a defence of citizens’ rights, since without certainty of rights the power of the patrons and political bosses – to whom particularistic demands are addressed – increases. Among the crucial factors that increase the possibility of success we may consider the existence of properly instituted ombudsmen’s offices, and a facilitated access of individual and collective actors to the judiciary (class action), in order to denounce discrimination and privileges, especially when such practices strengthens social awareness.

In many recent *mobilizations from below* the issue of corruption is defined as a problem of social justice, rather than a mere obstacle towards good government. Moreover, in the fight against corruption decentralized knowledge and awareness of citizens is considered to be more important than experts’ understanding. Specifically,

the awakening of public awareness spreads thanks to a collection of diffuse denounces of political malfeasance (Spanish *indignatos* ironically set the “state of *malestar*” against the “state of *benestar*” i.e. the state of malfeasance against the welfare state) . In the last years information about and censure of corruption spread thanks to the support of Ngos, movements, groups and activists , from Wikileaks to individual bloggers, to networks and e-platforms. This process encouraged the development of horizontal accountability mechanisms, oriented not only to punishment and enforcement, but also to raise public awareness. Against systemic corruption, a plague affecting an increasing number of representative democracy, the fight against corruption as a factor of degeneration and injustice, cannot be a single-issue policy, nor delegated to experts, but rather linked to a rethinking of policy and participation (DELLA PORTA, 2013).

Table 3: The “anticorruption box”:

Moral and societal barriers against corruption	<i>Bottom-up anticorruption strategies</i> ↑	Irregular/intermittent corruption	Sporadic corruption
		1	2
		3	4
		systemic corruption (centripetal/centrifugal)	macular corruption
		<i>Top-down anticorruption strategies</i> →	
		State control and enforcement mechanisms	

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