Pervasive Corruption

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This paper offers a preliminary picture of a society marked by pervasive corruption, drawing upon evidence from Italy and Eastern and Central Europe. A definition and general framework for studying corruption is given in the first section. The second part presents data from the Transparency International index of corruption pointing to the existence of pervasive corruption in a significant number of countries surveyed. The third section considers a pervasively corrupt society. In such a society, the cost of identifying a willing partner to a corrupt exchange is virtually zero, facilitating the illegal transaction. However, such an exchange takes place outside the scope of the law, thereby giving rise to uncertainties over delivery. Will the corrupter pay the money he promised? Will the corrupt official keep his word? As a consequence, the demand for services of private protection and enforcement will increase and, if the purpose of paying a bribe is to speed up the bureaucratic process, individual gains can be annulled by the fact that everybody must pay a bribe.

Section four of the paper discusses the effect of pervasive corruption on society’s system of beliefs. Individuals come to hold beliefs that justify corrupt behaviour. They come to consider corruption to be a normal or even acceptable state of affairs, which has been in place since time immemorial. Actors in such a world might even hold extreme beliefs that are too costly to test. As discussed in section five, when norms such as ‘return a favour when asked’ or ‘minimize conflict with fellow members of your community’ exist in a pervasively corrupt society, they not only encourage further corruption but also promote social ostracism of those who attempt to fight it. Since everybody is prepared to offer bribes, anti-corruption campaigns are greeted with suspicion: why some are targeted for a behaviour that is general? Anti-corruption campaigns are suspected to foster the immediate interest of its initiators, rather than the interest of society. I conclude by arguing that, as corruption becomes widespread, the very concept of corruption loses its meaning for the actors involved.

Corruption: A Framework of Analysis

A corrupt exchange takes place between two actors, the corrupter and an official. Although the exchange appears to involve only two actors, a third one lurks in the
background: the *principal*. The official is an *agent* employed by a principal in order to implement rules set out by the principal. Typical examples of agents include bureaucrats who oversee the issuing of permits, policemen who patrol a neighbourhood or lab scientists who check the quality of retail food products. The principal is usually thought of as the state administration, which employs individuals to undertake such tasks. The corrupters are members of the public or of another organization who wants to bend in their favour the rules laid out by the principal.

Corruption differs from other crimes, such as theft. The following diagrams capture of the essence of these two different crimes.

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Both the thief and the corrupt agent engage in a criminal activity. The act of stealing, however, differs analytically from accepting a bribe and be corrupt. A thief simply takes away property which belongs to his victim (the dotted lines underscore an illegal act). In the purest form, the thief has no previous relationship of trust with the victim: he sneaks into the house while the victim is away and takes everything he can find. Theft may also occur in the presence of a trust relationship. One may be robbed by a trusted person. Furthermore, a state employee can steal from his employer. In this case, he breaks the trust relationship, but he is not engaging in corruption. The picture in the corrupt exchange is more complex. The principal has entrusted the agent with a resource that the latter sells illegally to a third person, the corrupter. The relationship between agent and corrupter is that of an illegal exchange: a price is agreed upon and a resource is transferred from one hand to another. The corrupter does not steal but buys a resource that he could not obtain otherwise (alternatively, he obtains the resource at a lower price). The exchange between corrupter and corrupt agent contains all the uncertainties and potential for cheating of any other exchange taking place outside the scope of the law.

What makes an agent decide whether to steal or to accept a bribe? Instead of being corrupt, the official might skim at work. In order to decide which criminal activity
to engage in, he will consider a number of variables, such as the risk of being caught, the severity of expected punishment and the ‘moral cost’ of being dishonest. In this, he is not much different from other rational criminals. A further dimension the agent must take into consideration is the nature of the commodity entrusted to him by the principal. Certain commodities cannot be stolen and directly consumed by the agent. For instance, if he oversees the granting of passports, he cannot ‘steal’ an extra passport for his own use. The official already has his own passport; an extra one would not produce a higher utility. He could only sell a passport to a member of the public illegally, speed up or delay the bureaucratic process. Similarly, a corrupt agent cannot grant himself a public contract, only sell it, say, to a construction company. (It should be further noted that, once the company obtains the contract, it has a legal right over it, even though obtained illegally. The possessor of a stolen good has no legal right over it, and he is forced either to consume or hide the stolen good.) In other instances, the agent has a significant scope for choosing whether to steal or to accept a bribe. For instance, if the agent is the guardian of a warehouse, he could either steal the goods directly or turn a blind eye to a party of night thieves, for a cut. When the agent puts his mind to this decision problem, he will consider the costs of organizing a theft directly, disposing of the loot and so on, as opposed to just accepting a bribe. Certain commodities can only be sold to a third party, while others can either be stolen directly or sold to a corrupter. Legal permissions to obtain goods supplied by the principal can very rarely be used directly by the agent, so, if he decides to commit a crime, he can only do so by accepting a bribe. Attention to the nature of the commodity helps to identity the realms where corruption – as opposed to stealing - is more likely to occur.

The above characterization of the actors involved in a corrupt exchange covers a variety of cases. For instance, corrupters may have to pay officials in order to obtain what they are supposed to receive anyway. In this case, the official is paid to fulfil the rules laid out by the principal, rather than to bend them in someone’s favour. This is a case of extortionate corruption. A typical example is that of the GAI traffic warden who extracts

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money from Moscow drivers. The definition may also be applied to the private sector. The principal might be a private corporation that hires people to perform certain functions. A rival firm may wish to bribe those employees in order to obtain confidential information or disrupt the production line of its competitor. Finally, the definition may be applied to politicians or government ministers. A politician can be thought of as the agent of his constituency and government ministers as the agent of the parliament. If either one takes bribes to promote a specific piece of legislation, he or she might be said to be corrupt.

The exchange of money is not the distinguishing feature of corruption. The ‘currency’ may vary from cash to sexual services, free plane tickets or employment for relatives. Examples are numerous. Ms. Kutina, the niece of Anatolii Sobchak, former major of St. Petersburg, arrived in Petersburg from Tashkent in 1992. Immediately, she received a free flat from the company ‘Renaissance.’ It later emerged that her uncle has signed a number of illegal decrees that benefited the company. A dozen other officials in the city administration received flats from the same company. The Chief Tax Police inspector in Cheliabinsk had the education of her daughter paid by the company Kaelgamramor. The same company gave her husband a Kamaz truck and a loan. An entrepreneur paid the president of the Italian Highways with the free installation of a sink and a gate. According to the chairman of the Christian Democrats (DC) of Lombardy,

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3 For a recent instance, see J. Lloyd, ‘100 Dollars? That Will Do Nicely,’ New Statesman, 21 June 1999, 21-22. In fact, paying officials in order to have them perform their duties appears common in four post-communist countries - Ukraine, Bulgaria, Slovakia and the Czech republic. According to a survey of 4778 citizens: ‘over half the public claimed that the officials they had dealt with in recent years had “made unnecessary problems in order to get money or a present to solve them.”’ Å. Grødeland, W.L. Miller, and T.Y. Koshechkina, ‘Postcommunist Officials Talk About Bribery,’ OECD Observer (1998), 5.


5 In some cases it might not be simple to identify the sense in which politicians are ‘agents’ of the electorate, or the exact content of the ‘contract’ the latter have ‘signed’ with their representatives. Philip points out that corruption in this realm cannot be defined before ‘conceptions of the nature of the political and the form of the public interest’ are spelled out. See M. Philip, ‘Defining Political Corruption,’ in Political Corruption, ed. P. Heywood (Oxford, Blackwell Publishers, 1997), 30. To the extent that a shared conception of the political exists among citizens of a given polity, it is possible to deduce a conception of corruption for that community. Given that contextual conception, the basic trust relationship between principal and agent can be identified and compared across polities.

6 Izvestiya, 15 December 1996.

7 Kommomol’skaya Pravda, 30 June 1999.

8 A. Vannucci, Il mercato della corruzione (Milan, Società Aperta Edizioni, 1997), 44.
the Television Company Fininvest paid bribes in airtime, a practice that further reduced the risk of being detected.⁹

Evidence of Pervasive Corruption

Some societies are trapped in a high-corruption equilibrium, or, to put it differently, are pervasively corrupt. Figure 4 presents evidence to this. It is based on the Transparency International’s 1998 corruption index for 85 countries. This index aggregates several corruption ratings and aims ‘to assess the level at which corruption is perceived by people working for multinational firms and institutions as impacting on commercial life.’¹⁰

PLEASE INSERT FIGURE 4 HERE

Figure 4 plots the score obtained by the countries surveyed on the horizontal axis (10 stands for a country free of corruption) and the number of countries which obtained a given score on the vertical axis. Many countries cluster around 3, including Russia (2.4), Latvia (2.7), Ukraine (2.8), Yugoslavia (3.0) and Romania (3.0). Italy and Poland both obtain a score of 4.6. As noted by Azfar,¹¹ these data also point to existence of two equilibria, one of high corruption and one of low corruption (19 countries obtain scores between eight and 10), with fewer cases in between.

Identification and Delivery

Identification is a crucial ingredient of a corrupt exchange. In a world where honesty is the norm, how can the corrupter know who, if offered a bribe, would accept? Corrupters need to identify potential corruptees, persons willing to accept a bribe and not

¹¹ Azfar, ‘High and Low Corruption Equilibria.’
to report them to the authorities. The bribe-taker can engage in activities that signal a willingness to take bribes. For example, joining a political party known for being more corrupt than other parties, could indicate a disposition to accept bribes. Other signals might be used, such as physical and vocal cues. Bribe-givers, however, have to be cautious because they might misinterpret the signal. Bribe-takers must also be cautious since the member of the public can report the official. By contrast, an overwhelmingly corrupt setting requires much less caution. Identification of a willing bribe-taker is not difficult, for the citizen expects the agent to be one. In other words, once corruption is widespread, the ‘identification’ problem is more easily solved. The dominant strategy will be always to offer bribes. However, a perverse consequence may obtain. If the purpose of offering a bribe is to speed up the administrative process (a reason often given by political scientists and economists who consider bribe-giving as way to cut red tape), pervasive corruption annuls any gain in efficiency. 12 A parallel example is when the members of an audience, each of whom wishes to improve her view, all stand on their chairs. Everybody is twenty centimetres taller, but no one sees better. 13

Another feature of the exchange between corrupter and agent is uncertainty over the delivery: once the corrupter has identified a public official willing to accept a bribe, how can it be ensured that the official will deliver? And how can the official ensure that the corrupter will not forget or fail to pay the agreed amount? 14 A recent Russian instance testifies to this problem. Corporal Yelena Troshina, a telephone operator in an army unit, paid up to 4500 USD to by-pass the queue and get a one-room flat. The recipient of the money, Vladimir Solomonov, an army general, claimed he could deliver but in the end pocketed the money and did nothing. Eventually he was sentenced to four years imprisonment. 15 A direct consequence of the above situation is a demand for private services of protection and enforcement. Because the citizen will always offer a bribe, 12

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12 See J. MacRae, ‘Underdevelopment and the Economics of Corruption: A Game Theory Approach,’ *World Development* 10 (1982), 679. As MacRae himself notes, one might argue that the bureaucracy would be more efficient due to better-paid and more motivated officials (MacRae, ‘Underdevelopment,’ 687). However, other scenarios might obtain, such as a vicious cycle of ever-higher bribes. Elster suggests that “deliberate procrastination and delay for the purpose of increasing the size and number of bribes” would occur. J. Elster, *The Cement of Society* (Cambridge, Cambridge University Press, 1989), 270.

13 Elster, *Cement of Society*, 270. In this case, the members of the public engage in a prisoners’ dilemma with each other. The well-known solution of this game is that everybody is worse off.


15 In recent years, 13 army generals have been found guilty of corruption and fraud, mainly connected to housing allocation. All of them have been given suspended sentences or granted an amnesty by the State Duma. Vladimir Solomonov appears to be only one who will actually serve his sentence. *Komsomolskaya Pravda*, 3 December 1998.
he/she might meet either a corrupt but ‘honest’ official or a corrupt and ‘dishonest’
official. In the first case, the corrupt exchange takes place smoothly. In the second, the
official pockets the money and does not deliver the service, as in the case of general
Solomonov. The official who has delivered a service might also not receive the bribe.
The mafia is one institution that provides enforcement services that, as a by-product,
promote corrupt exchanges and resolve the problem of delivery in illegal markets, at a
price. In the aggregate, mafia-like agencies prosper in a highly corrupt environment.

Beliefs

Mackie reports that women living in a world where female genital mutilation
(clitoridectomy and infibulation) is widely practiced, over time come to believe that the
consequences of this practice are normal. ‘The painful surgery, prolonged urination and
menstruation, traumatic penetration, and unbearable childbirth accompanying infibulation
are all accepted as normal.’ People who live in a corrupt environment may come to
hold equivalent beliefs regarding corruption. Corruption comes to be considered as the
normal state of affairs. The Italian manager Enzo Papi recalls:

When I was appointed Cogefar managing director I was given a booklet where all the
‘obligations’ and payment dates of the company were recorded: a list of names and numbers; an
obligation that was to be rigorously honoured. Illegal dealings were so common that I did not
feel I was perpetrating a criminal act.

Miller et. al. found that hospital doctors in post-communist countries expect
presents from patients (‘especially expensive gifts’). If the doctors do not receive gifts,

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16 See D. Gambetta, ‘Civisme et corruption,’ in Démocratie, eds. R. Darnton and O. Duhamel, (Paris,
Edition du Rocher, 1998); D. Gambetta, “Comments” to S. Rose-Ackerman, Corruption and
Development,’ in Annual World Bank Conference on Development Economics, eds. B. Pleskovic and
17 A demand for mafia services does not explain the emergence of the organization, otherwise one
would subscribe to a functionalist argument. I offered a non-functionalist argument for the emergence
of the Russian mafia in F. Varese, ‘Is Sicily the Future of Russia? Private Protection and the
19 Quoted in Vannucci, Il mercato della corruzione, 29.
20 W.L. Miller, Å. Grødeland, and T.Y. Koshechkina, ‘If You Pay, We’ll Operate Immediately,’ (1998,
Unpublished), 2.
they either delay or refuse to deliver the medical service. 21 Furthermore, 71 per cent of the doctors interviewed believe that their government regarded gifts of ‘money or expensive presents’ as an acceptable, informal way to pay officials. 22 As time goes by, the memory of a no-corruption equilibrium fades away.

Similarly, actors come to believe that corruption has been around for a long time and that they had no role in fostering the system of bribes. Sergio Radaelli, a bribe collector in the Milan area, maintains: ‘We simply conformed to a system that had been operating since the 1950s.’ 23 Bettino Craxi, former Italian Prime Minister, went even further: the system of pervasive bribe-taking ‘has been there for a long time, maybe from time immemorial’, he declared in a speech delivered in the Italian Parliament. 24 For Maurizio Prada, Milan DC treasurer, ‘the system grew by itself, nobody is responsible.’ 25

The two beliefs I have discussed above emerge as a consequence of pervasive corruption. They exist in a pervasively corruption society and are a by-product of it. They do not directly cause further corruption. Other beliefs, on the other hand, promote further corruption. The view that a bribe is necessary for every single transaction leads actors to offer unsolicited bribes. 26 Several politicians and public servants in Italy reported that they received money without asking or knowing exactly for what reason. 27 This belief makes corruption appear as a self-fulfilling prophecy, although it should be stressed that it exists side-by-side with actual and widespread corruption. If the belief were truly false, individuals offering bribes would quickly discover it: their bribe would be returned and they would revise their expectations of widespread corruption. Adriano Zampini, a notorious corruoter in the Turin area, recalls:

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21 One nurse recalls: ‘The surgeon wanted 40,000 – the woman had no money – they delayed the operation but after some time they operated.’ Some were not as lucky: ‘There are cases when people have died while raising the money [...] [One person] was told he had to give 20,000 levs – he said he could afford only 10,000 levs – and two days later his father died.’ Miller, Grodeland and Koshechkina, ‘If You Pay,’ 6. This survey was carried out in 1998 and is based on 1307 interviews with a representative sample of officials, including government employees, health care employees (n=292) and hospital doctors (n= 85) in Ukraine, Bulgaria, Slovakia and the Czech Republic. The survey also includes 4778 interviews with members of the public in the same countries.

22 Miller, Grodeland and Koshechkina, ‘If You Pay,’ 6. Officials who thought likewise were 54 per cent of the sample. A related belief that could emerge is the view that other countries have a similar level of corruption, implying that nothing is special or abnormal about one’s own.

23 Quoted in Vannucci, Il mercato della corruzione, 68.


25 Quoted in Vannucci, Il mercato della corruzione, 68.


27 Vannucci, Il mercato della corruzione, 73-74.
As things progressed, I became more and more confident because I realised that nobody refused a bribe. Suffice to say that in my long career as a wheeler and dealer [facendiere], only once did my bribe get refused. [...] I had sent a box of chocolates with two million lire inside. The person kept the chocolates and returned the money.28

When the official accepts the bribe and gets away with it, a vicious cycle is set in motion.

Beliefs can be classified according to different criteria.29 The criterion I adopt here is the test they answer. In the case of the beliefs discussed above, the test is empirical and the actors involved are willing to update their beliefs in the light of new evidence. On the contrary, a belief in the existence of God held by a religious believer cannot be tested empirically. Some beliefs are so extreme that the empirical test is thought to be too costly. One may come to think that if no bribe is offered to the postman, the latter will not simply fail to deliver the mail speedily; he will also throw away any letter and instruct his colleagues to do the same for one’s near and distant relatives. Although the belief may be implausible, the cost of testing it is too high.30

PLEASE INSERT TABLE 1 HERE

Those who recognize that their country of origin is particularly corrupt and strongly dislike this state of affairs are, ceteris paribus, more likely to emigrate. Those who stay behind are, in effect, a self-selected sample.31 This sample includes two sub-populations: those who still dislike the system but cannot emigrate; and those who benefit from the current system and do not want to emigrate. Not surprisingly, bribe-takers develop an ‘easy conscience’ and a ‘culture of justified bribery.’32 Officials interviewed

30 Fiammetta Cucurnia, Moscow correspondent for La Repubblica, lists some extreme beliefs that appear in respected, national papers in Russia. See Repubblica, 1 August 1992.
31 A similar mechanism has been discussed by the public-choice literature on majority voting. After a majority-rule vote is taken and some individuals have the option to ‘exit’, these individuals might be tempted to exit. In the next vote the majority equilibrium shifts further away from the exit-prone section of the electorate, and provokes further exit and more extreme majority decisions. See D.W. Rae and E. Schickler, ‘Majority Rule,’ in Perspectives on Public Choice, ed. D.C. Muller (Cambridge, Cambridge University Press, 1997), 170.
32 Miller, Grodeland and Koshechkina, ‘If You Pay,’ 5.
by Grodeland et. al. ‘were remarkably willing to justify accepting gifts from clients.’\textsuperscript{33} Radaev also reports that Russian officials consider bribes as a ‘commission,’ a “shadowy” but morally justified way to increase one’s own low income.\textsuperscript{34} The reasons why they hold views that support the system are clear: they are putting forward self-serving notions that help to justify their shady activities.

More interesting, however, is the case of those who dislike the system but cannot emigrate. They will experience a tension between being forced to comply with the system (if they do not, they will be unable to carry out their ordinary existence) and disliking the system and themselves for their behaviour. The result is cognitive dissonance. The psychologically difficulty involved in constantly despising one’s own country and oneself means that even someone who dislikes the system over time comes to adhere to certain beliefs as a way to reduce cognitive dissonance. ‘First you feel uncomfortable, then you get used to it. You also feel satisfaction […]’\textsuperscript{35} said a survey respondent in the Ukraine. Corruption is called by a less pejorative term, the bribe becomes a token of gratitude.\textsuperscript{36} A Bulgarian respondent readily illustrates this attitude: ‘Most clerks are depressed by the constant shortage of money and they tend to ... No, that’s not bribing, it is rather an expression of my gratitude and duly expected one.’\textsuperscript{37} A supplier of the Milan Bus Company paid bribes by using golden sterling. At the trial, he explained that this practice made him feel better, because the bribe appeared as a gift.\textsuperscript{38} Some individuals come to believe that they themselves offered the gift/bribe voluntarily and therefore the situation appears more acceptable, as some Ukrainians maintained.\textsuperscript{39} Finally, people trapped in this sub-optimal equilibrium become proud of their extensive networks of favours: ‘People would be much happier if they did not need connections to solve their problems, but, on the other hand, they are proud they can use them.’\textsuperscript{40} They become experts at networking

\textsuperscript{33} In Ukraine, ‘67 per cent of officials said it would be right to at least “accept something if offered” for “extra work” and 18 per cent that it would even be “right to ask for something” for “extra work.”’ Grodeland, Miller and Koshechkina, ‘Postcommunist Officials,’ 5.
\textsuperscript{34} V.V. Radaev, Formirovanie novykh rossiiskikh rynkov: transaktsionnye izderzhki, formy kontrolia i delovaya etika (Moscow: Tsentr Politicheskikh Teknologii, 1998), 65.
\textsuperscript{35} Å. Grodeland, T.Y. Koshechkina and W.L. Miller, ‘“Foolish to Give and Yet More Foolish Not to Take” – In-depth Interviews with Post-Communist Citizens on Their Everyday Use of Bribes and Contacts,’ Europe-Asia Studies 50 (1998), 669.
\textsuperscript{36} This is equivalent to the practice of ‘misrecognition’ identified by Ledeneva in the case of blat. See A.V. Ledeneva, Russia’s Economy of Favours. Blat, Networking and Informal Exchange (Cambridge, Cambridge University Press, 1998).
\textsuperscript{37} Grodeland, Koshechkina and Miller, ‘Foolish to Give,’ 664.
\textsuperscript{38} Vannucci, Il mercato della corruzione, 44.
\textsuperscript{39} Grodeland, Koshechkina and Miller, ‘Foolish to Give,’ 665.
\textsuperscript{40} Grodeland, Koshechkina and Miller, ‘Foolish to Give,’ 669.
and wheeling and dealing, an asset that cannot be deployed in a non-corrupt environment.41

Social Norms

While the beliefs described above serve the rational self-interest of those who benefit from the system, they come to be held by most of the population. Such beliefs will not be held in a vacuum. They will exist side-by-side with other, widely held norms of behaviour. A ‘social norm’ is usually understood as a socially acceptable behaviour. Deviations from that behaviour are sanctioned by social ostracism or even punished physically.42 In other words, be vengeful, not only against the violators of the norm but also against anyone who refuses to punish a defector.43

Norms answer to tests of some general principles, such as fairness, morality or justice. In the case of norms of reciprocity, to return a favour when asked is fair. The underlying situation may be described by a Prisoners’ Dilemma: a player would be made better off by receiving a favour and not reciprocating. The norm helps players to reach the equilibrium, where both players reciprocate each other’s favours, even if the relationship is not long-term and repeated. (If the relationship is long-term, such equilibrium can be reached through self-interest.) Norms differ from social conventions, such as on which side of the road to drive, which colour to wear at funerals or which hand to use to hold a fork. The latter are best described by the various types of co-ordination games.44

In most societies the principle return a favour when asked is widely accepted as a proper norm of behaviour. In a country where corruption is the exception, no one would

41 Actors acquire skills that help them survive in such an environment. These skills could be defined as assets specific to a particular setting. Economists have explored asset-specificity in various industries. See for example O. Williamson, The Mechanisms of Governance (New York: Free Press, 1996), Ch. 4. For instance, designers of a particular type of aircraft find it difficult to use their skills in a firm that produces a different aircraft. This might explain why actors are resistant to change, even if they do not like the environment in which they find themselves.
42 It is beyond the scope of this paper to discuss whether social norms are designed intentionally or emerge unintentionally, and whether they serve some rational purpose or not. Furthermore, I not am concerned here with why people follow a norm, whether or not it serves their interests.
expect the recipient of a favour to reciprocate by breaking the law. By contrast, when such a principle is held in a country where crime and corruption are pervasive, returning a favour might well include breaking the law. ‘The debt [of gratitude] is paid back by [whatever] means [are] available,’ says a Bulgarian.\textsuperscript{45} The relationship between the corrupter and the official evolves into a long-term reciprocal exchange of favours. ‘A straightforward bribe evolves into a system of exchange of services, which are not confined to cash and personal gifts. For example, the entrepreneurs can employ a bureaucrat’s relative or sign a contract with a firm which is under his or her patronage […] Coercion and self-interest are reinforced by existing social norms.’\textsuperscript{46} Andrei Konstantinov, a prominent Russian journalist, describes one such arrangement between a policeman and a boss of a building firm. He concludes by asking: ‘Can we regard the mutual “indebtedness” of officials and entrepreneurs as corruption? […] People practicing such mutual debts will be very surprised if they are accused of dishonesty.’\textsuperscript{47}

Sober and Wilson, after a detailed survey of social norms in a sample of twenty-five cultures randomly selected, conclude, ‘in culture after culture, individuals are expected to avoid conflict and practice benevolence and generosity towards all members of a socially defined group.’\textsuperscript{48} Depending on the context, however, this bundle of behaviours might produce the well known and never-enough deplored code of omertà of Southern Italy. According to the code, no one should ever report a crime or agree to serve as a witness in a trial.

The interplay between widespread corruption, beliefs and social norms produces behaviours that support norms of reciprocity, ‘honesty’ and co-operation but discourage public spiritedness. Social ostracism is then not directed towards those who engage in crime and corrupt exchanges but, rather, against those who break the norms. In the case of omertà, for instance, those who testify are ostracized by their community. It is not unlikely then that only outcasts enter the witness box, thereby weakening the credibility of their evidence. ‘In a society of amoral familists, the claim of any person or institution to be inspired by zeal for public rather private advantage will be regarded as fraud.’\textsuperscript{49}

\textsuperscript{45} Grødeland, Koshechkina and Miller, ‘Foolish to Give,’ 669.
If everybody engages in corrupt activities (or at least is prepared to do so in case of necessity), to single-out one official or member of the public raises the question: why that person and not somebody else? Bettino Craxi put forward this view forcefully in a 1992 parliamentary speech:

Parties have relied on, and continue to rely on, the use of funds that come in irregular or illegal forms ... I do not believe that there is anyone in this Chamber, any politician responsible for important organisations, who can stand up and swear the contrary to what I have just said.50

Since every single party in Italy has taken bribes, Craxi continued, the Milan prosecutors must have targeted the Socialist Party for political reasons. ‘Corrupt’ is what political antagonists call each other when one is acting against the interests of the other.

In the above I have presented the worst possible case of a corrupt society. Does such a society have any prospect for change? A distinction must be made between beliefs and norms. The beliefs I have examined above are fact-based. Beliefs such as ‘corruption is normal,’ ‘corruption has been around from time immemorial’ and ‘corruption is a lesser evil’ appeal – at least in principle – to facts. Such facts can be shown to be false. Although fact-based beliefs may be resilient, they might also disappear quickly. Norms, on the contrary, are rules of interaction that do not claim to be true. The norm ‘return a favour when asked’ answers to a test of fairness. For instance, that there is a connection between the ‘character’ of the Sicilians and the mafia, and that Sicilians considered the mafia as a legitimate authority, are not norms but beliefs. And those two beliefs are false, as shown by the fact that consistently, in recent years, Sicilians have voted for anti-mafia political parties and generally supported the anti-mafia movement. The beliefs may be said to have vanished. Whoever will hold them now would have to square them with indisputable facts. Yet their disappearance did not come cheaply. Sicilians changed their political allegiances as a positive response to the effort (that was considered credible) of the central government to sever all links with the mafia. This effort came at the cost of many public officials being killed by the mafia, most notably judges and policemen, and many politicians being charged by the authorities. Only specific actions may elicit a

response that in turn will prove certain beliefs to be false. Once these actions are taken, self-serving beliefs disappear quickly.51

When Corruption is Everywhere...

I have pointed out that in a world where corruption is widespread, the cost of identification is virtually zero and uncertainty over delivery gives rise to a demand for private enforcement services. A range of corruption beliefs emerge and interact with existing social norms (such as the norm of reciprocity), making corruption an acceptable behaviour even to those who do not benefit from it.

A final alarming conclusion must be drawn, namely that as corruption grows more and more pervasive, ‘corruption’ itself loses its meaning. The definition I adopted in this paper does not apply any more. In such a society, formal rules specifying a bureaucrat’s duties and sanctions do exist; however, the basic trust relationship between principal and agent is impaired. The GAI traffic warden does not think for a moment that the Russian State has entrusted him with a resource (use of legitimate force) he is supposed to administer according the rulebook. His mind is not crossed by the thought that, if he fails his duty, he breaks a trust relationship with his employer. He obtained a prerogative and exploits it to the full. In such a world, notions of ‘honesty’ and ‘fairness’ do not disappear, but they surely diverge from the impartial application of the law. Punishments against corrupt officials and politicians are passed, but they are often passed in a selective way to serve partisan ends. They do not restore faith in the law but rather confirm the opposite idea. The main lesson to be learnt by the above description of pervasive corruption – especially by Western advisors working in the former Soviet Union - is that anti-corruption programmes will be greeted with suspicion. Any attempt to reduce widespread wrongdoing, crime and corruption must be designed to overcome that suspicion. A consistent and impartial application of general and abstract principles is perhaps the right way to start.

51 D. Gambetta, ‘Concatenation of Mechanisms,’ in Social Mechanisms eds. P. Hedström and R. Swedberg (Cambridge, Cambridge University Press), 102-124. Under certain conditions, the fight against corruption might become a successful political argument and self-interested politicians embrace it even in a pervasively corrupt society. Such conditions include the nature of electoral and political competition, the number of parties, how easy it is to enter the political arena and to enforce collusion among parties over corrupt practices. These questions cannot be properly addressed in this paper.
Fig. 1: The Corrupt Exchange

Principal

[Trust relationship]

Agent ←[buy and sell]→ Corrupter
Fig 2: Theft

[theft]

victim ← thief

Fig. 3: Theft with Trust

[theft]

victim ← [trust rel.] thief
Table 1: Corruption beliefs

<table>
<thead>
<tr>
<th>Belief</th>
<th>Cause or consequence of pervasive corruption</th>
<th>Nature of the belief</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Corruption is normal”</td>
<td>Consequence</td>
<td>fact-based</td>
</tr>
<tr>
<td>“Corruption has been around for time immemorial”</td>
<td>Consequence</td>
<td>fact-based</td>
</tr>
<tr>
<td>“Corruption is a lesser evil”</td>
<td>Consequence</td>
<td>fact-based</td>
</tr>
<tr>
<td>“A bribe is always necessary”</td>
<td>Cause</td>
<td>fact-based</td>
</tr>
<tr>
<td>“The post-man ....”</td>
<td>Cause</td>
<td>fact-based but never tested</td>
</tr>
</tbody>
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