

## Corruption as a Normative System

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We can define political or bureaucratic corruption as: (i) an hidden (due to its illegality) violation of a contract that, implicitly or explicitly, state a delegation of responsibility and the exercise of some discretionary power; (ii) by a public *agent* (the bribee) who, against the interests or preferences of the *principal* (its public organization) (iii) acts in favor of a *third part* (the briber) from which he receives a rewards (the bribe) (della Porta e Vannucci 1999, pp. 16-7). The “contract” that public agents stipulate with the state – and therefore with the citizens the state represents – imposes the respect of rules restricting the discretionary power of the agent, universally adopted for limiting the potential conflict between the private interests of the agent and those of the principal (i.e. the public). There is a corrupt transaction if the public agent does not respect these rules because of the intervention of a third part, the corrupter, who induces him to sell resources related with his role (decisional power, reserved information, protection) in order to obtain – or increasing the probability of obtaining – property rights upon a political rent. In exchange for these resources, the third part offers to the public agent a quote of the value of such political rent, typically in the form of a bribe. Corruption then involves a violation, in favor of the corrupter, of *formal* rules whose respect should foster the principals’ interest.

Among the various conditions that could induce a public agent to violate the formal rules related with his/her position are those referring to his/her ethical standards. This set of variables has been defined in different ways in different approach to corruption: moral costs in political economy; culture in comparative politics, professional standard in constructionist perspective, institutional norms in recent neoinstitutional approach. In this article, we shall review the different ways of addressing ethical standards, stressing especially the need for sociological research on corruption to go beyond not only the methodological individualism on which rational choice approaches are base, but also the generic statements about “national cultures” and to look instead at the ways in which norms and institutions that facilitate illegal behavior are created and reproduced.

In particular, using our research on the Italian case as an illustration (della Porta and Vannucci 1999), we will discuss how norms are managed in the political economy approach, where they are considered as negative incentives (part 1), and in comparative politics of corruption, that looks at national cultures (part 2). We will then focus on the “moral costs” of corruption within specific “professional culture” (part 3), as well as the self-enforcing mechanisms of neutralization of the moral costs of corruption, often focused upon within a symbolic constructivist perspective (part 4) and the enforcing of alternative norms through the construction of specific governance structures of corrupt transactions (part 5).

## 1. The economic approach to moral costs

The moral costs is the utility that is lost because of the illegality of an action; it therefore increases with the development of a value system that supports the respect for the laws. Moral costs reflects internalized beliefs, as the *esprit de corps*, the "public spiritedness" of officials, the political culture, the public attitude towards illegality. In economic terms, we may distinguish between two concepts of moral cost. In a *macro-analytic* perspective, moral costs are one of the dimensions on which the negative effects of corruption within a certain society can be measured. Besides *economic* and *political* costs (the waste of economic resources in rent-seeking activities, the adverse selection of public agents and firms operating in the public sector, the inefficiency of the public action, the de-legitimation of political institutions, etc.), the widespread practice and the perception of high levels of corruption tend in fact to produce *moral* costs, undermining the "moral values" and ethical codes that sustain co-operative and public-interest inspired strategies within public and private organisations.<sup>1</sup>

In a *micro-analytic* perspective, instead, the notion of moral-cost has been used to describe not the *effects*, but one of the factors which can induce individual actors to engage in corrupt activities. According to economic models, an individual chooses corruption when the institutional system of incentives and opportunities makes this activity subjectively *rational*: "A person commits an offense if the expected utility to him exceeds the utility he could get by using his time and other resources at other activities. Some persons become 'criminals', therefore, not because their basic motivation differs from that of other persons, but because their benefits and costs differ" (Becker 1968, 172). As with other behaviors involving deviation from laws and/or other norms, the individual decisions to participate in corrupt exchanges depends upon the probability of being discovered and punished and the severity of the potential punishment (i.e. the *expected* cost), as well as the expected rewards as compared with the available alternatives: "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).

These two notions of moral costs – as negative effect and as a factor affecting corruption choices – are obviously interwoven: "The definition of bribes and gifts is a cultural matter, but 'culture' is dynamic and constantly changing. (...) If, however, these practices are imposing hidden or indirect costs on the populace, analysts can clarify and document these costs. Definitions of acceptable behavior may change once people are informed of the costs of tolerating payoffs to politicians and public servants" (Rose-Ackerman 1999, 110).

Moral costs therefore structure the preferences which affect corruption choices: they are the loss of utility which derives from "engaging in an illegal action" (Rose-Ackerman 1978, 113). Actors still have *given* preferences – they want to have *more* rather than *less* (utility or money) – but their calculus includes also this "moral" component. The problematic coexistence between these two distinct sets of motivation is vividly described by a corrupt Christian Democrat local administrator, Luigi Martinelli, who as a catholic frequently silenced his sense of guilt with a confession to (and related absolution of) his spiritual father: "In me there was a dual attitude: a vocation to honesty, but also the desire to have a career. And collecting bribes for the party is a way to jump into an higher level, to conquer leaders' trust" (*Panorama*, 12/7/1992, p. 54).

The higher the "moral cost" for a given agent, the stronger will be his "preference for law-fulfillment" (that is, the kind of *psychological suffering* associated with the violation of legal norms), influenced by his personal preference as well as by values and informal codes prevailing in

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<sup>1</sup> See for instance Pasuk and Piriyanngsan (1998), who identify a "moral cost" of corruption in its unequal distributive effects, making a few individuals very wealthy.

the organization where he has been socialized, and the lower will be the expected monetary gain of bribery. So conceived, moral costs are expressed in monetary terms and considered a positive function of the bribe.<sup>2</sup> Not surprising, economic models demonstrate an inverse correlation between levels of moral costs and corruption: since moral costs reduce the total expected benefit of corruption, they also restrict the set of acceptable bribes for a public agents (Rose-Ackerman 1978, 122). Correspondingly, variations in the moral costs can explain the different individual responses to similar occasion for corruption (Elster 1989a, 39). Since individuals have different values, their choices will vary even when they are subject to the same (or to similar) institutional constraints.

Given that moral costs influence the individual choices of violating the law, their distribution in the population influences the overall level of corruption. The assumption that moral costs have a *given* structure within a certain society reflects the attempt of economic models to “sterilize” the influence of cultural factors and social values on the overall quantity of corruption practices, concentrating on the effects of variation in institutional constraints. As Gambetta puts it, since “the distribution of probabilities of acting illegally within a certain population has a normal form”, we will find in every society very few incorruptible or unconditionally corrupt agents, while most of them will decide if and when be corrupt according to expected benefits and costs (Gambetta 1988, 240).<sup>3</sup> But assuming the distribution as having a given bell-form is not sufficient to exclude “moral” and other informal constraints from the explanation of corruption. It is not the relative, but the *absolute level* of such costs, reflecting internalized beliefs (as the *esprit de corps*, the “public spiritedness” of public officials, political culture, the public attitude towards illegality in different societies and over time), which influences the diffusion of corrupt practices (Pizzorno 1992, 43). The substantial variations in the perception of corruption which are observable across states having similar legal systems and formal institutions<sup>4</sup> – that is, comparable monetary incentives and opportunities for corruption – can in fact be explained by differences in the level of moral costs (and in the characteristics of their distribution).

The practice of corruption in a given country will therefore be affected by the combination of these two sets of variables: the expected economic benefit of corruption for individual actors (as well as the characteristics of their interrelated strategic choices); and the distribution of moral costs in the society. Developed within rational choice approaches, the notion of moral costs reflects the notion that individuals are able to calculate the trade-off between various preferences and maximize their utilitarian interests. Moral costs are therefore just a component of the individual calculus if to engage in corruption: they are measurable, and they are measured by individuals. This notion is, implicitly or explicitly, challenged by comparative approaches that stress how several mechanisms can induce variations of values and cultures not only among different individuals, but also across groups, social contexts, states and historical periods.

## 2. Comparing national cultures: God, family and (a)social capital

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<sup>2</sup> The underlying hypothesis is that moral costs are either constant, as a sort of “fixed cost” of corruption, or increasing as the size of the bribe increases (Rose-Ackerman 1978, 121). Johnson (1975) and Alam (1990) employ an analogous concept of “aversion to corruption”, defined as the value of the marginal revenue of corrupt relative to that of legal activities. Qizilbash (1994) presents a model of “moral character”, using a formal definition of temptation to describe agents which can be continent or incontinent, so influencing their corruption choices.

<sup>3</sup> Aidt, for instance, presents a model according to which “some tax collectors are more honest than others, possibly because of internalised moral costs. To capture this heterogeneity, I assume that a fraction (*c*) of all potential tax collectors are honest, while the rest (1 - *c*) are willing – if it is in their personal interest – to misinform the government in return for a bribe” (2003, 636).

<sup>4</sup> See for instance the Transparency International Corruption Perception Index, which shows a wide range of values – varying from the 9,7 of Finland to the 4,3 of Greece – for western democracies with similar levels of state intervention in the economic and social system (Transparency International 2003).

The different propensity to corruption observed in different countries has been explained, in comparative politics, among others variables, by the specific national values—being them crystallized in religion, family orientation, or confidence in the state. In such perspective, as Pareto notices, "the differences [between countries] are to be found in the substance, that is in the sentiment of the people; where they are more (or less) honest, there we find a more (or less) honest government" (Pareto 1916, 625). Elster, too, emphasizes the relevance of moral costs: "Although it is hard to prove, I believe that the 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 1989c,158). And Mény 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" (2000, 213). Especially in cross-national comparison, the general issue of values (in particular, but not only, political values), that help the spreading of corruption, has been discussed. Variations in the moral costs can therefore explain the different individual responses to similar opportunities for corruption: "people in a given society face the same institutions but may have different values" (Elster 1989a, 39). Given similar institutional conditions, the levels of political corruption will vary with the average moral attitudes among the citizens and the public administrators.

Looking for cultural traditions, norms and values which inform activities and choices of individuals belonging to different societies and organizations, a first observation, fueled initially by comparison between European countries, points at *religion*. In particular, case studies seemed to indicate that protestant countries tend to have higher ethical standards, while corruption seems more widespread in Catholic countries, in particular in Southern Europe. From case studies and small-N comparisons, the analysis of the relationship between religion and corruption has expanded to macrocomparison, using different measures of corruption as dependent variable (often TI index) and correlating them with statistical or survey data about religiosity. In a research on 33 countries, La Porta et al. (1997, 337) found a positive correlation between hierarchical forms of religion (Catholic, Eastern Orthodox and Muslim) and corruption—although in another research on 114 countries that correlation weakens significantly if controlled for GDP per head (La Porta et al. 1999, 251-2). Similar results are obtained in a macro-comparison where levels of corruption emerge as negatively correlated with the percentage of Protestants in the total population (Treisman 2000, 428), resulting in a negative correlation. Also according to another research (Paldam 1999), corruption is lower in countries with a large fraction of Reform Christianity and Tribal religion, and higher instead in countries with a large influence of Pre- Reform Christianity, Islam, Buddhism and Hinduism—with in particular a significant impact for Reform Protestants and Anglicans.

Catholicism has been mentioned as facilitating hierarchical relationships (because of the role the clergy acquires as a mediator between human beings and the God), but also the possibility, via confession, to be absolved of guilt and guilty feelings. While the protestant, weberian "spirit of capitalism" develops individual responsibility, the Catholic religion socialize to the possibility of buying pardon, via formal act of contrition, including even material payments. In both Italy and Spain, the intertwining of spiritual and material powers has a long tradition in the functioning of the clergy often as brokers also within a clientelistic machine where the sponsorship of the local priest helped finding, not only absolution, but also material rewards, such as job or housing (Allum 1995). In Italy, this link between corruption and religious behaviour is epitomized in the action of the Neapolitan politician and former Minister Cirino Pomicino who, in order to thank good God for the success of his surgery, asked the entrepreneur Francesco Zecchina, with whom he was in illicit business, to give money to a Catholic charity: "He asked me a contribution of 100 millions lira – 10 millions at Christmas and 10 at Eastern, for 5 years – to the priest Salvatore D'Angelo for the 'Village of the child' in Maddaloni. He made this request when he came back from Houston where he had had an hearth surgery operation in 1984-5, specifying that he had made the vow of helping

those boys. (...) I objected that it seemed strange to me I had to pay for his votive offering, but he replied that *I had to pay*" (CD, n.344, 6/5/1993, p.4). Research on Mafia bosses—often part of the corrupt business—has also stressed the particular role the religion played, not only for a long time in terms of legitimation of their power, but also in the development of their self-images, as “fair men”, deferent to God and the family. Personal responsabilization for sin in the protestant culture is counterposed to the institutional forgiveness of the Catholic church: “Protestant cultures are less understanding towards lapses from grace and press more urgently to institutionalize virtue and cast out the wicked” (Treisman 2000, 427). Moreover, Protestant society tend to have more pronounced separation between the state and the church, and a more vivacious civil society, as well as more tolerance for challenges to authority and individual dissent than Catholicism or Islam (Treisman 2000, 427-428).

Linking more or less explicitly religious beliefs and political values, also research about *civic culture* reflected upon the country-specific impact of values on the diffusion of corruption. Already Edward Banfield (1956), in his research on “amoral familism” in the Southern Italian village of Montegrano, observed that some values and norms affect the political capacity of a community to pursue public goods. According to him, widespread poverty was linked with amoral familism, that is the lack of capacity to act in the name of a collective good that goes beyond the immediate, material interest of the nuclear family (Banfield 1956, 10). Amoral familism interacts with the political behaviour in so far as it is expected that nobody will pursue the interest of the community (ibidem, 83-4), and moreover the citizens will believe that all those in power are self-interested and corrupt (ibidem, 99). In a sort of self-fulfilling prophecy, the amoral familist in a public administration will accept bribes, when he does not fear punishment, and all the members of the society will assume that he is corrupt anyhow (ibidem, 92).

Family ties emerged indeed in investigations on corruption—often providing the strong bound of solidarity needed for risky activities. For instance, in relation to Sicily Michele Pantaleoni has noted that “it is significant that of 18 entrepreneurs in public works ... two are the direct relations of parliamentarians ..., three married to the children of national-level party leaders, one the son of the director of a regional assessorate, another the son of the president of a public body” (Pantaleoni 1984, 184). Very often, corrupt deals have been justified with the necessity to find support for an elderly mother or many growing children. Relatives offer a cover, in terms of material affairs, but also psychological support, as well as a justification of “minor misdemeanours” in the name of a superior value. A functionary, for example, justified his attempt to collect bribes – selling information on questions in a television quiz-show – with the needs of his mother: “I did it because I wanted, but I also didn’t want...My mother has an heart disease, and a monthly pension of only 600.000 lira” (“La Repubblica”, 17/4/1997, p.21).

Research on different countries, indicated a strong link between political corruption and *patrimonialism*. In the studies dealing with corruption in Third World countries, corruption has been linked to their patrimonial character defined as “not simply to the persistence in social relationships generally of personalistic principles of kinship, clanship and clientship, but, more crucially, to their inevitable invocation in dealing with the state” (Theobald 1996, 13).<sup>5</sup> In Spain, where political corruption became in the nineties “the single most salient issue in Spanish politics” (Heywood 1995, 726; see also Pérez-Díaz 1996), commentators explained its development with the traditional emphasis on *amiguismo*, involving the use of brokers in the relationships with the public administration (Heywood 1997, 70-71). Studies of corruption in Portugal recalled the long-lasting presence of caciques, “influential local bosses such as priests, lawyers and others who were able to offer to the government in power a bundles of votes from their local community” (Magone 1996, 9),

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<sup>5</sup> The survival of corruption even after democratization has been explained with the presence of a “soft state”, i.e. “a state that fails to supersede personal, family, ethnic and tribal loyalties. Many elected president or democratically appointed officers do not perceive the boundaries between state and private finances ... This ‘soft state’ is perpetuated in new democracies because political institutions are usually very weak” (Pinheiro, 1994, 38).

and a neopatrimonial structure and culture, inherited by the democratic state, emerged in 1975. Many political scandals emerged in Greece, under the so-called “patrimonial socialism” led by Andreas Papandreu (ibid.). As for Japan, another country in which corruption appear to be quite widespread, a persistence weakness of the concept of public good, that only late and imperfectly was distinguished from that of the private good of those in power (Bouissou 1997) as been often quoted. Corruption in the former French colonies in Africa was facilitated by the development of personalized relationships between the African leaders and their counter-part in France (Médard 1997). In Italy, the power of the former national secretary of the Socialist Party, Bettino Craxi, was considered as an example of caciquism (Sapelli 1994).

More in general, the hypotheses about uncivic culture, with low costs for corruption, developed within classical comparative research on political culture that stated that democratic quality depends upon *people's attitudes vis-a-vis the political process* (Almond and Verba 1963; Pye and Verba 1965). In this research, the Italian political culture emerges indeed as alienated, fragmented and particularistic, with low trust in politics and public administration (Almond and Verba 1963). More recently, Robert Putnam (1993) developed similar hypotheses in order to explain institutional output: according to his influent research, when civic values are widespread, politics is perceived as oriented to the public good, and politicians and citizens behave accordingly. In civic regions, citizens trust their politicians as honest and politicians meet high moral standards; viceversa, in uncivic regions, citizens as well as politicians consider corruption as the rule (ibidem, 135). Macro comparison indicated that trust (as measured by the World Value Survey) has a significant negative impact on corruption, even controlling for GDP per head (La Porta et al. 1997: 336). Similarly, Husted (1999) discovered that acceptance of inequalities is correlated with corruption.

Civiness is also linked with the respect for the law—that is, the internalization of the conception of a *Rechtstaat*. Alessandro Pizzorno (1992, 66-68) focused to the development of public ethics, distinguishing between a political ethic (sense of politics) and a state ethic (sense of the state). The political ethic privileges, in the political activity, long-term ends, referring to collectivities that do not coincide with the state territory (classes, ethnic or religious groups etc.). Those who have a “sense of the state” instead perceive institutions as oriented towards the public good of the community defined within state borders. In Italy, loyalty to the two large communities—the socialist one and the catholic one—prevailed over loyalty to the state, jeopardizing the development of a sense of respect for the Law of the State. Since the seventies, also the “sense of politics” diminished, with therefore the weakening of the moral constraints against corruption. As Michael Johnston observed, the very notion of corruption is related “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 implemented, or internalized, corruption can develop. In fact, corruption spread when corrupt behaviours are not stigmatized, by the elite and/or the public opinion, becoming “white” or “gray” forms of corruption (1970).

As many cultural explanations, also the explanation of corruption in terms of values have been accused of describing more than accounting for. As Paul Heywood (1997, 70) mentioned, “One of the most familiar, yet also one of the most easily dismissed, explanations of political corruption in Spain is one which relies on some notion of ‘national character’... Just as German are supposedly efficient, and the French stylish, so Spaniards are lazy and corrupt”. An open question is, first of all, why should an immoral society produce a corrupt political class? The response that the political class is usually selected from within that population is not fully satisfactory since, as it is well known, specific positions/professions involve specific paths of socialization. A parallel explanation could be that, in an amoral society, politicians do not have to fear stigmatization (and electoral withdrawal) if they are caught corrupting. Here as well, however, Italian as well as Spanish history (but also the vicissitudes of many regime crisis in Southern countries) indicate that scandals do

emerge and produce strong emotional (and concrete) effects also in society characterized by weak civiness. In fact, as Banfield had already observed, in a society of amoral familists, law-and-order sentiments are widespread (1956, 93). Looking more in depth in the interaction of corruption dynamics and widespread values, it was indeed observed that lack of trust tend indeed to interact with the spread of corruption especially since in such societies citizens (and entrepreneurs) are pushed to “buy” the public services that they do not think they could obtain otherwise. At its turn, corruption confirm the appropriateness of that mistrust, fuelling it even more.

### 3. *Public class, entrepreneurs and socialization to corruption*

Research on moral costs also focused on the specific characteristics of the actors involved in corruption: the political class, the bureaucrats, and the entrepreneurs. White collar crime has been explained with reference to *work-related subcultures*<sup>6</sup> that “tend to isolate their members from the mainstream of social life and its construction of reality ... 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). Typically, the internalization of norms depends on so-called *pride in position* and the prestige of public service: the more public roles are socially rewarded, the less desirable the violation of group norms. In the Italian case, the diffusion of corruption in the bureaucracy may have been facilitated by the traditionally low status of the public bureaucracy<sup>7</sup>. In fact, compared with the German, British or French public administrations, which have traditionally shown a strong *esprit de corp*, the Italian bureaucracy is characterized by a generalized lack of the sense of the state, related to the importance of political protection (or, in the best of cases, seniority) in career development. Similarly, in the Russian transition to democracy, a major risk has been singled out in the extreme weakness of the public bureaucracy, interested more in private enrichment than in providing services to the citizens, incompetent and anti-democratic, capable in the protection of friends but unable to take responsibility for the public good (Mendras 1997, 126-128).

The classic studies of local power in the United States identified the preconditions for a reduction in the moral quality of the political class in the accession to power of particular *emerging groups*. In his famous study on New Haven, Robert Dahl (1961) singled out, on the basis of the social origins of those occupying positions of institutional power, some distinct stages in the passage from oligarchy to pluralism, from the concentration to the dispersal of the most relevant political resources. In particular, Dahl related corruption with the domain of *ex-plebs* who had neither wealth nor instruction but were able to build a following among the new immigrants. The entry of the *ex-plebs* brought about a transformation of the political ethos: “Political leaders and their followings combined to use the political system in order to eliminate the handicaps associated with ethnic identity rather than to reduce disadvantages stemming from the distribution of resources by the existing socio-economic order itself” (ibid., 33). It was in this phase that corruption developed since the new political leaders, often themselves coming from discriminated ethnic groups, began to offer protection in return for electoral support:

Since political leaders hoped to expand their own influence with the votes of ethnic groups, they helped the immigrant overcome his initial political powerlessness by engaging him in politics. Whatever else the ethnics lacked, they had numbers. Hence politicians took the initiative; they made it easy for immigrants to become citizens, encouraging ethnics to register, put them on the party rolls, and aided them in meeting the innumerable specific

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<sup>6</sup> Work related subculture are “epistemic communities that provide the locus for specialized reality construction in society on the basis of work concerns or ideological commitments” (Holzner 1972, 95).

<sup>7</sup> A low social status is often sanctioned by low wages. Van Rijckeghem and Weder (1997) show how the empirical evidence points to a negative relationship between corruption and wages across developing countries.

problems resulting from their poverty, strangeness, and lowly position. To obtain and hold the votes, the political leaders rewarded them with city jobs (Dahl 1961, 34).

According to Dahl, however, the integration of these ethnic groups into the community reduced the power of the ex-plebs.

Other students of local power explicitly linked the lowering of the moral quality of the political class to its social origins, describing a kind of *class ethos*. According to such hypotheses, while the middle class sees local politics as a service to the community, emphasizing the public virtues of honesty, efficiency and impartiality, the lower classes prefer political clientelism and corruption, from which they receive the particularistic protection they need. Edward Banfield and James Q. Wilson in particular have argued that:

... the middle class ideal sees local politics as a cooperative search for the concrete implications of a more or less objective public interest, and interest of the community "as a whole". The logic of the middle-class ideal requires that authority be exercised by those who are "best qualified," that is, technical experts and statesmen, not "politicians". The logic of the middle-class ideal implies ... particular regard for the public virtues of honesty, efficiency, and impartiality; and a disposition to encourage the consumption of "public goods" like schools, parks, museums, libraries, and by extension, urban renewal .... The old-style politics of the boss and machine is, and no doubt will remain, highly congenial to the lower class (Banfield and Wilson 1967, 330).

Contrary to what emerged in the mentioned studies of the American political machines, in our research on the Italian case (della Porta and Vannucci 1999) the spread of corruption is not related to the rise of "ex-plebs" who supplant the middle classes. Rather, it develops when politics begins to attract chiefly those individuals who are able and willing to derive personal benefits from the control of public resources. We noticed in fact that the crisis of the Italian socialist party had developed when the working class membership had abandoned the party, and a new middle class had entered it, occupying power positions. This new political class was characterized by a "business" approach to politics, in the sense that political involvement was considered as a way to enrich oneself. A similar conception has been noted also in other times and countries. As Raymond Wolfinger had observed in his research on New Haven, "Patronage inevitably creates a cadre of activists for whom politics is a way to make money, not a means of striving for the good, true, and beautiful" (Wolfinger 1973, 95). As Wolfinger noticed about the American political machine, "There is no reason why the advantages of political influence appeal only to the poor. Where the political culture supports expectations that official discretion will be exercised in accordance with political consideration, the constituency for machine politics extends across the socioeconomic spectrums. (...) Certain kinds of business and professional men are more likely to have interests requiring repeated and complicated relations with public agencies, and thus are potentially a stronger constituency than the working classes" (Wolfinger 1973, 112).

Our business politicians can, however, be described as "homines novi", whose entry into politics, from the Roman Republic onward, is considered as having raised the tolerance threshold of deviation from the established norms. According to Banfield and Wilson analysis of American cities, for instance, 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 towards their exclusion. Once they have "arrived", these same social groups become defenders of the new order. In part taking up these hypotheses, Alessandro Pizzorno (1992, 45) has suggested that the "homines novi" are more susceptible to participation in corruption because the detachment from prior reference groups entailed by entry into politics lowers the moral cost of behaving illegally. According to Pizzorno, "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 therefore 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 rewards gained through corruption, in fact, can be enjoyed in a socially satisfying manner only if this does not lead to stigmatization by an individual's reference groups. The careers of many of the Italian corrupt politicians, reveal common tendencies, summed up by many of the interviewees with the colourful neologism *rampantismo*—an Italian neologism which can be translated as being “on the make”. In the first place, our business politicians generally entered politics *without pre-political resources*—that is, they entered politics with little money, prestige and/or power. Their careers frequently begin from "near the bottom", characterized by "obscure social origins" (QGF, 61) and, at the same time, scarce ability or professional qualifications, are “with neither art nor part, without education” (Coisson 1983, 15), "a tuppenny adventurer"; "an architect on the make, without scruples" (Interview SV3).

As our research indicated, if "desocialization" leads to greater openness to corruption, it should be added that the environment in which the individual is "resocialized" also plays an important role. In fact, the corrupt politicians are stronger in their competition with their non-corrupt colleagues, since the former can invest in their political career also the material resources and the network of clients accumulated on the illegal market. Using the additional resources they accumulated in illegal markets the business politicians took over the political parties, prevailing in the competition with their "honest" colleagues. In this way they transformed the very rules of politics. Moreover, the actors who moved within the system of corruption created and contributed to the diffusion of a set of rules which, accompanied by a jargon confined to the initiated, allowed corruption to minimizing the risks of denunciations. The party system is in fact transformed in the first place into a system of *socialisation in illegality*, spreading frames that “neutralize” corruption. As criminologists have observed long ago, “criminal behavior is learned in interaction with other persons in a process of communication” (Sutherland and Cressey 1974, 75). In the case of political corruption in Italy, this communication process developed in particular inside the political party. For instance, after his imprisonment, a Christian Democrat leader of Milan, Maurizio Prada declared: “I have been strongly and morally helped by the awareness that I was using the bribes that I have received in the last years in the interest of the party. It has been decisive the fact that I still can proudly get into the Milan headquarters of the party and I am reputed by collaborators, functionaries and leaders as the one who decisively contributed, for such a long time, to the party’s life” (PM, 23). The corrupt party provides socialization to the rules of the (illegal) game, permitting the system of occult transaction to expand. Politicians already "introduced" to the rules of the illegal marketplace introduce others in their turn. Loyalty to the party serves in obtaining appointments, which are then paid for in the distribution of the money acquired through corruption. A Lombard regional councilor revealed: "Bringing in money for the party was a way of getting on, gaining the trust of the bosses. And my boss wasn't just anybody ... Pulled in his wake, I would have had a brilliant career (*Panorama*, 12/7/1992, p. 54).

The corrupt party "places" its men in various positions of responsibility in public bodies; in return it demands that they "conform" to the "rules", utilizing those positions not only for personal enrichment, but also for (illegal) party financing. As Nevol Querci, Socialist MP and President of the INADEL (a public body), declared to the magistrates: “I knew, and know, that the key positions in particular bodies (the INADEL among them) are filled by people the parties trusted to *take the burden of obtaining contributions for the party itself*; in any case, *I knew that any change of mind on my part would immediately lead to my marginalisation and the loss of my position* (in *Panorama* 1993, p. 76, emphasis added).<sup>8</sup>

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<sup>8</sup> Similarly, about his nomination as a member of the ENEL board, Valerio Bitetto declared: "The PSI proposed me for that position and on the occasion I met with *on*. Craxi in person, who literally said to me, 'don't sit there keeping the

Through the parties' assumption of this role in socialising to corruption, the system of occult transactions expands. In the case of corruption, political parties facilitate corruption reducing the moral barrier against illegal actions:

Political party membership, and the experience of political life in general, also has secondary socializing effects which become constitutive of a person's identity and therefore of their moral principles. Someone belonging to a political association can receive recognition for: technical or cultural abilities; loyalty, or conformism, in ideological commitment; loyalty to a particular leader; astuteness, aggressivity or lack of scruples in "taking out" adversaries; capacity for forming links with the wider society and bringing in money for party funds or other kinds of contribution; or, naturally, some combination of these qualities. The "moral quality" of associated life will vary according to the prevailing criteria for recognition. The more an individual's activity and relations are restricted to the concerns of party life the more the identifications on which identity is modeled will reflect its "moral quality", and on this will depend the moral cost of corruption. The more corruption is diffuse the more political parties themselves function as agencies for socialization in illegality, reducing the moral cost paid by their members for participation in corrupt practices (Pizzorno 1992, 47).

The politicians already "introduced" to the rules of the illicit market in their turn introduce the others. Of his role in socialising other administrators in the system of corruption, the ex-Mayor of Reggio Calabria has written: "Once, talking of people who accepted bribes, an entrepreneur reasoned: 'For politicians money is like taking drugs. After you take it once you can't do without it. Its difficult the first time. Then, it becomes like heroin and you go and demand it.' One of the people I initiated into taking *mazzette* afterwards started to make small deals of his own, *gli "assolo"* [solos] as they're called in the jargon" (Licandro and Varano 1993, 47-8).

With the widespread presence of the parties in the various nerve centres of the public administration, *corruption becomes the rule*. As Luigi Carnevale, councillor of the former PCI and than PDS (Partito Democratico della Sinistra) for the Metropolitane Milanesi, relates: "On entering the *Metropolitana* I found *an already tried and tested system* according to which, as a rule, virtually all contract winners paid a bribe of three per cent ... The proceeds of these *tangenti* were divided among the parties according to pre-existent agreements" (in MPM, p. 147, emphasis added). In a similar fashion, Mario Chiesa talked of an "environmental situation" favouring corruption: "My conduct in the PAT," the ex-administrator declared to the magistrates, "wasn't my own invention but the result of an existing *environmental situation* in the Milanese health service (and in the public administration more generally), to which I adapted myself when, beginning my political activity from the bottom, I discovered it to be a source of finance for personal political advancement" (in *Panorama* 1993, p. 27, emphasis added).

Concluding, the development of corruption requires the advent of a public class which has internalized a particular set of behavioural norms. Particular subcultures are created whose operational codes, partially overlapping with the official value system, reduce the moral cost of participation in political corruption (Chiesi 1995, 136-38). Socialisation in political corruption leads to the internalization of a set of values analogous only in appearance to the value system regulating legal activity.

#### 4. Neutralizing moral barriers

Party socialization into corruption helps the development of a *situational morality* that justifies corruption (Chibnall and Saunders 1977, 151). For an individual, "the moral cost is lower

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seat warm': in other words, he told me that I had to use my position to get votes and money for the party" (in *Panorama* 1993, p. 51).

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 are going to suffer higher costs when both in their own and their peers’ perspectives corrupt behavior involves a violation of values--as the "public service"--which are deeply internalized.

Individual’s behavior is guided by the expression of "moral conventions": beliefs in a certain general principle (as trust in others, or respect for the law) accompanied by the expectation that they are recognized and shared by (at least large part of) others. These conventions will be stable, forming an equilibrium, only where their social consequences -- the sum of resulting actions -- are compatible with the expectations which shape them. Otherwise, if the actual results do not match expectations, the adaptation of the latter may bring about a change in the conventions themselves. If moral aversion to corruption is conditioned by the (more or less corrupt) behaviour of others, the expectation that corruption is widely practised becomes self-fulfilling; not simply as a result of rational calculation, but also because the moral barriers to that activity are lowered as processes of self-legitimation come into operation. Corruption, originally an effect of dissatisfaction towards public affairs, causes a deeper mistrust and therefore a wider corruption (Hirschman 1983, 135). The corruption of the political leaders make it easier for the bureaucrat to justify his own corrupt behavior as adherence to an unwritten procedural code. Parties also provide a frame which is used in order to neutralize involvement in corruption considered as not an illegal activity, but normal politics. Referring to Goffman’s (1974) conception of frames as a metamessage that specify the context in which the message should be read, Pier Paolo Giglioli (1997), analysing one of the Mani pulite trial, has singled out a tendency by the defendants to frame their activity as belonging to a “normal praxis” of politics financing.

The administrators implicated in corruption cases tend to present their actions as perfectly *normal*, albeit not conforming to a "utopian" ideal of democracy. Significantly, of one of the administrators involved in the trial concerning Villa Favard in Florence the public prosecutor observed: "he has always acted on the belief that receiving payoffs for the party was legal, politically laudable and in no way morally reprehensible" (*La Nazione*, 27/2/1986). Looking at the justifications of the defendants during trials, a relevant common feature is their presentation of themselves as "children of the political system", in no way different from their less unfortunate "colleagues".<sup>9</sup> Their actions (including bribe-taking) originated from the requirements of politics; not an idealized version of politics but real, actual politics.

First of all, parties (or other socializing agency), provide an *alternative language* for defining corruption as the normal way of financing their activities. In the phase of negotiating the amount of bribe to be paid, a wide range of terms were adopted: "reimbursement of expenses", "compensation", "gratuity", "bonus", "organizational contribution", "premium" in the language of the public officials; "disbursements", "political expenditures", "additional costs", "obligations", "the X per cent rule", "unspecified expenses" in that of the entrepreneurs. In fact, even where corruption was the rule, it was never mentioned openly. The initial approach took stereotypical forms: "And there's nothing in it for us?" or "speaking of the party's necessities and the usual practice as far as businesses helping to cover them is concerned" (from a businessman's evidence in CDEM, p. 119).

In addition, politics is characterised by a continual exchange of *favours*. Thus it is asserted that the contributions were "gifts" given not in return for illegal action but rather for "favours". "Gifts" and "favours" are then defined as expressions of "friendship" and "solidarity", terms often used during interrogations. Arrogance thus shades into a particular conception of *generosity*, as the distribution of "favours" to "friends": one of the administrators implicated said, "I've always given" (*L'Unità*, 16/3/1985). The portrayals of the ex-President of the Liguria Region appearing in the

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<sup>9</sup> In a similar way, U.S. vice-President Spiro Agnew, who had to resign from office in 1973 for allegation of bribery during his time as Governor of Maryland, “protested that what he had done had been normal practice in Maryland for years” (Williams 1996, 7).

newspapers immediately after the scandal broke dwelt on the contradictions of someone "famed as an artist of command, implacable with his adversaries, extremely devoted to his friends" (Lerner 1983, 67); "very different images and memories remain [of him] in the *Savonese*. There are those who remember him as a hard and methodical boss, 'one who wore both belt and braces' and others who remember him as a benefactor, 'I owe everything to Alberto'" (Bocca 1983, 9). Delays and inefficiencies in the administrative system provide additional justification: to "speed up the process" for a "friend" becomes "legitimate defence" against the inefficiency of the system. Indeed, the constant exaltation of "friendship", renders the corrupt transaction ethically praiseworthy. Many of our business politicians would agree with a Sicilian DC "boss" who confessed: "I can admit to having a fault ... I am human. If I am somebody's friend, I help them" (cited in Leone 1988). Finally, this conception of politics and of friendship allows those implicated to distinguish between criminal behaviour (which is not their case) and a practice described as "unorthodox" or a "shortcut".

"Gifts", "favours" and expressions of "solidarity" are considered "innocent" behaviour so long as third parties are not directly harmed. In a culture characterized by positive evaluation of gift, bribes are often—especially initially—masked as innocuous gift. As the Italian brokers Zampini explained, a sort of escalation in this strategy of gift can be a way of testing the moral barriers of the potential partners, as well as slowing socializing him to illegality. In fact, Zampini's networking was also furthered through his organisation of "foreign junkets", an innovation for which he claims authorship: "They money flowed briskly. Once on the plane, Concorde I think, I spent 3 million for presents for everybody. I remember I asked Giuseppe Gatti [leader of the DC group on the city council] to draw up the bill and he was astonished by the amount. But he didn't say anything and as far as I was concerned, from then on, he was 'done', compromised, prepared to come in on the game" (*L'Espresso*, 18/11/1984, p. 45).

Also for entrepreneurs, the decision to pay or not a bribe depends on the entrepreneur's "moral propensity" to illegal behaviour. The condition of illegality may cause in fact a kind of "emotional suffering" which can influence that choice, even considering it as the result of rational calculation. To explain his final rebellion, an entrepreneur from Bari who had paid bribes for fifteen years declared: "... I couldn't look at myself in the mirror any more. I felt completely shitty. It seemed wrong, humiliating" (*L'Espresso*, 18/11/1984, p. 34). And also in this case, paying bribes is often "neutralized" as a normal behavior—as Italian entrepreneurs declared "My colleagues also told me that that was the way things worked, that everyone did it and at bottom there was nothing strange about it" (*L'Espresso*, 18/11/1984, p. 41); "It was a sort of custom. ... Since that was the system, more or less, I preferred to be part of the system" (*Panorama*, 14/2/1993, p. 61). Moreover, mechanisms exist inside firms for a progressive and "painless" inclusion in the "rituals" and institutional obligations of corruption. Enso Papi recalled that, when he was nominated manager of the Cogefar, a company controlled by FIAT, he was given "a booklet where all the 'obligations' and payment dates of the company were recorded. A list of names and sums; an inheritance which had to be respected to the letter. *Illegality was so regularised that I didn't feel I was perpetrating a criminal act*" (*Panorama*, 16/4/1994, p. 86, emphasis added). Thus each manager ends up considering their individual contribution to the complex operation underlying an act of corruption -- establishing contacts with politicians, negotiating the sums to be paid, creating hidden funds from which the money can be drawn and effecting payment -- as part of a decision-making process which lies outside their personal responsibility. Similarly, skills and knowledge in corruption practices are passed on, in numerous family-run businesses, directly from father to son: "I paid my first bribe in 1966, when I inherited this enterprise from my daddy. We paid for 45 years, since when the Republican Army was founded" stated an entrepreneur who has been arrested in relations with supplies to the army (*La Repubblica*, 25/10/1995, p. 9).

Corruption is also often justified in the name of a superior goal. For politicians, A number of politicians involved in recent corruption investigations also stressed their "*efficient*" image of a

public administrator, a self-representation which also offers a "moral" justification of corruption. The description given of an eminent colleague by a Calabrian administrator makes the point nicely: "He really is convinced that he always pursued the general interest with abnegation and public spirit. ... Securing investment, even through corruption, served the interests of the population and contributed to the prosperity of the city. Paris was worth a mass, and public works were worth a bit of bribery even if by doing so the system was perpetuated. He said: `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, for entrepreneurs the moral costs of breaking the law are attenuated by what one of them defines as the "ethic of responsibility an entrepreneur has towards his firm and employees" (*L'Espresso*, 21/6/1992, p. 31) and another as "the interests of the thousands of employees and shareholders to whom I felt I owed paramount responsibility" (*La Repubblica*, 18/5/1993, p. 5) or the responsibility "for keeping a firm with a thousand employees going" (PRIM, p. 15). In fact, like other "white-collar crimes", corruption is an illegal act closely connected to activities which are both legal and considered socially positive (Solivetti 1987, 71).<sup>10</sup> This is all the more true when the firms involved in corruption--as it often happened in the Italian case--were specialised in satisfying public demand, thus reducing their opportunities of working in the private sector. The particular location of their plant, the specific skills they had developed in a learning-by-doing fashion, or the discrete investments that are made at the behest of the public customer rendered them particularly susceptible to bribery demands (Williamson 1989, 143). One of the Pio Albergo Trivulzio's contractors stated: "Giving these people money wasn't a result of free choice. Having equipped the firm with sophisticated and expensive machinery and taken on a large number of highly specialised employees, the firm's survival depends on getting contracts" (TM, p. 30).

##### 5. Moral (and immoral) norms as informal institutional constraints

According to North, institutions are the "rules of the game in a society or, more formally, as the humanly devised constraints that shape human interaction" (1990, 3). Institutions can be divided into three categories: *formal* rules (constitutional rules, statutory laws, regulation, contracts, etc.), *informal* constraints (social norms, customs, conventions, etc.) and their respective *enforcement* mechanisms. Rules are institutionalized when "actions taken by the players of the game based on their subjective game models become mutually consistent over periods (i.e., equilibrated), then their subjective game models can be confirmed by their observed reality jointly created by their action choices and reproduced as a guide for their further action choices" (Aoki 2001, 3). In this perspective, moral costs, which are the expression of internalized beliefs attributing positive value to the respect of laws, can be conceptualized as an *informal* institutional structure of compliance with legal norms regulating the conduct of public and private agents. They are, in other words, shared "governance mechanism" (Williamson 1996). that can reduce transaction costs in the relationship between public agents and their principal, the organizations on whose behalf they act.

High moral costs make anti-corruption laws "self-enforcing", independently from expected sanctions and risks of legal prosecutions, sustaining and guaranteeing honest conduct of public and private agents. Moral costs, as other informal sanctioning mechanism based on cultural codes and ethical values, rely on two mechanisms. We can observe *first-party control* when legal norms have been internalized to such extent that their violation produces feelings of guilt and psychological discomfort (Panther 2000). This presupposes the attribution of a positive value to the respect of anti-

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<sup>10</sup> According to Sutherland (1983), the ideal businessman, as the professional thief, often engage in crimes and violations which are not stigmatized in his peer group. Differently from the professional thief, however, the businessman define himself as an "honest man". On those aspects of firm organisation favouring law-breaking on the part of businessmen and other "white-collars" crimes, see Leonard and Weber (1978).

corruption law in itself, due to existence of ideological and cultural values homogeneous to those embodied in state's rules.

To understand the process of socialization to the informal norms that sustain moral costs, we have to consider also the interplay of internalized principles of behavior with *second-party* enforcement mechanisms. In this case, social sanctions are *informally* administered by other agents against those who violate laws. An agent is going to suffer a higher moral cost when both in his own and in his peers perspectives corrupt behavior involves a violation of values – as the “public service”, the reputation of honesty, the *esprit de corpe*, etc. – which are deeply internalized and socially recognized.<sup>11</sup> As mentioned, Pizzorno emphasizes the crucial importance of the relationships with one's primary “moral recognition circles” in the formation of moral costs. For a given individual, in fact, the moral cost of entering into corrupt transactions will be higher:

The acknowledgment of a “moral cost” in the violation of the law implies the attribution of a positive ethical value to its respect. But when there are *strong* alternative loyalty sources or conflictual sub-cultures (as those largely diffused in Italy), on the contrary, public procedures and laws can be subordinated to the pursuing of these private organizations ends: corruption functional to such aims can ironically assume a positive moral value (Pizzorno 1992, 19). A paradoxical “sense of justice” accomplishes then the practice of corruption considered useful in the superior interest of one's party, faction, clan, family. When in the clash between two conflicting systems of values such interests prevails on the “public” one, the moral cost of corruption is strongly reduced, or can be even reversed into a *moral benefit*. In this case, a political agent can proudly claim the right to use bribery in order to support the organization's purposes he is strongly identified in, obtaining both a social legitimization in his relevant recognition circle and a psychological relief from the perception of acting illegally. Where corruption becomes, through a process of informal institutionalization, a regulated system, moral cost are profoundly undermined. Shared beliefs about the tacit rules which govern their corrupt interaction with other players reinforce such informal (due to its illegality) institutional framework: “For example, 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 regards the practice rather than the ineffective statutory law as an institutions” (Aoki 2001, 13).

Hidden markets for corrupt exchanges are in fact characterized by different structures of *informal* institutions and their enforcement mechanisms, which include self-sustaining illegal conventions, moral codes, self-enforcing contracts, norms of reciprocity, reputation, third-party sanctioning, as well as several organizational architectures (limited in their scope or more elaborate and wide ranging), whose resources are used in order to protect illegal dealings and informal property rights. The significant discrepancies in the levels of corruption, even among countries with similar institutional arrangements, economic development and cultural values, may be explained by the path-dependent progressive affirmation of more or less efficient governance mechanisms of illegal agreements. The neo-institutional approach emphasizes the dynamical aspect of the institutional interdependencies between the opportunities of corruption and the internalized values of actors, which can give rise to multiple, sub-optimal arrangements (della Porta and Vannucci 2004).<sup>12</sup>

Path dependency is grounded on the presence of increasing returns or positive feedback from specific activities (as, for instance, corruption): a step in a particular direction increases the probabilities of further steps along the same path, since the relative benefits of that activity, compared with other possible options, increases over time, together with costs of “exit” (Pierson

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<sup>11</sup> In an interactionist perspective, motivations are a social construction, determined by the expectations of significant others and generalized expectations of the society as a whole (Coleman 1987).

<sup>12</sup>

2000, 252). Among the characteristics of increasing returns processes, according to Arthur, are *unpredictability*, *inflexibility* and *potential inefficiency* (Arthur 1994, 112-3). Since early events have significant impacts and are often casual, many unpredictable outcomes are possible from the same set of initial conditions. Moreover, the farther a process has developed, the more costly the shift from one path to another, until it eventually lock in one solution, which in the long run may produce less efficient results than a possible alternative. This model can be applied to explain the development of pervasive systems of regulated corruption (della Porta and Vannucci 2004).

In spite of the high transaction costs barriers, more or less complex networks of corrupt exchanges can develop parallelly with governance mechanisms that help to meet the “demands” of protection of fragile and uncertain property rights at stake in the corruption domain.<sup>13</sup> Some structures become self-enforcing, sustaining “honest” trade relationships among different corrupted actors and generating stable expectations that constrains their actions by imposing the fulfillment of the illegal contracts. Various and interrelated socialization and sanctioning systems may sustain the enforcement of corrupt agreements and reduce its moral costs, which would otherwise increase the risks of being denounced. When partners share similar internalized norms, the probability of a successful conclusion of corrupt exchanges increases. As we have seen, a basis for corruption activities is the involvement in it of relatively homogeneous agents, sharing customs, social norms, ideological and cultural values (opposed, or at least autonomous, from those embodied in the respect of state’s norms), which can produce expectations of reciprocal implementation of corrupt dealings. The corresponding endogenous rules of the “corruption game” relies on the negative feelings associated with the betrayal of commonly internalized codes of behavior prescribing “reliability” in corrupt transactions.<sup>14</sup> In this case, then, there is no longer any moral cost in corruption, but a mirror-like *immoral cost* – so to say – can emerge associated with the fulfillment of the terms of the hidden corruption contract. The higher his immoral cost, the less inclined an agent will be to cheat or denounce partners in corrupt exchanges, since the respect of the “norms of corruption” has assumed an “ethical” value in itself.

As an instance, we can consider the role of Italian *party cashiers*, who were chosen precisely for their reputation of trustworthiness and “integrity” in illegal dealings. They gathered and managed the flux of bribes addressed to the party and could easily conceal part of the illegal revenues to their party colleagues, being the only ones who possessed a detailed knowledge of the mechanisms governing its allocation (della Porta and Vannucci 1999, 97-99). Party cashiers acquired a favourable reputation and were consequently empowered by leaders thanks to their observance of a peculiar norm of honesty, implying a respect of the obligations assumed in illegal transactions, i. e. due to their high “immoral cost” of corruption. The importance of their “honesty in illegal deals” emerges, for example, in the following description of the national administrative secretary of the Italian Socialist Party, made by his assistant: “he was a man of honour who personally saw to his obligations and therefore, for reasons of uprightness and personal prestige, consigned in person the [bribe] money due to the local branches” (CD, n.202-bis, 23/2/1993, p. 12). The middleman Adriano Zampini describes how “immoral costs” are shaped in conformity with the rule of a “good corrupter”: “If you want to build a good relationship with a person to whom you presented a project, you just need a small sign of agreement after you have been the first to do something concrete for

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<sup>13</sup> As Turvani notices: “Prohibition cancels the possibility of referring to a higher, more formal level of institutional orders and sanctions (no court will defend property rights and enforce a contract); it does not cancel transactions. Transactions will take place, but they are now pushed back to another, more primitive institutional environment. A prohibited market is a black market: but the black market is not simply an illegal market, it is a market with a lower degree of institutionalization protecting agents and their transactions” (Turvani 1997, 143).

<sup>14</sup> Any kind of exchange can be facilitated when counterparts are emedded in a social structure (as for instance kinship, ethnic, cultural or religious links, etc.), which reduces its transaction costs (Granovetter 1992; Aoki 2001, 208-9). As Lamsdorff observes, corruption does not make an exception: “corrupt relationships can be setup with partners with whom some kind of organizational link already exists. (...) Pre-existing relationships can lay the foundation for economic exchange by providing the required safeguard against opportunism” (2002, 233).

him. Favors, reciprocity and coherence with that first engagement would permit a future development of that relationship. ... Being coherent means relying upon rational bases and this build up trust and security. Never think, not even joking, to manipulate the others; the possible exposure would end up in loosing your relationship” (Zampini 1993, 113).

In this perspective, *the stronger, more lasting and institutionalized are the governance structures guaranteeing the “private-order” norms that regulate corrupt dealings, the lower will be the moral costs of corruption.* Two distinct mechanisms tend to undermine the moral barriers against pervasive corruption: (a) a generalized weakening of the “sense of the state”, the civic virtues and the public spiritedness in the society, due to their substitution with alternative values more homogeneous with the prevailing norms of conduct that encourage or justify corruption; (b) a process of adverse selection, which induces the exit from crucial areas of the political, administrative and economic system of individuals having higher moral resistance against corruption, at the same time attracting less honest ones.

In the Italian context, several norms ensured that, given the prevailing beliefs and expectations concerning what others will do, briber and corrupt official choose the most advantageous course of action for them. The resulting situation is an institutional equilibrium with high density of corruption that, confirming these beliefs, also sanctions the behavior underlying it. When the rule" of corruption becomes an invisible guide to behavior the relations between the corrupt actors appear to follow a prepared script, reducing to a minimum uncertainty and tension. The Socialist politician Mario Chiesa described the tranquil and unembarrassed atmosphere in which bribes circulated, even on the *first occasion* he consigned money to Carlo Tognoli, his political patron: "I handed him the envelope of money, casually, like offering a friend a coffee. He thanked me without asking anything. He knew there was money in the envelope but did not ask where it came from, which tender produced it or the percentage of the payoff. Bribery has its etiquette. You accept and say thank you without displaying curiosity" (Andreoli 1993, 61-2). There are no negotiations or demands; no suspicions or worries arise. To conclude successfully the transaction with the minimum of risk it is sufficient to follow the *etiquette* of corruption.

The emergence of the rules of the “corruption game” are in some cases described by agents involved as a process of progressive and reproduced adhesion to prevailing models of behavior. To borrow an expression from Hayek, this can be considered an example of the “spontaneous evolution of rules of behaviour”. By obeying the illegal conventions corruptors and corrupted obtain a desirable, but not intentionally sought, result: the *ordered* functioning of the market: “The formation of spontaneous orders is the result of their elements following certain rules in their responses to their immediate environment ... Society can thus exist only if by a process of selection rules have evolved which lead individuals to behave in a manner which makes social life possible” (Hayek 1979, 43-4). This principle applies on a smaller scale to the "social life" of the market for corruption. Francesco Saverio Borrelli, Milanese Chief Prosecutor, suggested that “[the system of corruption] is something that has grown spontaneously over time. Once it was recognised that the interests of those governing and the interests of those who wanted to do business could easily be married in this way, that a bargain could be struck and opposition silenced, the phenomenon grew on its own, gaining momentum day after day” (PM, pp. 48-9).

The evolution of the rules is the fruit of the *actions* but not the *intentions* of those involved in the corruption market. As one entrepreneur described it: “We found ourselves in a perverse situation, overrun by events; the situation became insupportable. How did it start? It is not that one day someone said 'Well, now we should ...' Things evolved a little at a time and ended up in a situation like the one that has exploded ... There has been a enormous evolution in the last ten years, I would say” (recording from *Un giorno in Pretura*, RAI 3, 22 February 1993). According to politicians involved in episodes of corruption, the illegal financing of the political parties expands with their occupation of non-elected offices in the public administration. As stressed by the socialist bribes cashier in Milan, Radaelli: “This parallel system of party financing was not invented by me or by



Prada [his colleague from the DC] ... Quite simply we conformed to a system that had existed since the 1950s and when members of the parties were placed on the boards of the various public companies they had the task of continuing and perpetuating the system, asking for and receiving money from the enterprises ... Everyone knew how things stood and everyone played his role” (*L'Espresso*, 21/6/1992, p. 27). According to Radaelli's Christian-Democrat counterpart, Maurizio Prada, the system "grew by itself ... There was never any 'mastermind'. The development, growth and rationalization of this system of financing came at the moment the traditional ideological confrontation between the parties declined" (PM, p. 25); in other words, when its norms extended to opposition parties and the prospect of impunity were thus reinforced.

The existence of informal norms eases the potentially dangerous entry of new actors into the market. In most cases, non-compliance is too costly, efforts at persuasion or intimidation thus being unnecessary. Spontaneous adaptation to the rules in force also allows to reduce the costs of gathering information (Ullmann-Margalit 1977, 86; Good 1989, 51). The cashier of the Liberal Party in Milan, Giacomo Properzj, describes this process: “I became President of the AEM in May 1987 and remained such until autumn 1990. As soon as I took on the position I was approached by Fiorentino Enrico who told me that there was a group of firms ... who normally contributed sums of money for the party system. I say this to make clear that the system of cash payments preceded my taking the post and I confined myself to the acceptance of what, according to Fiorentino, was an established practice” (CD, n. 231, 22/3/1993, p. 5).

When corruption is systemic, the moral and transaction costs of bribery are further reduced by the widespread belief – intentionally propagated by those seeking corruption rents – that it is *unavoidable*. A small enterprise was contacted by a Christian Democrat councilor after being awarded a 250 million lire order for the Fatebenefratelli hospital of Milan: “He approached me in a perfectly normal way and asked for a ‘contribution for the organisation’, giving me the impression that it was an obligation and the usual practice. I considered it and decided to comply” (TM, p. 83). In recent years, according to Mario Chiesa, “the tacit rule was that bribery extended to everything, from the biggest public works to the smallest provision of supplies. Bribery wasn’t even brought up anymore” (“Panorama”, 13/12/1992, p. 45).<sup>15</sup> As Elster 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” (1989b, 106).

If corruption is considered pervasive, it is no longer worth engaging in the (embarrassing and dangerous) activity of finding out whether also in that specific case it is necessary to pay. The progressive exit or marginalization, in public and private organization, of agents with higher moral costs further increase the expected compliance with the rule of systemic corruption. The middleman Adriano Zampini, condemned for corruption crimes in Turin, clearly explained that his unscrupulousness derived from a long process of socialization into the practice of corruption. Day-to-day experience reinforced a value system which could be seen to be work: “Having chosen a path you follow it through to the end, right or wrong. On mine I found people willing to be corrupted. Indeed it quickly taught me that if you did not learn how to corrupt others you would never be anybody, you would never be able to do business. One day when I have to explain to my son why his father went to jail that's exactly what I'll tell him, and I'll also explain that 90 per cent of the people he will find in front of him during any negotiation can be bribed” (*L'Espresso*, 18/11/1984, p. 38).

## 5. Concluding summary

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<sup>15</sup> This is confirmed by Maurizio Prada: “The mechanism of enterprises giving us money was so well consolidated that it was no longer necessary to ask. It was well known that the award of a contract required this and it was automatic, once a contract was gained, to quantify the sum to be given to the parties” (MPM, p. 148).

Different approaches to corruption have looked at ethical standards as barriers against illegal behaviour. According to the political economy approach, moral costs are mainly negative incentives that enter in the rational calculation of individual actors that have to decide if to engage in corrupt exchanges. Not only, however, moral costs are considered as an invariant coefficient to include in the individual calculus: they also assume values as a preference, that can be (and is) calculated by rational individuals.

In comparative politics, instead, the moral costs of engaging in corruption has been related to cultural values, such as religion, clientelism, civicism and the “sense of the state”. These analysis—either case studies or large-N comparison—tended however to remain quite generic in their attribution to individuals of some assumed general characteristics of national cultures. The type of linkages between widespread values and individual choices remained therefore unspecified.

Taking as illustration our own research on political corruption in Italy, in this chapter, we looked instead at the interactions between moral costs and corruption. First of all, we looked at the specific values that characterised the “professional cultures” of public administrators as well as entrepreneurs. Moreover, in a constructivist perspective, we singled out mechanisms of neutralization of moral costs of illegal behavior that often end up producing “immoral costs” that discourage honest behaviour. Within a neoinstitutional frame, we also pointed at the institutionalisation of alternative norms that favour corruption. We singled out the development of a “negative equilibrium”: if some professional cultures reduce the barriers for illegal behaviour, the spread of corruption then facilitate the diffusion of norms and institutions that support alternative rules of the game, reducing the *immoral cost* of corruption. The most widespread corruption, the less are its moral costs since, a growing number of politicians and businessmen internalize new codes of behaviour according to which corruption is the supported norm. Political parties and business associations tend, therefore, to work as institutionalized mechanisms of socialization into corruption.

In conclusion, when governance mechanisms emerge in the market for corrupt exchanges, the latter tends to reproduce itself along with a system of norms and principles which, while opposite from the legal order (whose supporting values are weakened), far from being *anomie*, can assume an “ethical” significance on its own. In this way, corruption can seep down from above, as the diffused perception of the involvement of political leaders in corruption reduce loyalty towards the state and undermines the moral costs of followers and the public; but also from below, since “once the incentives for petty corruption have been created, it tends to extend up the way through interest in complicity. This in its turn, by way of impunity, creates favorable conditions for the growth of corruption” (Cadot 1987, 239). The diffusion of corruption in fact diminishes its costs, reducing both the sense of guilt and the risks of losing face, while increasing, on the other hand, the possibilities of finding dependable partners for corrupt transactions.

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