



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



EU Grant Agreement number: 290529

Project acronym: ANTICORRP

Project title: Anti-Corruption Policies Revisited

Work Package: WP1. Social, legal, anthropological and political approaches to theory of corruption

Title of deliverable: D1.1 State-of-the-art report on theories and harmonised concepts of corruption

**Centripetal versus centrifugal corruption
A framework for the analysis of corrupt exchange and hidden
governance structures**

Due date of deliverable: 28 February, 2014

Actual submission date: 28 February, 2014

Second submission date: 10 October, 2014

Authors: **Donatella della Porta &**

Alberto Vannucci

European University Institute

Organization name of lead beneficiary for this deliverable: Quality of Government Institute

Project co-funded by the European Commission within the Seventh Framework Programme		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
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Centripetal versus centrifugal corruption
A framework for the analysis of corrupt exchange and hidden
governance structures

Donatella della Porta
&
Alberto Vannucci

European University Institute
Department of Political and Social Sciences
European University Institute
Badia Fiesolana, Via dei Roccettini, 9,
50014 San Domenico di Fiesole Firenze, Italy.



Introduction

In the last decades a growing popular awareness emerged of the relevance of corruption as an hidden factor which may negatively influence political and economic decision-making processes in both liberal-democratic and authoritarian regimes. A corresponding interest came out also within the social sciences but, as it often happens, in spite of a large scientific debate there is still no consensus on any commonly accepted definition of what *corruption* is. It is quite obvious that such an old-fashioned concept may carry several meanings. Among them, in classical political theory the term corruption is 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 we will adopt 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, as we will see, can in fact regulate the patterns of *centripetal* or *centrifugal* corruption.

In doing this, we will build upon our own past work on corruption (della Porta and Vannucci 1999, 2007, 2012), with a purpose of updating it in order to take into account the ways in which changes in market as well as in the political system affect the forms and practice of corruption, as well as potential way to reduce it.

In particular, we shall reflect on the specific characteristics of corruption in the evolution – rampant years and crisis – of neoliberalism. Neoliberalism as second “great transformation” (Polanyi 1957) has brought about a move towards free market and away from social protection. Sponsored by international financial organization, such as IMF or WB, policies in various states have been oriented towards privatization, liberalization and deregulation. Notwithstanding the promises of a separation of market and the state, as well as on the benefits of increased competition, those policies have increased the power of big – *giant*, in Crouch (2011) terms – corporations, distorting the market and colluding with the states. The ideology of neoliberalism supported a message of depoliticization which is misleading on at least two accounts: first, it cover the importance that state decision still have in the spread of neoliberal doctrine and practices; second, markets proved highly inefficient. Indeed, neoliberalism in the crisis brought about a crisis of legitimacy (Habermas 1976), which took the specific form of a crisis of responsibility (della Porta 2014). Rampant corruption has been denounced by social movements and social scientists alike (della Porta 2013; della Porta 2014).

Social science literature on political corruption, heavily influenced by rational choice paradigms and economic visions of politics, has not paid attention to the role of changed in capitalism and democracy on the spread and modelling of new patterns of corruption. What is more, it has often developed explanations of corruption that considered it as a natural by-product of intervention of the state on the market, in terms of both public services and regulation, invoking free market as a solution—privatization, liberalization and deregulation were indeed considered as (part

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.

of) the solution. In reality, our research on corrupt exchanges in times of neoliberalism points at those policies as rather part of the problem.

1. Three approaches to corruption

Several factors should be taken into consideration to explain and qualify nature and mechanisms of corruption. We may distinguish three paradigms in the literature on corruption, focusing on different (though not irreconcilable, as we will see) variables.

1.1 The economic paradigm and the principal-agent model of corruption

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 is influenced by the factors defining the structure of expected costs and rewards. As with other behaviours involving deviation from laws and/or informal norms, the individual decision to participate in corrupt exchanges depends also on the expected risk of being reported and punished (or “cheated” by the partner in the deal), the severity of the potential penal and administrative penalties, and the expected rewards as compared with available alternatives. As Rose-Ackerman puts it:

“In a study of corruption, one can make substantial progress with models that take tastes and values as given and perceive individuals as rational beings attempting to further their self-interest in a world of scarce resources. Information may be imperfect; risks may abound; but individuals are assumed to do the best they can within the constraints imposed by a finite world” (Rose-Ackerman 1978, 5).

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

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

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, 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 interest of a “client” – the potential corruptor – in the agent’s activity, which he may try to influence entering in an exchange relationship – the *corrupt exchange* – with him.³

Not any breach/betrayal of trust, nor any failure of the control and sanctioning mechanisms of agent’s actions by the principal, which are a potential consequence of the delegation of decision-making power, can be labelled as corruption. Not any form of agent’s misbehaviour or malfeasance is corruption, even if often contiguous to it, having similar causes or *corrupting* effects.

In formal terms, within the P-A framework corruption could therefore be defined as:

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

(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 McCubbins (2001, 2-3), in fact, each polity –

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

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 corruptors. In the transaction between the corrupt agent and the corrupter, in fact, property rights created or allocated through the political process are exchanged. Three decision-making sectors may create such rights: a) the acquisition of goods and services paid by the private actors for more than their market value; b) the selling of the licensing of use of public goods for a lower price than their market value; c) the arbitrary use of enforcement activities, that attribute the competence to selectively impose costs or reduce the value of some private goods to public agents (Rose-Ackerman 1978: 61-3). Corruption therefore is “just a black market for the property rights over which politicians and bureaucrats have allocative power. Rather than assigning rights according to political power, rights are sold to the highest bidder” (Benson 1990: 159; Benson and Baden 1985).

⁵ A similar representation implies that along the chain all principals are “benevolent”, i.e. public-interest oriented: “apart from a limited number of countries and situation, however, this is not the current state of affairs. Most principals’ must be assumed to be non-benevolent, which by implication means that both corruption deterrents in this model can be easily cheated upon: there is hardly any risk of being detected if there is no one seeking detection;

according to the divisions and needs of its society and rulers – select a set of institution to resolve its fundamental political problems:

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

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

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

1.2 The cultural and the neo-institutional perspectives

A second approach – the *cultural* perspective – 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. 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, in this contribution we will try to examine also theories on "moral costs" – or better, on *normative barriers* against corruption – which 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 spiritfulness. The analysis of such factors requires a more in-depth research on the mechanisms which allow actors to enter and operate within networks of corrupt

similarly, no severe punishment will be enacted if those responsible for enacting legal remedies are themselves corruptible" (Teorell 2007, 4).

exchanges, through a selection and socialization process which – besides transmitting “routines” and informal norms – also shapes them along time their interiorized values.

A third *neo-institutional* approach, in fact, 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.⁶ 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. The co-evolution of economic incentives and cultural values, in other words, is path dependent: the heritage of corruption in the past produces increasing returns in subsequent periods by providing informal norms, learning of specialized skills, organizational shields and other mechanisms of protection against external intrusion by the authorities and internal friction among corrupt actors (Della Porta and Vannucci 2012, 219-22.). Along time, the informally regulated practice of corruption may also influence other economic and cultural variables, since it neutralizes moral barriers and creates more profitable opportunities rooted in formal procedures and decision-making processes.

2. Three enforcement mechanisms of corrupt exchanges

The variables which – according to the three paradigms above outlined – influence corrupt exchanges can be taken into consideration as modelling conditions and opportunities for two *interrelated* relationships: between the “sovereign people” and the public agent, and between the public agent and the corruptor.⁷ In both cases trust is at stake, as we have seen, since it is a prerequisite for them to take place. Following Ellickson (1991), in the realm of corruption we may distinguish three sources of trust, which correspond to different “governance structures” coming into operation in case of betrayal of trust: *first-party*, *second-party*, and *third-party* enforcement mechanisms

First-party mechanisms are enforced on oneself by an actor: “An actor who imposes rules and sanctions on himself is exercising first-party control” (Ellickson 1991, 126). This mechanism is based upon the structure of internalized values (such as ethical or moral codes) and self-control system, sanctioned by the personal feeling of discomfort or guilt which – even if not discovered and exposed – accompanies certain actions (in this case, the betrayal of trust of agents towards the interests of citizenry they should realize, or between partners in illicit deals).⁸ 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.

Several potential sources of trust enter into play in first-party mechanisms to sanction rule-governed actions of actors (public agents as well as corruptors): (i) *selection*, since the principal

⁶ 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).

⁷ There is a reciprocal influence between the “official” and the “hidden” exchanges: opportunities for corruption depend on the rule-oriented actions of agents which are defined by the principal-agent institutional setting; the hidden exchange with the corruptor modify the incentives for the agent to fulfil the principal’s interests – and therefore often also the outcomes of his actions.

⁸ Obviously the set of values which shape any individual character – in analytical terms, individual’s preferences – and its evolution along time are the product of external socializing forces. Whatever its origins, the possibility of cooperative relationships critically depends also on the existence of such self-enforcement mechanisms.

may try to create selection mechanisms of agents favouring those who share (as much as possible) with their principal the preference ordering over agent's actions (and outcomes of such actions); (ii) *socialization*, through "educational" and training activities which are used by the principal to induce agents to subsequently adhere (as much as possible) to his preference ordering; (iii) *signalling*, since it might be in the agent's interest to convince his principal that he follows a self-imposed structure of (political, religious, public-interest oriented, ethical, etc.) values which makes him trustworthy.

In any case: "knowledge that the agent's utility is positively related to the principal's payoff increases the principal's evaluation of the agent's trustworthiness" (Knack 2001 6), therefore increasing also the possibility of a successful deal between the two.

In *second-party mechanisms* one partner may apply sanctions that strengthen the incentives for the other to fulfil the terms of their contractual agreement: "A promisee-enforced contract is a system of second-party control over the contingencies that the contract covers; the *person acted upon* administers rewards and punishments depending on whether the promisor adheres to the promised course of behaviour" (Ellickson 1991. 126). In the relationship between an agent and the public organization the potential application of sanctions is delegated to institutional and informal control and enforcement mechanisms. When effective, such mechanisms increases the incentive for the agents to honour his obligations. If parties involves have the possibility to impose sanctions on each other, like in the agent-corruptor relationship, the enforcing action generally consist in the termination of the exchange (Panther 2000), or in a reputational damage, spreading information on the partner's untrustworthiness. In repeated interactions, in fact, the anticipation of future opportunities and advantages from exchanges can induce actors to restrain from cheating, since this would cancel *relation-specific* prospective advantages (Charny 1990, 392). When information on previous actions circulate among relevant actors, as it usually happens within smaller or cohesive groups, the enhancement of trust may derive from any actor's awareness that defection will preclude also opportunities with other potential partners, expectation of ostracism or shame being the feared sanction.⁹ Under these conditions, on the contrary, there is an incentive for the agent to adopt a strategy aimed at building one's *good reputation*, not betraying the partners' trust.

Third-party mechanisms rely instead upon the intervention of *external* actors to the contracting parties, who scrutinize and evaluate rule-governed actions, eventually applying sanctions and therefore inducing compliance on those directly involved in the exchange:

The enforcer induces the parties to an agreement to perform in situations in which they would not be inclined to perform on their own. He does so by threatening to impose costs on them. The amount of cost-imposing power that a third party possesses sets a limit on what he can enforce. Parties making an agreement subject to third party enforcement will comply only if they think that enforcer is able and willing to impose a cost at least as large as the required transfer (Barzel 2002: 42).

The supply from a third-party enforcer of *protection* of property rights on assets at stake in the exchange facilitate trust between contractual partners that cheating will not be a profitable option. In corruption and other illegal deals rights exchanged are usually ill-defined and fragile, since they cannot be delineated and enforced by the state.¹⁰

Third party enforcement may be provided at three levels by different actors (Ellickson 1991, 127):

⁹ While guilt is a typical first-party sanction, since it is independent from other's awareness of agent's rule-breaking behaviour, *shame* is activated instead by others knowing that agent has cheated, it has therefore to be considered as a second-party enforcement mechanism (Knack 2001, 6).

¹⁰ According to Barzel (2002, 23): "The state uses its third-party power to enforce certain agreements (...).The rights the state delineates are designated 'legal rights'. Economic rights not backed by legal rights are not part of the scope of the state".

(i) social institutions exercising de-centralized, diffused, informal control through ostracism, forced exclusion, stigma. In this case the sanctioning activity is individually adopted by social actors in their interactions with identifiable cheaters;

(ii) nongovernmental organizations that supply enforcement of rule-governed actions in corrupt deals, guaranteeing with their (political, economic, ideological, etc.) resources detection and sanctioning of cheaters;

(iii) governmental organizations, which typically apply coercive sanctions when the breach of certain formal rules is ascertained following specific procedures: in the paradigmatic case, courts enforcing contracts.

3. Formal rules and informal constraints

A somehow fascinating feature of corrupt exchanges is that actors and resources at stake are distributed across a blurred boundary, where formal rules and informal constraints, licit and criminal activities, official roles and invisible hierarchies, legal resources and illegal property rights are deeply entangled. Following the above sketched theoretical scheme we will try to unravel them, taking as a focus the exchange relationships among actors involved in the corrupt deal.

The “official exchange” between the public organization, as a truster, and its agent/fiduciary defines the agent’s rule-governed duties, permitted and prohibited actions. Following North, we may consider how “the formal and informal rules and the type and effectiveness of enforcement shape the whole character of the game” (North 1990, 4). Rules bounding and addressing agents towards integrity include both *official* norms, procedures or contractual clauses, but also *informal* constraints and unwritten codes of conduct, demarcating the set of acceptable actions, excluding improper exchanges with other actors (i.e. potential corruptors). Within this framework, rules are applied through a variety of more or less effective (first, second and third-party) *enforcement mechanisms*, which are also a constitutive component of the institutional framework which defines the structure of property rights emerging from the exchange.

The agent’s opportunities for corruption are therefore determined by the institutional setting within which the official exchange with the principal takes place. The probability p that a public agent chooses the corrupt action \mathbf{ac} (to take a bribe) – formally: $\mathbf{p}(\mathbf{ac})$ – is directly related to the following variables, reflecting how many valuable resources are allocated by the agent and how much influence he does have in the corresponding decision-making process:

R: the economic value of appropriable property rights over rents which are created and/or allocated through the agent’s (more or less) monopolistic actions, through activities that imply a *de facto* “privatization” of collective rights over public resources whose management/supervision had been delegated to him within the public organization;

D: the degree of arbitrariness in the public agent’s decisions on the identity of the beneficiary of the appropriable property rights over rents, which is higher the larger the set of rule-governed actions which the agent can adopt – with no effective supervision on their content or output – within the institutional framework defined by the public organization in the corresponding decision-making setting;

H: the amount of hidden information, related to a lack of transparency in the decision-making processes, that the public agent may selectively transmit to private actors increasing their probability to obtain appropriable property rights over rents they would otherwise not be entitled to;

These three variables establish the “size of the cake” to be split between corruptor and corruptee and the public agent’s availability of resources to influence such allocation, according to the formal “rules of the game” constraining him within the public organization.

The agent's expected cost from involvement in corruption has also to be considered: it is greater the higher the probability of being caught and the more severe the penalty applied. Public agent's *accountability* is the variable to be considered here. It may be useful however to distinguish between three different sources of accountability, i.e. the enforcement mechanisms which supervise and enforce the rule-governed actions of public agents: less accountability here means stronger incentives to corruption.

The first is the state third-party enforcement mechanisms, sanctioning the formal "rules of the game" within the public organization. Given the institutional setting of formal regulation – criminal law and other rules, procedures and contracts – the judicial system and other specialized public organizations (anticorruption authorities, ombudsman's offices, parliament's inquiry committees, disciplinary committees, etc.) supervise the agent's fulfilment of official duties (specifically in his interactions with other actors, potential source of corruption) and eventually – when an infringement is detected – apply sanctions. The more effective they are, the higher the expected costs of corruption.¹¹ We may call it:

Ast: state accountability, related to the effectiveness of governmental third-party enforcement mechanisms.

A second source of accountability derives from second-party and third-party *non-governmental* enforcement mechanisms. They may operate through organizations' activity: for instance, political parties that impede candidatures to their corrupt exponents or force them to resign; independent media exposing and publicly blaming public agents' malfeasance; NGOs and civic association monitoring and censuring corrupt agents' actions; social groups – within bureaucratic organization, professional associations, private business chambers, etc. – whose members can stigmatize corrupt actions and exclude from their "circles" those actors who are involved. Other forms of de-centralized third party control may take the form of diffused social stigma, ostracism and political sanctions. Also electoral punishment sanctioning the responsibility of elected politicians for their involvement in corruption can be considered an enforcement mechanism allowing the citizens to abstain from future "contractual" interaction with public agents who were elected to represent their interests and identities.¹² With a synthetic expression, we can define this variable:

Aso: societal accountability, which depends on the effectiveness of the second-party and non-governmental third party enforcement mechanisms – applied by private organizations and groups, as well as by social forces and by the public opinion, that in democratic regimes – for instance – have the fundamental power to punish their corrupt representatives not re-electing them.¹³

¹¹ Third-party state enforcement is *officially* delegated to other public agents having the duty to discover, expose and punish public agents' corruption, through mechanisms of *horizontal* accountability: public agencies scrutinize and (eventually) sanction other public agent's action. Reframed within the principal-agent scheme, it can be represented by a top-down control mechanism, i.e. a further link in the chain of principal-agent relationships characterizing the state organization. Supervisors – delegated by the principal to manage their enforcement activity – might be corrupted as well by their supervisee, who in turn become corruptors not to incur in sanctions (Lambsdorff 2007).

¹² The strength of these societal enforcement mechanisms critically depends upon a variety of political and social factors encouraging participation, mobilization, circulation of information among relevant actors in the social system. *Vertical accountability* requires in fact control and enforcement from below of public agent's misbehaviour, even if the term *vertical* might be somehow misleading. In practice, effective societal accountability requires in fact as a prerequisite the presence of conditions apt to cooperation and reciprocity – bonds of trust and social capital within organizations, value homogeneity among social groups, etc. – allowing individuals to solve the free-rider problem in their collective actions finalized at the control and enforcement of public agents' corruption.

¹³ The distinction between second and third-party enforcement mechanisms is somehow blurred here. Any classification will in fact depend on our definition of the principal/truster's identity as a political sovereign: sovereign people, for instance, in democratic settings have the power to sanction corruption through the electoral mechanisms, "firing"

A specification can be useful here. State enforcement (Ast) monitor and sanction infringements of certain *formal rules* guiding public agent’s actions, while societal non-state enforcement (Aso) operates through non-legal sanctions (Panther 2000), imposed when a violation is detected of *informal constraints*. For the sake of simplicity, we can use the term *scandal* to sum up all the adverse consequences (i.e. the costs) that the agent will suffer when his involvement in corruption is exposed (social stigma, reputational loss, political sanctions, forced resignation from his public role, etc.). When both formal and informal rules (and the corresponding enforcement mechanisms) do not consider a certain action – nevertheless implying some questionable relationship between the public agent and private actors – as illicit/blameable, we are not in the realm of corruption, since in that cultural and institutional framework the action is tolerated as “normal”, at least not blameable (see table 1, case 4).

On the contrary, when there is a convergence of formal and informal rules on the evaluation of certain agent’s actions as corrupt, they tend to complement and strengthen each other. For instance, expectations on high standards of integrity and a strong public reactions against agents’ misdeeds tend to strengthen the efficacy of judicial action, and vice versa. Scandal and state enforcement of corruption in this case go hand in hand (case 1).

A divergence between legal and informal constraints may produce two opposite situations. When social values and societal enforcement mechanisms are more tolerant than legal rules, a wider set of agents’ actions may realize *legally condemned* corruption even without scandal: third party state enforcement is not supplemented by any significant societal and private-organizations administered reaction, conviction of bureaucrats and politicians does not produce societal sanctions, even conviction may pass almost unnoticed by the public (case 3). In this case, however, the friction between the two – as in the case of externally imposed western legal standards to third-world countries – may along time create incentives for public supervisors to reduce their effort, thereby undermining the substantive effectiveness of formal institutions. Without any effective enforcement mechanisms operating, this case may finally become akin to a substantive no-corruption case.

Finally, certain public agent’s actions can be blamed and punished through mechanisms of societal, group and organizational control, even if they do not realize any formal violation of legal rules, generating a scandal which can not be complemented by legal prosecution and conviction, i.e. without *legally condemned* corruption (case 2). In this case “informal institutions achieve what formal institutions were designed, but failed, to achieve”, i.e. they have a *substitutive* function with respect of ineffective formal institutions (Helmke and Levitsky 2004, 729); or allow civil society to exercise a more inclusive direct power to supervise and address their representatives’ activities (Rosanvallon 2006).

A tension between the two set of norms can be interpreted also as a symptom of the discrepancy among underlying values, as well as a mere expression of deficiency in institutional design. In a similar situation the societal distrust and disaffection towards the state and public agents tends to spread. A political demand for more effective and stringent anticorruption regulation will probably emerge but in the long run, if frustrated by the (lack of) elite’s reaction, it can progressively undermine also the societal enforcement of agents’ corruption, weakening the popular reaction to exposed malfeasance. In this case corruption vanishes not as a consequence of effective anticorruption, but of the loosening of the institutional framework and societal values which makes it recognizable, identifiable, enforced.

Table 1: Formal rules and informal constraints definition/enforcement as corruption of an agent’s action:		
		Formal rules

corrupt politicians (which is alike a second-party control in the P-A framework), but also through social stigma and ostracism applied by individual agents (akin to a third-party mechanism).

		<i>Condemned by state apparatus</i>	<i>Not condemned</i>
Informal constraints	<i>Punished by non-state organizations, social forces, individuals</i>	1. Legally condemned with scandal (Ast and Aso > 0)	2. Scandal without legally condemned corruption (Ast = 0, Aso > 0)
	<i>Not punished</i>	3. Legally condemned without scandal (Ast > 0, Aso = 0)	4. No corruption (Ast and Aso = 0)

A last source of accountability is generated by *first-party* enforcement mechanisms. In an economic perspective this factor is often labelled *moral cost* of corruption, 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, moral cost can be considered as *normative barriers*, expressing the agent's preferences and internalized values addressing his actions. They correspond to a self-inflicted loss of utility that results from engaging in an illegal or socially blamed actions (Rose-Ackerman 1978, 113; della Porta and Vannucci 2005). The higher the moral cost for a given agent, the stronger will be his "preference for formal rule-fulfilment", that is, the kind of psychological suffering, discomfort or guilt personally expected in case of infringement, perceived as a betrayal of public trust, independently from its detection. 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 2009).

N: normative barriers, that 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.

In table 2 we provide a schematic overview of the nature of rules enforced, sanctions applied and (foremost) sanctioning agents in first, second and third-party control mechanisms of corruption: in other words, the institutional framework of norms and enforcement mechanisms against the practice of corruption within a certain society.

Enforcement mechanism		Rules enforced	Sanctions	Sanctioning agent	
First-party control		<i>Normative barriers</i>	Interiorized ethical values and beliefs	Psychological suffering and guilt	Corrupt agent on himself
Second-party control		<i>Societal accountability</i>	Informal codes of conduct regulating public service and political representation	Ostracism, termination of the formal relationship (forced dismissal, non re-election, etc.)	Partners in social and political exchanges (also within public organization)
Third-party control	<i>Social</i>	<i>Societal</i>	Public	Scandal,	Media,

<i>party control</i>	<i>control</i>	<i>accountability</i>	service values/ethics and obligations	reputational damage, public blame.	social groups, citizens
	<i>Organizational enforcement</i>	<i>State accountability</i>	Legal norms against corruption	Penal, disciplinary, administrative, pecuniary sanctions	Specialized public supervisors/enforcers

4. Informal institutions and enforcement mechanisms of corrupt exchange

The concept of normative barriers is a cross field to introduce two variables, which refer to the informal “institutional framework” where the exchange between public agent and corruptor takes place.¹⁴ 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 can not 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 can not ask a judge to protect their property rights over the resources that were exchanged. In the agreement between public agents and corruptors: “contracts are not enforceable in court of law; the assets of the illegal operation may be seized at any time that law enforcement agencies identify the operation and the associated assets; all participants are subject to the risk of arrest and imprisonment” (Reuter 1983: 114). The natural environmental conditions for corrupt exchanges are secrecy, lack of transparency, severely restricted participation, significant exit costs (Lambsdorff 2002: 222). High transaction costs, in other words, are a by-product of the uncertainty on the successful conclusion of their deal: “Since corruption transactions occur outside the law, there are many opportunities for the parties to take advantage of each other. Numerous situations allow for the systematic distortion of information in order to benefit a particular party in a corruption transaction” (Husted 1994: 19).¹⁵

The corrupt contractual agreements cannot obviously be enforced with legal sanctions,¹⁶ 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

¹⁴ The variables above outlined, which influence the probability that an agent will enter in a corrupt exchange, obviously refer also to the corruptor’s decision to accept it. Further variables are instead transaction-specific to the deal between partners in the corrupt exchange.

¹⁵ Transaction costs are the costs incurred by social actors to establish, maintain and transfer property rights, i.e. to protect ones’ capability to exercise a choice over valuable resources (Allen 1991). In this perspective, they are “associated with the transfer, capture, and protecting of rights” (Barzel 1989: 2). Such rights simply reflect the individual’s expected capability to consume or transfer valuable assets, that can – or can not – be guaranteed by third-party state enforcement mechanisms (which can be invoked only in case of *legal* rights). The difference between ordinary exchanges of legal commodities and corrupt exchanges is that in the latter case property rights over the resources at stakes are more fragile, uncertain, aleatory. Actors participating to corrupt exchanges can indeed be assimilated to thieves, who “lack legal rights over what they steal; nevertheless, they are able to consume it and to exclude others from it, to derive income from it, and to alienate it. [...] The lack of legal rights may reduce the value of those capabilities, but it does not negate them” (Barzel 1989: 110).

¹⁶ Legal sanctions can be exceptionally used to enforce corrupt deals, but with a very high risk for those who anonymously denounce to the authority “cheaters” in corrupt deals, or constrain them with formally legal contracts: the risk of being counter-denounced by their partners and therefore involved in prosecution.

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.

As above noticed, the existence of *normative barriers* in corruption implies the existence of an agent's interiorized "ethical preferences" for the respect of rules and codes of behavior regulating his role within the public organization. Is it possible to imagine that a similar self-imposed control in the corrupt exchange between actors who operate covertly, against the law or against socially shared ethical standard, in betrayal of the public trust? Under certain conditions, also the "value of the word given" to partners in the corrupt exchange can have a positive consideration in the actor's moral preferences. For instance, personal or idiosyncratic sources of trust and loyalty towards counterparts can generate an ethical preference towards "integrity in corruption", a moral stance that to be trustworthy in the management of bribes has a value in itself. *First-party control* occurs when the violation of the informal norms of corruption produces for those who have internalized their obligations a psychic cost, feelings of guilt or discomfort. If all partners in corrupt deals share similar internalized norms, reciprocal trust – if existing – will not be betrayed and illegal exchanges can be successfully concluded.

Under certain condition such *moral benefit* of corruption can be amplified by the existence of strong sources of loyalty alternative to the state, particularly within societies where there are relevant (ideological, ethnical, religious, etc.) cleavages and contrasting sub-cultures. 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. They can thus get psychological relief – or even the satisfaction of some "sense of justice", i.e. a moral value in itself – in the very practice of *trustworthy* corruption. Under such conditions, corrupt actors experience a strong self-justification of their corrupt activities that will more or less directly advantage or support individual or collective entities (relatives, political organizations, a private association, an economic enterprise, the members of an ethnic minority, etc.), whose purposes they evaluate as worthwhile in themselves and share. Even when their short-term interests would encourage them to cheat their partners, the awareness that their "honesty in corruption" will benefit such collective entities having a longer time-horizon (i.e. discounting with a lower rate future payoffs) might be sufficient to induce them to abstain from defection.

In the clash between the two conflicting value systems and trust ties – supporting legal rules and the public interest, or vice versa the informal constraints of deal with the corruptor– normative barriers against corruption are correspondingly weakened, or can even be paradoxically reversed to a moral benefit¹⁷ The first-party enforcement mechanism of corrupt deals can therefore be dealt with as:

Mb: Moral benefits, depending on the value attributed by partners in corruption to the self-imposed and self-enforced informal constraints which define the terms of their contractual agreement. The moral benefit of corruption is directly proportional to the degree of congruence between the agent's and/or corruptor's preference ordering and the preference ordering of other actors who will benefit from the corrupt exchange – who may coincide or not with their partners in

¹⁷ In the words of an Italian politician: "“I have been strongly and morally helped by the awareness that I was using the bribes that I received in recent years in the interests of the party. It has been decisive in the fact that I can still walk proudly into the Milan headquarters of the party and I am known by collaborators, functionaries and leaders as the one who decisively contributed, for such a long time, to party life” (Mani Pulite: 23). Italian party cashiers were also selected by leaders precisely for their high and undisputed level of *integrity* in the management of bribes (della Porta and Vannucci 1999, 97-99)

the corrupt deals.¹⁸ The stronger the agent's and/or corruptor's identification with the purposes of actors who benefit from the hidden deal, the higher the moral benefit of corruption.

Second and third-party enforcement mechanisms can also guarantee actors' *hidden accountability* within the corrupt deal. Accountability 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) can use different resources (influence over the public authority; ideological rewards; violence, information and economic resources, the power to assure or deny access to profitable opportunities) to enforce rules and contracts, i.e. to protect the allocation of rights emerging from the corrupt exchange:

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

Third-party enforcers of the informal constraints regulating corrupt exchanges "reduce uncertainty by establishing a stable (but not necessarily efficient) structure to human interaction" (North 1990, 6). Either public (politicians, bureaucrats, etc.) or private (entrepreneurs, brokers, etc.) actors may enter as individuals in the protection market, using different means to sanction cheating or defecting partners. Certain organizations can also become third-party enforcers in corrupt exchanges: political parties, firms, mafia and other criminal groups, private associations, Masonic lodges, trade-unions among them. Enforcement provided by organization may be more or less effective according to several factors, among them its nature, scope, stability, internal structure.¹⁹

¹⁸ Moral benefits of corruption might for example be generated by the awareness that the bribes collected will be reinvested in the political market, furthering the interests of the corrupt politician's party, i.e. promoting the realization of its ideological programme.

¹⁹ 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

Political parties, for instance, can use their influence over public decision-making processes – whose implementation is guaranteed by the coercive authority of the state – to impose costs on cheaters in corruption contracts, or vice versa to promise future advantages to those who respect those informal rules. They can, in fact, use as an enforcing mechanism their capability to rule out cheaters from future profitable interactions with public bodies or party structures: career perspectives for lower-level bureaucrats, support 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 3 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:

Ah: hidden accountability within corrupt exchanges, proportionate to the effectiveness of governance mechanisms that create reciprocal trust between partners, eventually through private protection supplied by specialized third-party enforcers, discouraging defection and sanctioning cheaters.

Table 3: Enforcement mechanisms within corrupt exchanges					
Enforcement mechanism			Rules enforced	Sanctions	Sanctioning agent
<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
	<i>Individual enforcement</i>	<i>Hidden accountability</i>	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

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.

					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

5. Three paradigms in a formula:

The component parts of any hypothetical “corruption calculus” can be synthesized in a formula. The probability $p(ac)$ that an agent will accept or propose a corrupt deal are a function of the following variables²⁰:

$$p(ac) = f[R, D, H, -(Ast, Aso), -N, MB, Ah]$$

The agent’s probability of a corrupt choice depends on the characteristics of the official rules and decision-making process defining his opportunity to get an undue rent through a corrupt exchange [R, D, H]; on the effectiveness of the enforcement mechanisms – both state-backed and societal – sanctioning his (potential) involvement in corruption [-Ast - Aso]; on normative barriers, i.e. the intensity of psychological affliction he is expecting to suffer violating the norms against corruption [-N]; on his interiorized “sense of loyalty” towards or identification with the partners or other beneficiaries of the corrupt deal, i.e. on the moral benefits of corruption [Mb]; on the effectiveness of other hidden second and third-party governance structures sanctioning cheaters in corrupt exchanges [Ah].

The above formula may also be used to represent at a macro-level the influence of several variables on the overall diffusion of corruption *in the public sector* within a certain society:²¹

$$C = f[R, D, H, -(Ast, Aso), -MC, MB, Ah]$$

The diffusion of Corruption C is a function of:

i) the amount of private property rights (R) generated through the “conversion” of collective property rights over public goods and resources, for instance spending budget, monopolistic positions, licenses, and any other activity generating *privately appropriable* rents, delegated to the public agents’ regulation, supervision, allocation. Ceteris paribus, the larger the amount of public assets whose value and distribution can be “privatized” to the benefit of selected private actors, the stronger the opportunities for hidden appropriation benefiting those inclined to propose and accept bribes. Corruption is actually *generated* – not fought nor limited – by a de-facto *privatization* of collective rights over public resources.

²⁰ As in the case of the Klitgaard’s, this formula and similar expressions are “mathematical metaphors for heuristic purposes only” (Klitgaard 1998, 6), since each of these variables is multidimensional, reliable measures are not available, each of them is correlated with others included in the formula.

²¹ This formula restates Klitgaard’s one (1988, 75), which summed up the basic assumption of the rational choice theory, including also cultural and institutional dimensions.

ii) the *degree of arbitrariness* D in the decision-making processes where public agents can influence the collection, creation, allocation, expropriation of privately appropriable property rights. *Ceteris paribus*, corruption may increase when the institutional framework regulating decision-making allows for a larger arbitrariness, used by public agents as a “commodity of exchange” in the corrupt deal. In formal terms, the wider the set of actions having effects on private actors that public agents have under their control, without any effective supervision on their content or output, the higher the probability that some of them will provide a desired outcome to some corruptor, who will be willing to pay to obtain it.

iii) the amount of *hidden information* H produced within public decision-making, which can be used by public agents as a resource in the corrupt exchange, influencing the allocation of property rights over valuable resources. The more opaque (less transparent) the decision-making process, the wider the opportunities for corruption. Information is not a pre-requisite for accountability here, but a “commodity of exchange” in the illegal deals. In this case, in fact, bribes can be paid by the briber to the corrupt agent to gain access to confidential, privileged information, which has a value since it increases the probability of obtaining – even in absence of any arbitrary decision – property rights.²²

iv) the effectiveness of *state and societal accountability* mechanisms -(Ast; Aso), i.e. the efficacy of state, societal and organizational control and enforcement over agents’ (and potential corruptors) actions. The more effective the institutional arrangements to hold agents responsible for their activity and sanction them in case of violation, the less probable will be their involvement in corrupt exchanges.

v) the level and distribution of *normative barriers* (-N), i.e. the individual’s moral aversion to corruption, shaping their values and preferences. Considered as exogenously *given* in economic models, normative barriers of corruption may vary significantly in their distribution within a certain society, among countries and – taking a long view – along time. *Ceteris paribus*, higher normative barriers weakens propensity and therefore preclude participation to corruption to a larger proportion of individuals.²³

vi) the level and distribution of *moral benefits* (Mb) of corruption, i.e. the interiorized “ethical values” attributed by individuals to obligations emerging as a consequence of the corrupt deal. Higher moral benefits may also imply stronger ties of trust connecting participants in corrupt exchanges, i.e. more corruption.

vii) the effectiveness of *hidden accountability mechanisms* (Ah), reflecting the existence and efficacy of other governance mechanisms regulating and enforcing corrupt deals. The “informal institution” of corruption typically develop along time through a path-dependent process. The legacy of pre-existing corruption equilibria, in fact, influences the robustness of subsequent “hidden orders” through several mechanisms. Internal stability in wider corrupt networks, for instance, relies upon constraints whose efficacy depends on adaptive expectations and coordination effects. Moreover, the “shadows of past corruption” may influence its spread in the present through the acquisition and diffusion of “skills of illegality”, i.e. professional ability, competence, knowledge and “competences” for actors – particularly third-party enforcers – to operate in illegal markets

²² Take, for instance, a profitable public contract over which no agent has the power to decide who will be the winner (D=0). In that case there should not be any corruption, unless some agent has access to confidential information (on the profiles of the project that will be “objectively” preferred, or the timing of the public notice, for example) that can be sold to a corruptor, therefore increasing his chances of winning the public tender.

²³ The intensity of moral costs, reflecting internalized beliefs (such as the *esprit de corps*, the “public spiritedness” of public officials, political culture, public attitudes towards illegal practices), may lower moral barriers that make corruption acceptable for a larger percentage of agents (Pizzorno 1992: 43). The conspicuous variation in the diffusion of the phenomenon which are observed among states with very similar public spending, legal systems and formal institutions – that is, comparable incentives and opportunities for corruption – could therefore be explained by: (1) differences in levels of moral costs (and the characteristics of their distribution); (2) self-enforcing multiple-equilibria related to the effectiveness of the informal institutions and enforcing mechanisms of corruption networks.

(della Porta and Vannucci 2012). Effectiveness of hidden accountability increases the probability of corruption, reducing the transaction costs of illegal deals.

Economic analysis – as well as public policy – traditionally focuses on the individual choices within certain formal “rules of the game” and enforcement mechanisms – i.e. decision-making processes, resources to be allocated, probability and severity of official sanctions: in the above formula: $C=f(R, D, H, -Ast)$. The assumption that moral costs have a given distribution, which is generally taken as “given” in its distribution among agents, reflects the attempt to sterilize the influence of cultural factors and social values on corruption practices as a whole, by concentrating on the effects of variation in formal – and deliberately changeable with reforms – institutional constraints.

Following a different approach in the following sections we will instead provide some insights on the *informal* dimension of corruption. Basically, the non-written rules and non-governmental enforcement mechanisms which, strengthening the control of the principal over agents, may *discourage* corrupt deals – societal accountability and normative barriers $C=f(-Aso, -N)$; and those informal institutional constraints which vice versa favor cooperation and trust among corrupt agents, *increasing* their accountability within the hidden exchanges: $C=f(MB, Ah)$.

6. The “vertical axis”: vicious and virtuous circles between state and societal accountability

A *vertical* dimension is implicit in the principal-agent approach, with its emphasis on top-down imposed rules and procedures, contractual arrangements, formal control and sanctioning: institutions and enforcement mechanisms constraining agent’s actions should address his actions towards the pursuit of some more or less precisely identifiable notion of public interest. A similar view takes only a limited part of the whole picture, however. More specifically, as long as principal, agent and client/corruptor are not individual but collective actors – i.e. in political and administrative corruption – we need to complement this perspective with an *horizontal* dimension, to understand the nature of obstacles that societies might encounter in the implementation of anti-corruption measures.

It is necessary, however, to distinguish between two potential sources of inefficacy. *State accountability*, as we have seen, requires the presence within the chain of principal-agents relationships of public “supervisors” (police, judges, anticorruption authorities, etc.), with the delegated authority to detect and punish corrupt agents. When legal rules and procedures regulating this “second order” control mechanism do not provide conditions (material and normative resources, incentives, motivation, etc.) to implement an effective control mechanism, supervisors do not supervise effectively – or even worse, they participate to corrupt deals sharing with corrupt agents rents collected as bribes. This is a general problem affecting any social attempt to counteract tendencies towards collusion through horizontal – as well as vertical – accountability mechanisms. As Elster (1989a, 157-8) notices: “ A system of mutual watching is vulnerable to collusion. An individual who detects a corrupt practice could profit more from blackmailing the corrupt parties than from denouncing them. In general, any mechanism that is supposed to detect and counteract rust formation in the institutional machinery is itself liable to rust.” Formal institutions may fail to provide an environment apt to induce *official* accountability of public agents. Consequently, reforms should be addressed towards the fine-tuning or improvement of the quality of “institutional design”: rule-of-law, independence of judiciary and control authorities, procedures for meritocratic recruitment in public agencies, transparency of decision-making are examples of measures generally required to increase the effectiveness of state enforcement against corruption (United Nations 2004, Lawson 2009, Perrson, Rothstein and Teorell 2012)

A logically different, even if intertwined issue can be addressed looking at to the effectiveness of *societal accountability*. In this case those who should detect, denounce or punish corruption, when it realizes, are not public agents, but a multitude of individual and collective actors, i.e. citizens, electors, bureaucrats, journalists, politicians, entrepreneurs, groups, organizations, firms, associations and other private organizations.²⁴ They interact more or less frequently within diverse (political, economic, social, bureaucratic) arenas with actors – public agents, potential corruptors – whose corrupt actions they might recognize, accuse, castigate. Information circulates – the media system clearly plays here a crucial role here – on acts or suspects of corruption. Enforcing actors then might individually apply extra-legal sanctions, like stigma, adverse moral judgements, ostracism. They could also use their organizations’ resources to sanction corrupt agents, according to the variety of second and third-party enforcement mechanisms above outlined: a party could terminate his representative’s political career; an entrepreneurs or professional association could ban a member, etc..

There are fundamental areas of intersection between *state* and *societal* accountability, however, which become evident when detection of corruption from “social enforcers” flows also into the official mechanisms, translating into denunciation to the judiciary and to other public supervisors.²⁵ Those who report corruption through institutionalized channels (whistleblowers or investigative journalists, for instance) in this context are not formally entitled as supervisors. They might be motivated by various, even opposite reasons: the desire to take advantage from corrupt agents’ and corruptors elimination (taking their position, maybe also their bribes, in the office; winning public tenders that were regularly awarded to corruptors, etc.); but also by real general interest motivation, sharing public ethics and integrity values. In any case, official denouncement requires a sufficient degree of trust that other public agents – in their role of supervisors – will actually prosecute the reported corruption. Obviously, when state enforcement authorities are believed to be ineffective – or populated by corrupt agents as well – incentives to report corruption decline. Moreover – as we will see – potential whistleblowers have also to consider the costs that they may incur due to the internal “governance” of corruption: informal sanctions are inflicted by enforcement mechanisms in corrupt deals. Retaliation against whistleblowers is one of the fundamental norms regulating widespread corruption.

Between the effectiveness of state enforcement and societal accountability mechanisms there is thus a fundamental nexus. Social and organizational enforcement over agents’ (and potential corruptors’) actions may require as an input information on their corrupt actions, which often derives from the activity of official supervisors, i.e. from state accountability mechanisms. Legal and non-legal sanctions against corrupt actors in this case can sum up. In formal terms:

Ast→Aso

In turn, the activity of official supervisor, to be effective, require as an input information which – besides autonomous collection of evidence through several means, e.g. wire-tapping, patrimonial investigation, etc. – may also require participation of other social and organizational actors in the discovery and denouncement of corrupt deals. Without the activation of and support to

²⁴ As we have shown in section 3, societal accountability can activate social and organizational enforcement mechanisms even in the absence of legal prosecution, when corrupt exchanges haven’t been disclosed yet by supervising authorities, or when social standards for public agent’s activity condemn relationship with “corruptors” that the law tolerates.

²⁵ Corruption is not a *victimless* crime, but an hidden exchange whose victims – i.e. the citizens – are *unaware* that they are so, therefore they can not report it. Only exceptionally participants to the corrupt exchange denounce their deal after it has realized, suffering the cost of the sanction (this might be the result of a change of the incentives to confession, for instance, but also of some *conversion*” of actors into a new identity “public-spiritdness” oriented). Effectiveness of state enforcement therefore depends critically on: (a) autonomous capability of supervisors to collect evidence; (b) amount of reports from other actors who – not involved in the corrupt deals – gather some information on them.

(individual and collective) whistleblowers or investigative media action, the official supervisors' activity risks to be undermined. In formal terms:

Aso→Ast

Reciprocal causation between state and societal enforcement mechanisms can therefore go both ways, in a path dependent process. We may observe: (a) a *virtuous circle* in which societal encouragement to denunciation and strong public reactions against corruption provide state supervisors evidence – and legitimization – to effectively sanction hidden exchanges, in turn promoting public confidence in anticorruption supervisors and societal accountability; (b) a *vicious circle* where the lack of societal support to the reporting and informal sanctioning of corruption dries up the sources for state supervisors to collect evidence, while difficulties and failures of state enforcement fosters the public mistrust in supervising authorities, further hindering societal accountability.²⁶

7. The “horizontal” axis: societal accountability and corruption as a “collective action” problem

The principal-agent-corruptor scheme, in its elementary representation, depicts corruption as a three-levels game with three leading actors. Those involved in political and administrative activity – and potentially also in corruption – are however *collective entities*. They operate within a texture of social relationships which create more or less effective mechanisms of reciprocal control and sanctioning, or that vice versa favour collusion. In other words, any attempt to trigger unofficial accountability mechanisms, which is often also a pre-condition also for the uncovering and *legal* prosecution of corruption, a *collective action* problem emerges. In this section we briefly analyse it for the three levels of actors.

The notion of a public *principal* – conceived as a collective entity – generates a severe coordination and incentive-compatibility problem faced by any individual in the group, further complicated by the inherently elusive nature of the *public interests* whose definition and realization is delegated to public agents. As Persson, Rothstein and Torell (2012, 458) observe: “in a context where corruption is the expected behaviour, monitoring devices and punishment regimes should be largely ineffective since there will simply be no actors that have an incentive to hold corrupt agents accountable”. At individual level the “public good” of having a stricter control on agents can be less valuable than the resources that have to be spent fostering the corresponding supervising activities: how strong are then incentives and motivation for the citizens and social organizations to gather information on public agents' activity, to elaborate them in order to evaluate their degree of effectiveness and integrity, to enforce them with appropriate actions (voting, protest, reporting, denounce, etc.)?

Ostrom (1990) observes that in any institutional setting a second-order social dilemma may emerge concerning the identification of those actors who will bear the cost of policing and enforcing the “rules of the game” in the management of common resources.²⁷ *Common resources*, in this case, are the rules prescribing to public agents not to enter in certain exchange relationships with potential corruptors. To monitor, choose and handling out any kind of (political, social, etc.) punishment is for most people a cost. The diffused monitoring and enforcing activity will therefore be avoided if possible at individual level, since it often comes too late (rarely it can restore the pre-corruption situation), while the collective benefits of punishment – the deterrence of rule-breaking behaviour –

²⁶ See Sberna and Vannucci (2013) for an analysis of radically changing responsiveness of electors to corruption scandals in Italy, where this positive and negative-feedbacks mechanisms between state and societal accountability plays a crucial role.

²⁷ Buchanan (1975) describes a similar “punishment dilemma” in general terms.

will be enjoyed by free-riders as well. All these factors tend to weaken material incentives, therefore relaxing individual commitment to monitor corruption. When individuals have to decide if and how much effort to devote to control and sanction their potentially corrupt agents and representatives, they may therefore “rationally” decide not to mobilize at all, or to reduce their effort to a socially sub-optimal level. Especially when “greed corruption” is involved – i.e., it is used to get advantages that citizens were otherwise not legally entitled to – a scarce societal response to corruption can be expected: “greed corruption does not necessarily motivate engagement against corruption. Greed corruption can produce moral indignation, but it may not motivate collective action. The influence of greed corruption on everyday life can remain almost invisible for extended time periods, since costs are divided and democratic institutions erode very slowly” (Bauhr and Nasiritousi 2011, 19).

Agents operating within a certain public organization and participating to the same decision-making process face a similar collective-action problem. Any improvement within their organization following their successful anti-corruption monitoring will in fact benefit all those who belong to it, as well as the public. On the contrary, control, accusation and sanctioning (through both formal and informal means) are costly activities. They require time, effort, sometimes also psychological suffering, and may expose whistleblowers to both legal – if the indicted agent is finally judged innocent, or pay a bribe to buy his way out of the judicial proceeding – and extra-legal reprisal from corrupt agents, those denounced and those still operating “under the table”. In the individual evaluation of the relative costs and advantages of denounce/sanctioning, passive coexistence or personal involvement within the network of corrupt agents, the collective action dilemma may end in discouraging the first strategy, making collusive strategies against the public interests increasingly attractive.

Finally, a collective action problem exists also when several actors – i.e. potential corruptors – interact with public agents, some of them secretly arranging corrupt contractual agreements. “*Clients*” who “smell” that something irregular is going on could expose their competitors’ and public agents’ corruption, contributing to its legal prosecution, and also to its informal enforcement (through reputational sanctions and social stigma, etc.). Also in this context the collective advantages of a regular public decision-making would benefit all clients (and the public interest as well), with the inclusion of free-riders. On the contrary, the costs and risks (possibility of counter-denounce, time and effort required, breach of personal ties, etc.) would be entirely borne by the “whistleblower”. Alternative strategies are available, often more profitable: connivance with corruption (i.e., free-riding with respect of the common good of rules-fulfilling), but also entrance into a collusive agreement with other corruptors.

As above explained, informal mechanisms of corruption enforcement – i.e. societal accountability – may be hampered by a second-order social action problem. At individual level, the expected *collective* benefit of law enforcement – as a public good – can be overcome by its expected *individually* borne drawbacks. Another factor can contribute, however, to fade societal accountability as a mean to detect and enforce corruption: the existence and robustness of *hidden governance mechanisms of corrupt exchange*. Formal institutions stating that corruption is an illegal and socially blameable conduct in fact coexist with other conflicting, set of “rules of the game”: the informal institutions of corruption, with their apparatus of first (i.e. moral benefits), second and third-part enforcement mechanisms (hidden accountability). Which rules will be followed by which agents, and under which conditions, is an open question here.

Even if not explicitly codified, informal constraints and non-legal sanctions applied by actors – individuals and organizations – operating within the domain of the corrupt networks may become a strong deterrent to any involvement in the reporting and social mobilization against corruption. The stronger the hidden accountability mechanisms, and the convergent beliefs of actors involved that corruption is to be expected as a widespread and “regulated” practice, the higher the costs suffered by those who try to oppose and denounce to it: “the fear of repercussions – together with a feeling of being part of a vicious circle of corruption that nobody alone can afford to break out –

seem to be the main motivation for not reporting and actively challenging corruption” (Perrson, Rothstein and Teorell 2012, 461).

Those who report or oppose to illegal activities, in a context of *effectively enforced* corruption, will in fact be exposed to a risk of punishment. In some cases, enforcement of the “rule of the game” in corruption will be provided by specialized guarantors – individuals and organizations – with a range of sanctions, from mobbing to banishment, from sacking to intimidation and – in the worst case – physical intimidation or elimination. When mutual expectations of all relevant agents’ converge towards the shared belief that corruption is the commonly recognized, unavoidable practice, then the *institutions of corruption* rule, largely dismantling both state and societal accountability. As the practice of corruption become rampant, what is severely punished by non-legal enforcers is integrity and whistle blowing, i.e. those activities that could create uncertainty on rights at stake in the corrupt exchanges. In other words, the stronger the *hidden* accountability of actors involved in corruption, the weaker the mechanisms of state and societal accountability. In formal terms:

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To sum up: a *collective action* problem underlies the effective implementation of societal accountability mechanisms, be it multilateral or organizational, which should deter and expose hidden exchanges, further worsened by the operation of informal institutions of corruption. This “horizontal” and extra-legal perspective – which complement the “vertical” and formal dimension implicit in the principal-agent approach – may also provide some hints on anticorruption tools and strategies. Anticorruption policies should create conditions favourable to the development of trust and reciprocity among citizens, public agents and clients who have the capability to associate and mobilize in a collective action aimed at encouraging whistle-blowing, exposing and enforcing anti-corruption rules. At the same time, policies should dismantle trust and protection supplier – i.e. the “bad social capital” – which are the connective tissue of corruption networks (della Porta 2000). Under certain conditions, value, social norms and enforcement mechanisms will develop which make individual and collective action, i.e. mobilization aimed at controlling and sanctioning corruption, more likely and rewarding. What is required is an analysis of the social conditions which, within different “social circles of recognition” and groups boundaries, shape along time the ethical willingness and individual incentives to mobilize in a collective action – or to act individually – to denounce and/or punish corrupt acts. A revisited conception of normative barrier can highlight these dynamics.

8. Normative barriers against corruption

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 labeled 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 this section, we shall analyze them s normative barriers, focusing on the role that the role of “social circles” and enlarged reproduction of certain illicit norms plays in the governance of corruption.

The diffusion of corruption is not simply a matter of interests more or less rationally converted into individual calculation. Also *passions* have to be considered, since ethical preferences and values *matter* in corruption. 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 1989a, 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.

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 exhibit 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. Ethical preferences are therefore converted into a monetary unit, since moral cost is just a component (among others) of the individual calculation about whether or not to engage in corruption. This approach is also coherent with the neoliberalist paradigm, considering any value negotiable as such, since potentially object of bargain – akin to a merchandise – along an unique and presumably “objective” scale, based on the market price of the corresponding resources.

In our perspective, 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 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. There is no calculus as such, since that kind of behavior is simply not acceptable, as dictated by a “second-order” preference for monetary rewards within a lexicographic ordering where their moral character – sanctioning the refusal of any corrupt practices – is established by “first-order” preferences.

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* seems to show – due to the average moral attitudes among the citizens, entrepreneurs, public agents. Among others, the robustness and other properties of social capital, civicness, political culture, amoral familism, religious beliefs have been considered in the literature as macro-variables having a direct effect on the average structure of “ethical preferences” of actors potentially involved in corrupt deals.²⁸

²⁸ 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

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, we can single out some factors that through social interaction influence their strength and evolution. In other words, we have to look closer to the 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.²⁹ Hirschman (1982) formulated a theoretical hypothesis on factors shaping normative barriers along time, emphasizing how the incidence of corruption depends not only on institutional opportunities, but also on “public morality” or “public spirit”, i.e. on how many individuals within a certain society are *corruption-prone* or *corruption adverse*. The evolution of public ethics standards among citizen and public officials may reflect generalized *disappointment* after cycles of strong involvement in public affairs and collective action:

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

When the diffusion of values oriented towards the pursuit of private welfare follow an intense but unsatisfactory mobilization centred on public issues, the “moral barriers” against the application of the same logic to the management of public affairs are inexorably lowered. A shift in the balance between the “public versus public oriented” preferences of agents – generated by discontent – is the premise for a diffusion of corruption. In turn, when such practices become a dominant feature of public life, the “bad example” contribute to this “value shift” lowering normative barriers: “corruption, which is at first a response to dissatisfaction with public affairs becomes a determinant of further, more profound dissatisfaction which in turn sets the stage for more corruption. At the end of the process the public spirit is driven out altogether” (Hirschman 1982, 124-125).

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

religion (Catholicism, Eastern Orthodoxy and Islam) and corruption (La Porta et al. 1997; 1999; Treisman 2000, Paldam 2001).

²⁹ An underling hypothesis is that moral costs are either constant, a sort of “fixed cost” of corruption, or increase as the size of the bribe increases (Rose-Ackerman 1978: 121). Alam (1990) adopt an analogous concept of “aversion to corruption”, defined as the value of the marginal utility of corruption payoff relative to that of a legal activities.

The point is, ladies and gentleman, that greed, for lack of a better word, is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit.³⁰

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

When shared and transmitted through socialization, amoral conceptions and practices of capitalism may bring to the application of a similar “market fundamentalism” (Stiglitz 2012) also in the relationship between private and public agents. Since corruption in a democratic decision-making implies precisely the substitution of a demand-supply logic to the universalistic principles of the rule of law, we may expect that amoral neoliberalism as an internalized set of values produces a twofold effect. First, it weakens normative barriers against corruption, especially when accompanying the disappointment which follows public engagement cycles, according to the Hirschman’s hypothesis. Secondly, being involved in corrupt practices, i.e. applying a market logic within a “bureaucratic” and “state-centred” environment, may produce within circles of agents involved in illicit acts a self-legitimizing stance, therefore reversing into some sort of moral benefit the practice of corruption itself.

According to Pizzorno (1992) a crucial variable shaping moral costs (or benefits) of corruption is the nature of ethical values and criteria for moral judgement which are currently applied within certain social groups, organizations, “circles of moral recognition” modelling along time the individuals’ “ethical preferences”. Specifically, a category of political actors vulnerable to corruption are “business politicians” (della Porta 1992), as well as other bureaucratic and economic agents who originate from or are socialized within groups not fostering the respect of law and legal procedures as a value in itself. Business politicians can be described as “*homines novi*” – literally *new men* – whose entry into politics from the Roman Republic onwards is considered to have raised the tolerance threshold for deviation from established norms and customs.³¹

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

entering politics, the ‘new men’ tend to break with what still binds them to their roots or, leaving aside metaphors, to detach themselves from the reference groups in which they were socialized. Politicians who belong to the socially dominant classes and have been socialized in reference groups whose morality is the same as that of legal authority, on 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 personally satisfying manner only if this does not lead to stigmatization by an individual’s reference groups, i.e. those groups whose members’ judgments really matter for the individual. For an individual, in fact, “the moral cost is lower the more ephemeral appear to him those circles of moral recognition that offer positive criteria for the respect of the law” (Pizzorno 1992: 46). Individuals will incur in a psychological suffering when in both their own (and their peers’) perspectives corrupt behavior involves a violation of values – such as “public service oriented”

³⁰ Quotation from the movie *Wall Street*, directed by Oliver Stone, 1987, in <http://www.imdb.com/title/tt0094291/quotes>.

³¹ 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.

ethics – which are internalized.³² Typically, the internalization of norms depends also on so-called *pride in one's position* and the prestige of public service: the more public roles are socially rewarded in the public consideration, the less desirable it becomes to violate official procedures and norms – since it implies the risk of a costly exit from those social circles.

The congruence between *legal rules* regulating public agents' conduct and the *informal norms* which shape the value structure of social groups – politicians, entrepreneurs, functionaries, professionals, etc. – is therefore a 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:

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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 – as we have seen – 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.

9. Hidden accountability and the neutralization of normative barriers against corruption

An increased diffusion of corruption and a more effective “governance” of corrupt deals tend to weaken normative barriers, especially when a growing number of politicians and businessmen internalize new codes of behavior, according to which bribe-taking and giving is the supported norm. The emergence of extra-legal norms regulating such activities in fact provides a powerful mechanism which simplifies the socialization process, lowering transaction costs in corrupt deals and sustaining individual “rationalization” and self-justification. An informal *situational morality* – an “universe of meaning” generated through regular interaction with other corrupt agents – may prevail in the conflict with the categorical code of law. Corrupt acts are then individually re-framed as justifiable on the basis of either results (they are necessitated by own conception of duty, or presumably lack harmful consequences) or conformity: “The essential argument here is that common behaviour within a group cannot reasonably be considered deviant – i.e. if everybody does it, it cannot be wrong” (Chibnall and Saunders 1977, 143)

When expectations converge in considering corruption a normal and ordinary practice, for instance, it is no longer worth engaging in the (psychologically disturbing as well as dangerous) activity of finding out whether or not it is really necessary to pay or accept a bribe in a specific case. Routines simplify the choice of corruption, at the same time they create a legitimizing frame which tends to neutralize its (im)moral implications.³³ Socialization in illegal practices also plays a crucial role here, not only because “criminal behavior is learned in interaction with other persons in a process of communication” (Sutherland and Cressey 1974: 75), but also because any moral resistance against involvement in crime is correspondingly weakened, due to socialization to the

³² The diffusion of corruption, like other white collar crime, can be explained with reference to *work-related subcultures* providing a specialized “reality construction” on the basis of ideological commitment or work concerns (Holzner 1972: 95). Work-related subcultures “tend to isolate their members from the mainstream of social life (...). Because of this isolation, work-related subcultures are often able to maintain a definition of certain criminal activities as acceptable or even required behavior, when they are clearly condemned by society as a whole” (Coleman 1987: 422-23).

³³ As Elster (1989b, 134) observes, often, informal norms “are individually useful in that they help people to economize on decision costs. A simple mechanical decision rule may, on the whole and in the long run, have better consequences for the individual than the fine-tuned search for optimal decision”.

extra-legal rules of corruption, especially when a self-legitimization process is fostered by the fear of (corrupt) peers' hostile judgments or reprisal.³⁴ Political parties and business associations, as well as other collective actors, may become loci of socialization to the knowledge of norms, practices and skills required in corruption. "He approached me in a perfectly normal way and asked for a 'contribution for the organization', giving me the impression that it was an obligation and the usual practice" (Carlucci 1992: 83) – this is how an entrepreneur explains why he decided to comply without any discomfort with the rule of corruption. With the words of a doctor prosecuted for having taken bribes: "I was socialized and grew up in an environment that also used to teach corruption. (...) Anybody who has a true knowledge of that environment would be able to, I would not say justify me, but at least understand me ("la Repubblica", February 6, 2003).

We may formulate a general hypothesis on the influence of hidden accountability – reflecting the degree of informal institutionalization of corruption practices – on moral costs. Shared beliefs about the tacit rules which govern corrupt interactions with other players reinforce such invisible institutional frameworks which shape individual beliefs. In this perspective *the stronger, more lasting and institutionalized the governance structures guaranteeing the extra-legal norms that regulate corrupt dealings are, the lower the normative barriers of corruption will be.*

As an entrepreneur puts it, after being socialized to the unavoidable rules of corruption ("a booklet where all the 'obligations' and bribe payment dates of the company were recorded. A list of names and sums; an inheritance which had to be respected to the letter"), the effect on his perception of the nature of the issue was straightforward: "*Illegality was so legalized that I didn't feel I was perpetrating a criminal act*" ("Panorama", April 16, 1994: 86, emphasis added).

Under these conditions, at least two distinct mechanisms tend to undermine the moral barriers against corruption:

(a) a generalized weakening of the "sense of the state", that is the civic virtues and public spiritedness in society, due to their – spontaneous and intentional – substitution with alternative set of values, more homogeneous with the prevailing norms of conduct that encourage or justify corruption. A similar process is described by Tocqueville (2002, 202-203):

As the rulers of democratic nations are almost always suspected of dishonorable conduct, they in some measure lend the authority of the government to the base practices of which they are accused. They thus afford dangerous examples, which discourage the struggles of virtuous independence and cloak with authority the secret designs of wickedness. (...) Besides, what is to be feared is not so much the immorality of the great as the fact that immorality may lead to greatness. In a democracy private citizens see a man of their own rank in life who rises from that obscure position in a few years to riches and power; the spectacle excites their surprise and their envy, and they are led to inquire how the person who was yesterday their equal is today their ruler. To attribute his rise to his talents or his virtues is unpleasant, for it is tacitly to acknowledge that they are themselves less virtuous or less talented than he was. They are therefore led, and often rightly, to impute his success mainly to some of his vices; and an odious connection is thus formed between the ideas of turpitude and power, unworthiness and success, utility and dishonor.

(b) a process of adverse selection, which induces the gradual *exit* from crucial areas of the political, administrative and economic system of individuals with stronger moral resistance against corruption, at the same time attracting less honest ones. An "higher density" of agents having lower moral costs reduces also the transaction costs of corruption, since it diminishes the risks during the identification of reliable partners, and therefore the possibility of prosecution. At the same time, the more frequent interaction between corrupt agents tends to strengthen social circles of social recognition not hostile to corruption – if not directly encouraging it – within parties, bureaucracies, agencies, firms.

In formal terms:

³⁴ Party organizations where illicit financing are currently reinvested, for instance, may provide socialization mechanisms to the rules of the (illegal) game. Politicians already "introduced" to the rules of the illegal market initiate others in their turn (della Porta and Vannucci 2012).

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As North (2005: 49) observes:

There is an intimate relationship between belief systems and the institutional framework. Belief systems embody the internal representation of the human landscape. Institutions are the structure that humans impose on that landscape in order to produce the desired outcome. Belief systems therefore are the internal representation and institutions the external manifestation of that representation.

In such representation, the informal institutions of corruption – a “desired outcome” for corrupt agents – are internalized as individual beliefs and consequently become intimate part of actors’ moral character. Corruption as a practice may therefore become a well regulated system: (immoral) norms deteriorate normative barriers as well as the perception of acting against public values embodied by the respect of law. On the contrary, high normative barriers could render anti-corruption norms “self-enforcing” independently of expected sanctions and the risks of legal prosecutions, guaranteeing a higher degree of integrity among public and private agents.

10. The “moral benefits” of corruption

Various interrelated socialization and enforcing mechanisms may make corrupt agreements easier lowering ethical aversion, which would otherwise increase for actors involved in the deal the risk of being cheated or denounced. When partners share similar internalized norms, the probability of a successful conclusion of a corrupt exchange increases.

Moral benefits of corruption can be conceived as “the dark side” of moral costs. They may emerge if a “moral attitude” relates not to integrity in public affairs, but to “integrity” in corruption affairs. When some kind of “psychological suffering” is associated with not entering the illegal deal, or not fulfilling the terms of the corrupt exchange – i.e. cheating the corrupt partner’s trust – then a first-party internalized mechanism of enforcement enters into operation, sanctioning illicit deals.

As we have seen, a facilitating factor for corrupt activities is the involvement of relatively homogeneous agents, *embedded* in shared customs, social norms, religious and ethnic identities, ideological and cultural values (opposed, or at least autonomous, from those embodied in the respect of state norms), supporting expectations of reciprocal implementation in corrupt dealings. The endogenous rules of the “corruption game” rely in such cases on the negative feelings associated with the betrayal of internalized codes of behavior – sanctioned by a sense of common identity – prescribing also “trustworthiness” towards partners in corrupt transactions.

The same factors examined in the previous section – the influence of “social circles” not supporting the respect of law, the socialization to the informal norms of corruption, etc. – may therefore weaken normative barriers against corruption up to a threshold that it reverts into a mirror-like *moral benefit*, associated with the involvement and the fulfillment of the terms of the corruption contract. The higher the moral benefit of corruption, the less inclined an agent will be to refuse, cheat or denounce partners in corrupt exchanges, since the fulfillment of the “norms of corruption” has assumed an “ethical” value in itself.

Moral benefit of corruption are inversely proportional to civicness – that is, the degree of individuals’ internalization of the concept of rule of law. As observed by Pizzorno (1992: 66-68), the notion of public ethics has not to be confused with political ethic (sense of politics) and state ethic (sense of the state). The political ethic privileges, in political activity, long-term ends, referring to collectivities that do not necessarily coincide with the state territory (classes, ethnic or

religious groups etc.). Those with a “sense of the state” instead perceive institutions as oriented towards the public good of the community in itself, defined within state borders. When political ethic as an autonomous source of loyalty towards a political subject – i.e. the party – prevails over loyalty to the state, the development of a sense of respect for the law is thus jeopardized. As Johnston observes, the very notion of corruption relates to “the rise of a *‘system of public order’*: a relatively durable framework of social and legal standards defining practical limits of behavior by holders of government roles, and by those who seek to influence them” (Johnston 1994: 11). If this system is not supported by an internalized public ethics and is challenged by a potentially alternative source of loyalty – as a “political ethics”, for instance – the practice of corruption can be not only accepted, but also considered as a “good” in itself, since it is functional to the pursuit of some superior purposes.

Similarly, among private agents and entrepreneurs corruption might be condoned and encouraged – up to the point to produce some kind of moral benefit – by the adherence to a neoliberalist ideology blaming state regulation and public interventionism to the advantage of a free-market (illegal market, if necessary) approach to opportunities for profit. The identification with alternative source of loyalty among private agents – the “superior good” of one’s firm and economic enterprise success, for instance – may provide a powerful psychologically legitimizing argument which may finally convert into a perceived benefit the opportunity for corruption itself.

Corruption in fact is often socially and self-justified in the name of some “greater good”. Politicians may stress their “*efficient*” image as public administrators, a self-representation which offers a moral argument in favor of corruption. As a politician puts it: “Securing investment, even through corruption, served the interests of the population and contributed to the prosperity of the city. Paris was worth a heap, and public works were worth a bit of bribery even if by doing so the system was perpetuated. (...) That’s the way it is. Otherwise we have no public works, no employment and no help for the less well-off” (Licandro and Varano 1993: 71). Similarly, entrepreneurs may derive a moral benefit from breaking the law when this violation is coherent with a higher ethical obligation towards his firm. One of them defines this moral stance justifying corruption as the “ethic of responsibility an entrepreneur has towards his firm and employees” (“L’Espresso”, June 21, 1992: 31), or in other words the responsibility “for keeping a firm with a thousand employees going” (Tribunal of Milan 1983: 15).³⁵ Also the case study of a German corporation, for instance, show that “corrupt practices were an integrated feature of Siemens’ business dealings in different divisions. Within these divisions, the custom of bribery was probably regarded as useful, even as ‘business conduct necessary for survival’, in relation to certain commercial activities. Thus, there is a good reason to assume that the company’s organizational culture legitimized a reasonable pricing of corruption risks into the common fees for doing business in highly competitive markets” (Klinkhammer 2013, 203).

11. Crossing the lines: four models of corruption

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

(i) a vertical axis implicit in the principal-agent representation, with its focus on the relative effectiveness of formal rules, contractual proviso and enforcement mechanisms to countervail the

³⁵ According to Sutherland (1983), the ideal businessman, as the professional thief, often commits crimes and violations which are not stigmatized within his peer group. Differently from the professional thief, the businessman defines himself as an “honest man”. Corruption, for instance, is an illegal act closely related to activities which are legal and considered socially positive. On those aspects of firms’ organization that favour law-breaking on the part of businessmen and other “white-collars” crimes, see Leonard and Weber (1978).

incentives to collusion in the relationship between agent and corruptor, due to information asymmetries within the public organization;

(ii) an horizontal axis, that relates to the set of social variables which may encourage or weaken collective action, positive recognition of the value of law, interiorized adherence to public ethics, or vice-versa strengthen the internal regulation – i.e. the extra-legal institutions – of corrupt deals.

The horizontal axis is the privileged environment 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, cultural norms favoring participation, collective action in favor of public interests, etc..³⁶ According to the theoretical hypotheses outlined in the previous sections, normative barriers or moral costs (to be more precise “net moral costs”, i.e. N-MB) 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. 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 social and normative barriers against corruption. Such barriers 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, and having the power and the possibility to socially sanction them.³⁷

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 co-evolving mechanisms.³⁸ 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 4 we propose a four-cases analysis of 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

³⁶ Similarly, Mungiu-Pippidi (2012, 8-9) observes that normative constraints against corruption can be described through different distinctive components: “A prevailing societal *norm* of ethical universalism and integrity: let us call this *civic capital*. A *widespread practice* of engaging in formal or informal collective action around shared interests, purposes and values; let us call this, following Robert Putnam, *social capital*. A dense *network of voluntary associations* (among which NGOs in the Western understanding of the term, but also unions, religious groups, etc.), *civil society*. A sustained *participation and political engagement* of the public opinion, for instance through media or social movements, *civic culture*.”

³⁷ 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.

³⁸ 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.

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 the social and individual structure of values and beliefs. However, some of them – having weaker “public interest” oriented motivation – can be occasionally involved in such illegal activities, when they meet other agents having similar preferences and trust develops making them reliable partners to each other. 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 and sectors of public activity, will be the corresponding outcome.

The most *virtuous* and transparency-enhancing conditions (case 2) obtain when both formal institutions, social and normative barriers 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 interiorized values discourages – on average – the individual adhesion to corruption. Even in the best case, 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 can not be completely 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 normative barriers have an impact almost nil on the individuals’ consideration of the expected adverse consequences of their involvement, the overall outcome is a rampant, unrestrained corruption. 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, 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 and Anand 2003, 3)

We may distinguish here between two cases, which will be analyzed more in detail in the next section. 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 more strong and 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, for instance banning unreliable partners from future interactions. 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 social and normative barriers, 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 to those who are considered willing and reliable. 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 circumscribed areas of public activities. Similar to spots in the leopard skin, *macular* corruption flourishes in restricted and isolated contexts, where nevertheless it tends to become pervasive, persistent, deep-rooted: it becomes *locally systemic*, so to say.

Table 4: 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</i>	3. SYSTEMIC CORRUPTION (CENTRIPETAL/CENTRIFUGAL)	4. MACULAR CORRUPTION <i>Opportunity-seeking</i>

	<i>against corruption</i>	<i>Unrestrained agents</i>	<i>agents</i>
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12. Centripetal versus centrifugal corruption

Transaction costs are the costs of “establishing and maintaining property rights” (Allen 1999: 898): they tend to be higher in the market for corrupt exchanges due to its illegality – exposing to the twofold risks of legal prosecution and cheating from partners in bribery.³⁹ Two informal governance settings which may emerge in this uncertain environment and reduce the transaction costs of corruption will be analyzed in this section, focusing on actors involved in their operation.

There a vulnerable nexus linking the agent and the client-briber in their hidden exchange. “Locked” into an illegal contractual relationship, they can not rely on formal rules, procedures and enforcement mechanisms to control and sanction reciprocal fulfilment. As we have shown, here come into play the *extra-legal, informal* institutions of corruption, the governance structures which may regulate corrupt exchanges. When these hidden accountability mechanisms are effective uncertainty among partners is reduced, their exchange relationships are more stable, reciprocal trust and fear of adverse consequences discourages fraud, cheating and other forms of “misbehaviour”. In systemic corruption, thereafter, “the illicit becomes the norm and [...] corruption so common and institutionalized that those behaving illegally are rewarded and those continuing to accept the older norms penalized” (Caiden and Caiden 1977: 306).

In section 4 we provided a classification (see table 3) of first, second and third party enforcement mechanisms operating *behind the scenes* in the hidden order of corruption. Their relative effectiveness as “coordination devices” and sanctioning tools within a certain network of corrupt actors depends on several factors, both *external* (for example, the probability of being prosecuted and punished by the police and judiciary apparatus, etc.) and *internal* to the corrupt exchange. Among the latter, particularly relevant are the number of agents involved or interested to the decision-making process, the amount of resources at stake, the frequency and expected time-length of the relationship between briber and bribee.⁴⁰

Based on the correspondence between the scale of diffusion of systemic corruption and the relative robustness of its internal governance mechanisms, we may observe two dynamics within networks of hidden exchanges: (1) *centrifugal* and (2) *centripetal*.

(1) In *centrifugal* corruption hidden transactions are regulated mainly by first and second-party mechanisms, based on reciprocity norms, reputation and self-enforcement, sometimes supplemented by some would-be – and scarcely effective – third-party guarantor. This “socially sanctioned” regulation of systemic corruption is more effective when the dimension of the network of actors involved in corruption and the amount of resources at stake are small enough. In this case, in fact, there are scarce incentives to defection, information circulate among current and future partners, tit-for-tat strategies based on conditional cooperation steadily prevail.

But disruptive tendencies appear when there is an enlargement of exchange to a wider set of participants, not effectively constrained by such reciprocity mechanisms, and the rents allocated through hidden exchanges increase (which implies an higher rate of returns for free-riders, i.e. stronger incentives to defection). In illegal markets, in other words, the general process described

³⁹ Property rights can in fact be seen as the capability or power to actually exercise choices over some resource (good or service), disposing of it – through exchange, consumption, etc. – according to one’s will (Barzel 1989). When such resources are acquired by illicit means, as in the case of corruption, their exchange and allocation cannot be sanctioned through formal legal mechanisms and transaction costs consequently increase. Therefore, a demand for protection and enforcement tend to emerge.

⁴⁰ In della Porta and Vannucci (2012, 39) a typology of four corruption models is presented, crossing two variables: *amount of resources at stake*, and *frequency and expected duration of the exchange*.

by Aoki (2001, 77) is even stronger: “when the domain of exchange expands, mechanisms of norms and self-enforcing contracts may not be able to perfectly monitor and penalize all possible violations of private ownership rights at a reasonable cost”. A centrifugal model of corruption, with unstable bonds and conflicting partners, is the result of an enlargement of scale and generalization of corrupt practices, without a leading and authoritative actor emerging as a third-party guarantor, when (i) information on previous performance do not circulate or is considered not reliable; (ii) competition to get corruption rents is unregulated and risks to collapse into open conflict. Hidden exchanges thereby are constrained within an horizontal and fragmented structure, with an higher possibility of quarrels, reporting, exposure.

(2) In *centripetal* corruption the dynamics of interaction converge towards a commonly recognized centre of authority: an effective third-party guarantor, who has the authority, thanks to a mixture of enforcement capability and reputation, to adjudicate disputes among participants on their “property rights” at stake in the exchange, sanction illicit deals, protect from external intrusion of police or prosecutors.

Any growth in the scale of activity within the corrupt networks, in fact, involves a multiplication of specialized actors playing different roles – middlemen, cashers, recyclers, etc. – whose skills and trustworthiness are more difficult to measure and assess. In this context, the need to maintain a satisfactory degree of order and stability creates a demand for protection, since uncertainty surrounds monitoring and enforcing activities in illegal exchanges, increasing transaction costs (Lambsdorf 2007). Centripetal corruption realizes when some individual or collective actors – i.e. organizations like political parties, companies, mafia-like organization, private associations, Masonic lodge, etc. – play a crucial role in systemic corruption: they supply protection to parties involved, usually receiving as a price a quote of the rent collected through corruption. In this case the model of corruption is similar to what North defines as *impersonal exchange with third-party enforcement*:

Third-party enforcement is never ideal, never perfect, and the parties to exchange still devote immense resources to attempting to clientize exchange relationships. But neither self-enforcement by parties nor trust can be completely successful (...). A coercive third party is essential” (North 1990: 35).

Third-party enforcement “requires, besides the power to enforce, the commitment to enforce and the ability to adjudicate. Enforcers tend to differ in their ability to adjudicate” (Barzel 2002: 25).

When an effective third-party enforcement mechanism is in operation, i.e. in centripetal corruption, more complex networks of exchange may develop, since both institutional incentives and social pressure encourage a basic acceptance of illegal deals. The nature and effectiveness of protection provided by guarantors depend on the resources available to them (related to their political-institutional role, their strategic position within a network, etc.), ranging from a more limited safeguard of fragile rights in illegal deals to a more general and wide-ranging guarantee against judicial controls or administrative inefficiency.

Table 5 offers a synthetic overview of the main differences between centripetal and centrifugal corruption. In the centripetal model we have a hierarchical/centralized structure of authority – the third-party enforcing actor/agency – using as enforcement resources public decision-making, ostracism or violence, with relatively “impartial” criteria and a long-time horizon for agents involved. These conditions imply a relative stability of the political and entrepreneurial environment (due to monopoly/oligopoly of markets or party cartelization, for instance).

In the centrifugal mode, instead, the structure of authority is polycentric or fragmented, based on reciprocity norms, social control or competing aspirant protectors, with reputational effects and individual exclusion from future exchanges as the crucial incentives to contractual fulfillment. Criteria for disputes resolution are rarely impartial, especially when more than one guarantor exerts

extortive pressure towards agent having a limited time-horizon – generally due to a less stable political and economic environment.

Both model have mirror-like strengths and critical factors. The robust and “rigid” capability of the effective third-party authority – in the centripetal model – to regulate illicit deals on a larger scale, even among agents who meet for the first time and do not anticipate to stay in business again, is balanced by the risk of a sudden disintegration of the whole system, when the “guarantor” is somehow put “under attack” by judges or by some other would-be protector. This is exemplified by the sudden implosion of systemic corruption in Italy during the ‘90s, when main parties and party leader – traditionally acting as guarantors of illicit deals – were weakened by the successful judicial prosecution of “mani pulite” (della Porta and Vannucci 1999).

The resilience and capability of adaptation to external challenges of the centrifugal model – due to the relative autonomy of different sub-networks – is balanced by the increased uncertainty which may undermine exchange relationships, especially when the growth of the network and the increase of the resources at stake create for participants stronger incentives to defection and free-riding.

	Centripetal corruption	Centrifugal corruption
<i>Structure of authority of enforcing organization/actor</i>	Hierarchical/centralized	Polycentric/fragmented network
<i>Enforcement mechanisms</i>	Individual or organizational third-party enforcement	Second-party enforcement or social control; competition among different third-party enforcers
<i>Resources used to enforce deals</i>	Control of public decision making, deliberate ban from future opportunities, violence,	Trust, reputation, individual exclusion from future interaction
<i>Scope and effectiveness of enforcement</i>	General and all-encompassing: all agents in the corruption network can be sanctioned	Asymmetric and limited: agents in the corruption network can be sanctioned with different resources having varying degree of efficacy
<i>Degree of “impartiality” of guarantors, i.e. orientation towards non exploitation or extortion by third-party enforcers</i>	Relatively high	Low or absent
<i>Time horizon of participants in corruption deals</i>	Long-term expectation	Short or medium-term expectation
<i>Characteristics of the political environment</i>	Relatively stable, party cartelization, consociational attitude	Relatively unstable and competitive
<i>Characteristics</i>	Monopolistic	Competitive or

<i>of the economic environment</i>	supply or stable collusive agreements among entrepreneurs	characterized by competing cartels
<i>Strengths</i>	Protection is effective even among partners who do not personally trust nor anticipate to stay in business for a long time	Resilience and regenerative adaptation after crises induced by internal dissatisfaction or judicial inquiries
<i>Potentially critical factors</i>	Relatively rigid and centralized “regulation” of corrupt exchanges: when the guarantor is prosecuted, i.e. “under attack”, the whole system may quickly disintegrate	Enlargement of corrupt exchanges or growth of scale of corruption involving partners not bound by reciprocal trust nor observing the same informal rules

13. Third-party enforcers in centripetal corruption

In centripetal corruption the role of “coercive” third parties is crucial to reduce the transaction costs of corruption. On a small scale, with pervasive dysfunctional side-effects (i.e. negative externalities), corruption enforcers provide *protective services* comparable – even if generally less effective – to those offered by western liberal-democratic states, which were crucial in the development of wider complex market economies based on property rights and the division and specialization of labor (North 1990). *Ceteris paribus*, third-party enforcers produce similar effects in the market for corrupt exchanges. They promote the participation of a wider set of willing actors in the network, allow for a division of roles in corrupt activities, therefore encourage the acquisition of specialist abilities – the “skills of illegality” (Pizzorno 1992).

Besides the state, whose protective services are obviously not available in illegal activities or non-market exchanges: “various distinct organizations offer third party adjudication and enforcement. These include, among others, families, firms, religious organizations, local governments, and criminal organizations. Such organizations may be in opposition to the ‘legitimate’ power-backed third party enforcer, independent of him, or subordinate to him” (Barzel 2002: 28). Third-party enforcement – especially in arenas where illicit gains are high and distributed over long periods of time – helps participant to prevent or rapidly resolve disputes, and to compose otherwise irreconcilable expectations.

In centripetal corruption the protection of property rights over resources at stake in the corrupt exchanges can be supplied by third-party enforcers able to selectively impose costs to “cheaters” and free-riders (or, conversely, to administer positive incentives for fulfillment). According to their role in the public or in the private sector, and potential access to different sources of influence, enforcers will use several resources to guarantee the fulfillment of illegal deals, imposing costs using (menace of) violence and other means, as the threat of put an end to long-term relationships. As Barzel observes:

A third party must be able to impose costs in order to induce each of the principals to an agreement to make one-way transfers to the other. The enforcer induces the parties to an agreement to perform in situations in which they would not be inclined to perform on their own. He does so by threatening to impose costs on them. The amount of cost-imposing power that a third party possesses sets a limit on what he can enforce. Parties making an agreement subject to third party enforcement will comply only if they think that enforcer is able and willing to impose a cost at least as large as the required transfer (Barzel 2002: 42).

A variety of third party enforcers, as shown in table 6, use diverse resources to adjudicate disputes in corrupt deals. Both public and private actors can play such a role: public bureaucrats and politicians among the former, parties, entrepreneurs, organized crime, Free Masonry and religious

associations among the latter. In the governance structure of corrupt exchanges, they contribute to enforce deals in systemic corruption, using a variety of resources: the potential use of coercion, deriving from the enforcers' role within a legal or illegal organizations; authority over public-decision making; influence over the delegation of public authority and protection of careers in parties, in the public and the private sector; ideological rewards and other symbolic resources; information and economic resources, derived mainly from a strategic position within a net of relationships between public and private actors, with the power to facilitate, deny access or ban to privileged knowledge, advice or profitable exchange opportunities.⁴¹

For instance, a bureaucratic office not only provides the opportunity for receiving bribes, but may also supply the "resources of authority" necessary to enforce corrupt deals (Lambsdorff 2007: 223). Table 6 distinguishes several potential guarantors of centripetal corruption, specifying the main resources used to enforce illegal deals, some facilitating conditions, the weaknesses and strengths of their enduring activities. When they supply protection in systemic corruption, partners rely upon a more precise specification of their frail "rights" at stake in illegal deals, modeled by the informal constraints of "institutionalized", systemic corruption. The expected costs and risks of the illegal transaction are reduced; the perception of costs is mitigated by their socialization to the "rules" of corruption; the costs of free-riding, opportunism and defection increase correspondingly (thanks to their control over long-term relationships); the advantages of compliance with others' corruption increases, due to the operation of coordination mechanisms.

To sum up, third parties' enforcement capability may be based upon the threat of coercion, the capacity to impose direct physical costs to induce parties to fulfill their obligations in corrupt contracts, as well as on economic inducement or ideological appeals. Criminal organizations, for instance, have the power to enforce illegal deals by using force, as well as their reputation of violent guarantors, to adjudicate disputes. Party leaders and cashiers, bosses in public structures or high-ranking bureaucrats use preferably their control over public decision-making processes – whose implementation is guaranteed by the coercive authority of the state – to impose costs on cheaters in corruption contracts. The influence of political bosses, as well as top bureaucrats, over the allocative power of party machines and public structures can be converted into enforcement capability. They can, in fact, use as an enforcing mechanism their power to realistically rule out partners in corrupt deals from other benefits deriving from repeated *legal* interactions with public bodies or party structures: career perspectives for lower-level bureaucrats, support for nominations to publicly appointed positions or candidatures for elected politicians, awards of public contracts or licenses to entrepreneurs, etc. Within the party organization, leaders may also appeal to common ideological values to obtain the compliance of corrupt members. The enforcers – which in some cases are brokers, entrepreneurs, religious body or free masonry – can strategically use their position within a web of relationships to effect exclusion, "certificate" trustworthiness and threaten to deprive the partners from the expected benefits of future opportunities.

⁴¹ A private third-party enforcer may in fact use economic resources and information to point out profitable long-term relationships to partners, thereby discouraging defection (Barzel 2002, 42).

Table 6. A classification of some third party guarantors in systemic corruption: actors, resources, facilitating conditions

Type of third-party enforcer	Structure of the protection system	Resources used to enforce corrupt exchanges	Main facilitating conditions	Strengths	Weaknesses
<i>Political party</i>	hierarchical	Internal appointment, protection of political careers (nomination to public positions, candidacy, electoral support, etc.)	Centralized parties, strength of ideological appeals, clientelism	Party loyalty and ideological identification, besides material incentives/disincentives, socializing to corruption it produce trust among participants and justification for illicit activities	De-legitimization of parties
<i>Political-bureaucratic clan</i>	network	Personal influence, rewards, favors and inclusion/exclusion from the network of exchange relationships between public and private actors	Fragmented parties, weakness of ideological appeals, political patronage over bureaucratic structures	Dense network with frequent interactions and reciprocal protection of political and bureaucratic actors	Localized control; centrifugal tendencies due to divergent interests and time-horizon of politicians and bureaucrats
<i>High-level bureaucrat</i>	hierarchical	Control over access to benefits deriving from public decision-making, control over subordinates' career	Hierarchical and formalistic bureaucratic structures; political patronage; weak public ethics; scarce loyalty of bureaucrats' towards the state	Close-knit, robust and enduring network of relationships	Limited in its scale of operation by the scope of the bureaucratic structure
<i>Political actor/Boss of the public body</i>	hierarchical	Power to allocate public resources and benefits, influence over bureaucrats' careers	Fragmented parties, weakness of ideological appeals, political patronage over bureaucratic structures	Personal loyalty of followers and clients	Operating on a low-scale or in circumscribed context, destroying party loyalty and legitimization
<i>Entrepreneur-Cartel</i>	market/network	Economic resources, information, access to cartelized regulation of public markets	Non-competitive (public) markets with, high monopolistic rents allocated by the state, complex and fragmented decision-making processes within the bureaucracy, weak political authority	Low visibility	Selective operation, limited in their scale of diffusion
<i>Broker</i>	network	Selective access to	Opacity and	Professional and skilled	Pivotal role of

		information, capability to include/exclude from the network of exchange	slowness in public decision-making, lack of confidence in the state and public agents	coordination of corrupt deals	the broker which may produce a collapse in case of involvement in judicial inquiry
<i>Criminal organization/mafia boss</i>	hierarchical	Coercive (violence, intimidation), reputation	Lack of trust in public institutions; widespread belief in inefficiency of public procedures, extensive presence of illegal markets, demand for private protection	Very high costs of denunciation and “exit” from the corrupt exchange, due to the risk of violent retaliation	Centrifugal tendency in case of violent conflicts between criminal organizations
<i>Religious body/organization</i>	hierarchical/network	Protection of political, bureaucratic, associational careers (influence on nomination to public and private roles, control over electoral support, etc.); inclusion/exclusion from the network of exchange relationships where the organization has influence or intermediation; ideological ban/excommunication.	Weak political parties and actors; bureaucracy permeable to external influence; hierarchical structure of the religious authority; interiorization of religious beliefs and relevance of religious cleavages among political and economic actors.	Religious loyalty and identification, besides material incentives/disincentives, produces trust among participants; religious beliefs may provide a “superior” self-justification and public self-defense for irregular/illegal activities.	De-legitimization of religious authority due to observable “contamination” with business and politics.
<i>Free masonry</i>	hierarchical/network	Selective access to a “certification” of trustworthiness; capability to include/exclude from the network of exchange; blackmailing power; protection of careers	Collusive relationships among political, bureaucratic, professional and entrepreneurial actors; complexity and opacity in public decision-making.	Low visibility; loyalty and identification of both public and private actors – generated and reaffirmed by affiliation rituals socializing to corruption and symbolic resources – besides material incentives it produce produces trust among participants; potential for enlarging the network compensating actors with resources coming from legal as well as illegal deals.	Pivotal role of the Grand Master which may produce a collapse in case of involvement in judicial inquiry

14. Conclusions: the “anti-corruption box”

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 cases of corruption exemplified in table 7 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 as we have seen can be more or less integrity versus corruption-enhancing.

Our 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 (3 and 2 in table 7) are relatively more robust and persistent, since informal constraints and the state apparatus converge towards a coherent outcome, sanctioned in the first case also by the evolution of effective extra-legal regulation mechanisms of corrupt deals. In the “virtuos” case both support the respect of anti-corruption law and regulation, in the worst 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 normative barriers) substitutes the ineffective formal institutions formally stating the prohibition of corrupt practices. “In such cases, formal rules and procedures are not systematically enforced, which enables actors to ignore or violate them” (Helmke and Levitsky 2004, 729). As Aoki (2001, 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.⁴²

In irregular/intermittent (i.e. widely present in many public organization, but as isolated deals) and macular corruption (i.e. having an in-depth penetration in relatively few and confined areas of public activity) (1 and 4 in table 7), on the contrary, there is a tension between the direction where preferences and beliefs would address individual activities and the incentives created by formal institutions. In the best case, a “virtuous evolution” may be guided by popular consent, where public opinion and grassroots anticorruption movements push more or less reluctant rulers towards a strengthening of the state enforcement of corruption crimes (1→2); or also by a few “enlightened” political entrepreneur, who after having set up an effective anticorruption apparatus invest in the promotion of the values of integrity and the strengthening of a public spiritness among bureaucrats and in the populace (4→2).

⁴² On the possibility of multiple equilibria in corruption see the models of Cadot (1987), with a variation in the amount of bribes paid, Lui (1985), showing a variation in the number of corrupt exchanges, Andvig and Moene (1990), with a variation in both variables. Murphy, Shleifer and Vishny (1993) single out a model of multiple equilibria in levels of corruption and income.

In the worst case instead a reverse process is set in motion. The lack of societal consensus or scarce support towards formal anticorruption authorities and measures may induce policy-makers to progressively weaken and de-facto dismantle them (4→3). An active and participant civil society may be gradually discouraged in its anticorruption mobilization by disappointing results obtained in terms of laws and reforms promoting public ethics, as the Hirshman (1982) approach to normative barriers could suggest (1→3)

A major challenge in anticorruption is how to accomplish with policy measures a difficult exit from systemic corruption (3→2). In general terms, anti-corruption policies are effective when they diminish opportunities for and increase societal and normative barriers against corruption. But any reform which influences macro-variables may have only a remote connection – in both spatial and temporal terms – with the factual conditions and informal constraints influencing the activities of a specific subset of actors who can accept or offer a bribe, while the *script* which regulates their transactions remains substantially unaltered.⁴³ There is no simple or univocal recipe to deal with anti-bribery measures, since corruption is a complex and multifaceted phenomenon, influenced by a multitude of interrelated variables which affect both the anticipated benefits, the expectations and the socially recognized values which allow for such calculations to take place in the first place. Such conditions can explain the difficulties encountered in their implementation: “the history of anti-corruption campaigns around the world is not propitious. At the national and local levels, in ministries and in agencies such as the police, even highly publicized efforts to reduce corruption have tended to lush, lapse, and, ultimately, disappoint” (Klitgaard et al. 2000: 11).⁴⁴

A point emerge from our analysis: reforms aimed at dismantling systemic corruption have to be finely tuned against its hidden governance structures, i.e. its internal regulation of exchanges and relationships. The hidden accountability of corrupt deals, in fact, is a powerful force lowering the effectiveness of both legal and societal mechanisms of control and enforcement.

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

As shown in our simplified typology – the “anticorruption box” of table 7 – 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*, *revolutionary changes* in institutions (Rothstein 2011, 119) – risks to be insufficient or doomed to failure. A persisting, deep-

⁴³ According to the script approach, any crime can be identified and classified according to the routine steps followed by its actors, using this identification to find crime prevention measures (Cornish 1994).

⁴⁴ Other challenges frequently arise in the design of appropriate anti-corruption strategies, such as *oversimplification* – i.e. the failure to target the incentives behind the individual involvement in corruption and the structure of opportunities shaped by the specific institutional context – and the *narrow focus* on the legal dimension and definitions of corruption, which hampers tackling other rent-seeking and corruption-related forms of influence of private interests on the public decision-making. The *multiplicity of goals* pursued in political activity also makes more difficult for the public opinion to distinguish corruption from other private agendas that politicians may have; and for policy makers to emphasize the relevance of the fight against corruption, which is hardly distinguished from other issues (Søreide 2010).

rooted diffusion of ethical orientation and informal norms endorsing illicit behavior as acceptable will undermine any intensification of repression and law enforcement.

Especially when the principal-agent combines with neo-liberal paradigm, in fact, 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, 104). 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: “in a neoliberal world, where non-state actors have greater power and influence, the anti-corruption industry increasingly acknowledges the role business can play in corrupt transactions. (...) Indeed, critical theorists assert that the ‘anti-corruption agenda’ promulgated by international anti-corruption organizations is both a product and a facilitator of neoliberalism, and that it has undermined the anti-corruption industry’s efficacy” (Walton 2013, 148).

Neo-liberal practices, without any strengthening of moral barriers, have on the contrary increased the connivance between politics and business, especially in systemic corruption.⁴⁵ 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, 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 parties are substituted for by other collective actors (religious association, freemasonry, etc.) as trust supplier and guarantor of corrupt exchanges.

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

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: 44) should, 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 if involved 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

⁴⁵ A comparative study of Argentina, Venezuela, Indonesia, the Philippines, Kenya, and Zambia shows that despite political transition through democracy and economic liberalisation – i.e. deregulation, trade and financial liberalisation and privatization – no significant reduction of systemic corruption can be observed (von Soest 2013, 5).

of avoiding the potentially catastrophic consequences of wider and ambitious reforms, while favoring a learning processes and the spread of “best practices” 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, and Sintomer in press) .

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 (see also Plant 2012) .

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, can not be a single-issue policy, nor delegated to experts, but rather linked to a rethinking of policy and participation (della Porta 2013).

Table 7: 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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This project is co-funded by the Seventh
Framework Programme for Research and
Technological Development of the
European Union



Project profile

ANTICORRP is a large-scale research project funded by the European Commission's Seventh Framework Programme. The full name of the project is "Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption". The project started in March 2012 and will last for five years. The research is conducted by 21 research groups in sixteen countries.

The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP

Project full title: Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption

Project duration: March 2012 – February 2017

EU funding: Approx. 8 million Euros

Theme: FP7-SSH.2011.5.1-1

Grant agreement number: 290529

Project website: <http://anticorpp.eu/>