

CORRUPTION
The Crux of the Matter
or
The Essential Core of Corruption

Summary

The starting point of the following essay is the observation that neither the application of the actual usually used definitions of corruption, especially not the widely publicized by *Transparency International*, nor the majority of the conventional analyses are suitable for explaining halfway consistently the emergence and / or the continuing existence of corruption. The examination of some of the current analytical approaches like the principal-agent-approach, the exchange of goods and exchange media, human greed, the all-presence of corruption, the areas and the development of corruption, secretiveness, trust and mistrust prove that the actual analyses of corruption can only partially help to explain the development and continuous existence of corruption and the reason of this deficiency is the incapacity and faultiness of the definitions.

In the second part of the text a new definition will be presented which will stress the inappropriate social preference of particularistic norms instead of the necessary universalistic norms and the >borderline moral-theorem< as an appropriate tool for explaining and analysing the change of social norms. In this way the emergence of corruption can be explained and similarly the different extent of it in time and space.

Keywords

Corruption, norms, trust, borderline moral, competition

Introduction

Despite some older publications dealing with corruption this phenomenon has become a scientifically relevant theme in modern social sciences only since about 1975. But this turn does not mean that there is a greater number of relevant social scientific analyses on which one can rely. First of all the number of convincing empirical or analytical texts in this whole area is still rather limited and besides from that many studies are quite honestly not satisfying. The main reason for that one finds in the still deficient and confusing definitions of corruption which cause the many lacks of clarity because most of these so-called definitions are more strongly or exclusively aimed at the actual research problems of the research project at work and less at a stable long-lasting scientific result or a general analysis of the phenomenon. Ad-hoc definitions of a phenomenon do not help further scientifically and can really accepted only as a makeshift solution for cases in empirical studies when phenomena emerge which the researcher has not expected before.

But one has to admit that the situation has improved compared with 1994 when ELLIOT still could determine in an article in „Newsweek“: *"A recent academic paper admits that 'economic studies of corruption are rather limited' (which, given the pervasiveness of the practice, says all you need to know about economists)"* (ELLIOT; 10).

But despite the increasing engagement of the social sciences with corruption this term is still primarily used in the daily culture and in the political journalism. This fact unfortunately obstructs any serious scientific analysis but makes the term very attractive for political-ideological infights with the inseparable side-effect of pictures of greed and amorality. Because of this journalistic attractive smell of moral „haut gout“ very often events got named as corruption although even a superficial examination proves that there is no corruption at all but at best „simple“ criminal actions. And very often not even that but actions which have to be judged as morally or even legally debatable like the so-called „Mannesmann-Affäre“ in the 1990th, when in the take-over battle senior managers and even the CEO of Mannesmann have been granted enormous extra payments by Vodafone for nothing else than doing their jobs.

The widespread lack of terminological precision becomes amplified by the many questionable definitions even in scientific publications. A considerable number of scientific publications on corruption suffers from this deficiency because many of them are restricted to the aim of the respective researcher to help to identify corruption and to help to combat it. And in view of this more practical priority the analysis of the fundamental social forces causing corruption does not receive the attention it actually deserves. From a theorist's point of view these micro-sociological approaches mainly aim at showing police officers, law enforcers, ma-

nagers or bureaucrats where they have to expect corruption and which kind of measures they have to take for minimizing or even completely prevent corruption. A more general scientific interest is this objective subordinated. Rather roughly one can distinguish two different scientific approaches to the exploration of corruption: one deals mainly with the description of the prerequisites and the consequences of corruption within different social environments, mainly the economy linked with the state-bureaucracy and politics. The other approach one can denote the criminological approach, that is the attempt to classify corruption within a system of different criminal or quasi-criminal actions.

Perhaps this is the reason why most authors emphasize the social structure in which corrupt actions are embedded, thereby largely neglecting other driving social forces. Notable exceptions from this approach are the publication of NEILD (2002) which deals with the special political situations of countries in which corruption does or does not occur and the work of USLANER (2010) which stresses the social inequality and the validity of and equality before the law within a society as an explanation for the varying levels of corruption in different societies, but this interesting approach is unfortunately still too narrow in its concentration on trust in authorities and institutions.

Though the social structure underlying a social action is very important the emphasis on the structure trying to explain corruption has one great weakness: it cannot render in the least any explanation for the obvious fact that in identical structural constellations corruption sometimes happens and sometimes not. Thus the structure cannot be the decisive factor in the emergence of corruption. The structural components are additives keeping the corruption process running but the trigger must be something else. And it is this “something else” what this article is about.

The approach presented here can be described as a meso-macro-sociological approach placing the emergence of corruption into a broader social context, identifying corruption as the result of normative incompatibilities and conflicts within specific social settings, mainly societies. Therefore in an overview it is shown that and why the conventional approaches to corruption do not explain its emergence¹. In a second step a new definition will be introduced and its advantage against the other definitions explained.

¹ I do not look at the many articles in journals and non-fiction works but only at publications with a scientific claim.

From the tool box of a conventional corruption analyst

In this section the most common tools social scientists use in dealing with corruption are examined. Because it is not always clear whether the emergence, the existence or the effects of corruption are dealt with this list can neither be consistent nor complete.

The Principal-Agent-Model

Because the main line of arguments by economists goes with the structural and / or contractual deficits which give corruption the opportunity to creep into an organization the principal-agent constellation with its chances for moral hazard is the *most often used model for* explaining the emergence of corruption and the specific situations luring the actors into corrupt deals. Very often the basic dyadic model is extended to a triadic model, the principal-agent-client-relation² where the relevant corrupt deals run between the agent and the client. Without any doubt this constellation is important for analysing corrupt deals and they are rather common in the business world, but nevertheless it cannot be the decisive factor generating corruption because there are far more principal-agent-(client)-relations without any corruption than within and on the other side there are many corrupt deals outside this relation. Although there is always the danger for many of those relations to degenerate into corruption, an always impending moral hazard, this is not only possible but even probable outside this constellation. There is a high positive correlation between corruption and principal-agent-client relations but for the emergence of corruption the latter is neither necessary nor essential.

The “Quality” of Corruption

A lot of social scientists and most humanities scholars think that they do not need a definition of corruption when dealing with it³. This judgement is incompatible with thorough scientific proceedings. The contrary is true: a carefully designed definition is needed because without it one may perhaps classify a “normal” social relation a corrupt one because it has some features in common with corrupt relations although others are missing. A true realization of corruption needs the understanding without reservation that almost all corrupt relations arise out of “normal” relations and both kinds of relations have many structural and moral qualities in common, e.g. trust, confidentiality and reciprocity. These joint features may lead observers to see corruption in conventional social relations and consider corruption as a normal social relation although the moral components in these relations differ very much.

² See as an early and well illustrated example KLITGAARD (1988: 72–74, 198-9).

³ See as a prominent protagonist of this kind of arguing ALATAS (1991).

The structure of corruption can be described as morally questionable, at least illegitimate or even legally forbidden exchange relations generated by a number of different objective (*situation / opportunity*), subjective (*individual dispositions*) and normative (*constellation of values*) factors. These relations are fixed if and when >A< gets from >B< an illegitimate / illegal return directly or >A< can reasonably expect that >B< will deliver this return within a foreseeable future. Or - as it is an important component in the Chinese *guanxi* system - that >B< will cause a third person or party >C< to provide >A< with this contribution.

Exchange actions and exchange goods

Corruption therefore does not imply a bad individual character but its main feature is a morally questionable and often even legally forbidden exchange of material or intangible goods. This leads to the question of the nature of the goods. The answer is that all kinds of goods defined by the potential exchange partners as scarce can become exchange goods in corrupt deals: material goods and of course money, symbolic benefits like a medal, awards or honours and even emotional goods like approval or sex. This is highly relevant because the desire of actors for specific scarce goods or awards constitutes these individuals as (relatively) easy targets for corrupt temptations.

Exchanges constitute corruption if at least one of the partners is obliged to keep or enforce universalistic norms due to his institutional or professional position - or if this obligation is ascribed to him – and he neglects this obligation in favour of realizing particularistic norms (here: private benefits)⁴. Such an exchange is always to the disadvantage of a third party, mostly but not always a corporate actor.

Corruption as an atypical crime.

Because corruption always causes damages, at least the violation of the universalistic norms, there must be a victim, even if it may be difficult to identify in a specific case. I strongly reject the widespread description of corruption as a crime without victim, an idea which misled some writers into calling corruption an atypical crime because there is allegedly no victim. But a crime without a victim or without a loss or damage is *per definitionem* nonsense.

This contradiction in terms disappears if one takes a closer look at the phenomena in question. In this respect the real problem with corruption is that the relation >criminal action – victim< is indirect, as opposed to a direct relation such as violence or burglary. If the safe of a bank becomes ransacked and a depot of stocks is stolen the relation between the culprit and the victim(s) is also indirect without calling this criminal act an atypical crime and very often

⁴ This description is very close to that of ROGOW & LASSWELL (1963: 132-3).

the victim(s) can be clearly identified which is also true for bank robbery, insider trading or tax evasion, criminal acts which no one ever was tempted to describe as atypical crimes.

Anyway, what is a typical crime?

Human Greed as the source of corruption.

ALATAS' (1991) treatise on corruption conveys the conviction that the real and only ground for corruption is human greed which penetrates societies like an irresistible poison and destroys all positive social efforts. The problem with ALATAS' approach is that it cannot explain why sometimes this poison is so effective in creeping into the body social and why very often it is not. After all, there are always greedy men. Thus some more facts are needed to understand the role of greed in the emergence as well as the spreading of corruption. That these can only be social facts becomes obvious by the observation that hunter-gatherer-societies do not know corruption due to their completely different social environment. Therefore greed can be an important ingredient of corruption in an actual case but it is at least questionable whether it is an indispensable element.

Corruption is universal.

Some authors seem to think because corruption is universal and because the human nature is all the same corruption as a result of this concurrence needs no further explanation. Similar to murder corruption is a universal social fact at least in all complex and stratified societies: there is only a more or less. The same is true both for the individual and the social perception of corruption and that these perceptions are interdependent constitutes an important objection against Transparency International's "Corruption Perception Index" (CPI) as a tool to measure corruption and its changes in a country⁵.

But a closer historical look proves that corruption has emerged not because of the ubiquitous human nature but because of changing social conditions, namely the fact that in the developing hierarchical societies the living conditions of individuals and thus their control over the resources have become - partly extreme - unequally distributed⁶. Additionally, organisations and bureaucracies, so to speak the symbols of the complete stratification of the societies, give individuals the distributive power over resources which do not belong to them and this is an ever flowing source for corruption. Thus any hope for extinguishing corruption is in vain in highly differentiated societies.

⁵ As far as I know the publications the inventor of this index does not make this mistake but in the general discourse it is common to identify both.

⁶ See e.g. SCHMOOKLER (1995), mainly chapters 6 and 7

An administrator of third party property who does not manage it in the best interest of the owner or in violation of the valid obligatory rules but for his own advantage or that of his - or her - exchange partner(s) can be regarded as the prototype of a corrupt actor. But such an actor must not be a member of a state bureaucracy but can be employed in all kinds of organizations.

We can conclude that organizations which control collective resources are the places where corruption is most likely to occur. The fact that all bureaucracies work hierarchically-interactive explains that if corruption is detected in the own rows this offence will typically be denied. The detection of corruption indisputably shows that the superiors have neglected their duty of supervision, consequently they try to defend themselves against any such accusation⁷. ZACHERT (2001) wrote: *'Sometimes within administrations or enterprises there shows the inclination to diminish internal faults and to prevent misdeeds of co-workers to come into the light of the public'*⁸. Unfortunately this is not an occasional but a more or less typical reaction.

But there are many opportunities for corruption where bureaucracy does not play any outstanding role. Additionally the dynamics of the emergence of corruption as complex social events are often overseen or neglected although corruption does not come from nowhere but always has a history which cannot be derived only from the structure(s) but has to be attributed to a great extent to changes in the social value-system.

The Areas or Fields of Corruption

Cases of corruption are very often distinguished along the social areas where they seem to occur. This distinction appears to make sense at the first glance but a more accurate look proves this classification to be rather arbitrary because the areas most often overlap both formally and in content. To subsume certain actions to the area either of drug trafficking or of organized crime is most often disputable and has no logically stringent foundation.

Thus the very frequent term >political corruption< is not as unequivocal as it appears in the public discussion⁹ because this kind of corruption very seldom is limited to the political area but in fact most often occurs between the political and economic sector. Usually the term only indicates that more or less well-known politicians are involved on the one side of the deal and says nothing about the exchange partner(s). Indeed many cases of so-called political

⁷ See e.g. the critical remarks of the former Chairman of the supervisory board of Siemens, G. CROMME, regarding the Siemens board and by that also its previous CEO V. PIERER.

⁸ H-L ZACHERT has been President of the Federal Bureau of Criminal Investigation of the Federal Republic of Germany from 1990 to 1996.

⁹ See the many publications with >political corruption< in the title. Very prominent e.g. HEIDENHEIMER et al (Eds.) (1999).

corruption on the level of local politics in Germany might instead be called >waste disposal corruption<.

The Development of Corruption

We can state that social facts with quite different appearance are labelled corruption which nurtures the speculation that these different actions do have something in common under the surface and this assumption becomes even more likely if one looks at the various developments of proto-corruption into manifest corruption. Very early in the research on corruption one realizes that in absolutely none complex society one can find empirically a dichotomy >corruption - no corruption<, but one always finds a great number of gliding transitions from pre-forms (proto-corruption) like inappropriate gifts or invitations into far too expensive restaurants to all kinds of manifest corruption. But as there is no corruption-free society so does not every proto-corruption develop into manifest corruption. This provokes the question why in some societies certain procedures are socially and legally accepted although they can easily develop into real corruption and why in other societies the limits are pulled tighter. Here it is important to understand that corruption always develops from the interplay of different factors existing at least latently and very often manifestly in every complex society. Therefore we should abandon the futile search for a corruption-character of the actors. These actors are predominantly shaped by their environment.

The Exchange Media

Often the exchange media which are scarce for both partners are used to designate various kinds of corruption. This approach leads to such a great number of concrete corrupt actions with a similarly great number of corrupt exchanges that the situations become almost incomparable. Thus the search for a common basis in the exchange media usually results in the triviality that most often money or benefits in monetary value are at play. Consequently corrupt exchanges in which money does not seem to be involved disappear from the observation thus narrowing the area of observation considerably¹⁰. This is presumably the reason why most investigations revolve around the exchange of bureaucratic power vs. money. Without necessity the scientific analyses thus become concentrated on the relation of the state bureaucracy with other social groups, the effect is that only a rather limited number of actions are called "corruption".

¹⁰ See SCHWEITZER (2009: 447 ff)

A further flaw of this approach is that it cannot give a plausible explanation for the irritating fact that in structurally identical situations sometimes the media are exchanged illegally and at another time there is no such exchange. Moreover, the problem why in the same society sometimes a corrupt deal seems to be acceptable and sometimes not, is often avoided or ignored. Quite often the non-solving of this problem is hidden behind the introduction of a number of ad-hoc-assumptions thus pretending to answer the question, a situation making generalizations problematic if not impossible.

Secrecy

In almost all publications on corruption the secrecy of the actors and the enclosure of the actions are identified as a specific quality of corruption. This statement is redundant because secrecy is a general characteristic of illegal activities and criminal actions; therefore secrecy does not constitute any uniqueness of corrupt deals. It only proves corruption to be a crime and because of the secrecy one can assume a considerable number of unreported cases like in many other white collar crimes. If corruption is performed in public it is either a proof of the recklessness of the actors or of the evidence of the omnipresence of corruption in that society. To conclude: secrecy is no special characteristic of corruption, it only refers to its illegitimacy and / or illegality in the society. Not more and not less.

Trust enables corruption - Corruption gives rise to mistrust

So far the role of trust in corrupt relations has not been sufficiently analysed yet. In ARROW's words (in: LEIBENSTEIN (1987: 600)): *'Trust is an important lubricant of a social system. It is extremely efficient, it saves a lot of trouble to have a fair degree of reliance on other people's word'*. In accordance with these thoughts about trust as a positive externality GRAEFF (2005) and GRAEFF AND SVENDSEN (2012) examined the relation of trust and corruption and found a negative correlation. They also found on the macro-level of analysis that a lack of social trust is slowing down economic development and is causing frictions in business transactions. The reason is that the substitutes for trust are very expensive in terms of forgone exchanges and insofar as monitoring the keeping of contracts reduces or even destroys trust. All possible alternatives to trust are expensive, slow down exchanges and produce outcomes which are suboptimal compared with full mutual trust.

On the other side it is undisputed that at least lasting corrupt relations can neither emerge nor continue without trust. If one offers a policeman some money for turning a blind eye to a parking offence there is no trust needed, only a moment without further observa-

tion¹¹. But if one wants to establish an illegal cartel agreement trust is indispensable because a violation of this agreement cannot be sued in court.

Because of these apparent contradictions further research is required to arrive at a clear separation of the role of the different kinds of trust.

The fact >corruption< and its various definitions

It is distressingly obvious that until now corruption has neither been defined unambiguously nor precisely. It seems that each area of knowledge creates its own definition claiming that this is necessary for the specific knowledge target; mostly not precision and shortness form the guidelines for this endeavour but the attempt to make a comprehensive enumeration of all facts in question. This does not serve scientific clearness but adds to confusion. Some so-called definitions convey the impression that the authors want to create definitions as complicated and as imprecise as possible ignoring completely OCKHAM'S RAZOR: '*Pluralitas non est ponenda sine necessitate*', which very clearly advocates short and precise definitions. This becomes clear when looking into only some well-known books on corruption, e.g. DE LEON (1993), HEIDENHEIMER et al. (1999), ROSE-ACKERMAN (1999) or USLANER (2010)¹². There is either no definition at all or some complicated descriptions of what the authors pretend to think that it be corruption, and in the introduction to HEIDENHEIMER's et al. anthology a whole range of different definitions is offered. The authors (HEIDENHEIMER et al. (1999: 3)) criticize FRIEDRICH's attempt to paraphrase corruption because it '*sacrifices clarity to brevity*', but most of the definitions given are neither brief nor clear. This is especially true when an author tries to construct a definition which pretends to take different cultures into account.

To present some definitions here as examples ROGOW & LASSWELL (1963: 132-3) are quoted first:

'A corrupt act violates responsibilities toward at least one system of public or civic order and is in fact incompatible with (destructive of) any such system. A system of public or civic order exalts common interest over special interest; violations of the common interest for special advantages are corrupt'.

Some years later NYE (1967: 419) presented an even much longer and much less precise definition:

¹¹ This is not quite correct. The "donator" must at least trust in the policeman not being an agent provocateur.

¹² I refer here to English language literature only. The situation with the German literature is just the same.

‘Corruption is behavior which deviates from the normal¹³ duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to pervert judgement of a person in a position of trust), nepotism (bestowal of patronage by reasons of ascriptive relationship rather than merit), and misappropriation (illegal appropriation) of public resources for private-regarding use’.

In addition HEIDENHEIMER et al (1999:11-13) offer the differentiation in Public-Office-Centered-, the Market-Centered- and the Public-Interest-Centered Definitions, which becomes augmented by the question whose norms shall be looked at as binding. By then clarity and brevity have completely vanished.

In a relatively recent article MÉNY and DE SOUSA (2001: 2827) write: *‘The specificity of each theoretical approach depends largely upon the definition chosen to interpret the phenomenon. Their evolution denotes a value change in the way the phenomenon has been identified and explained’.* This is the reversal of an appropriate scientific procedure: here the definition depends on the level of knowledge. As long as we are studying “corruption” in the context of social sciences there is no need to adjust the definition at the presumable requirements of a specific discipline. Perhaps this could be useful when turning to value-based fields such as law, religion, or ethics, but empirically working social scientists usually define first and then try to find out if the definition is useful and leads to new insights and then perhaps adjust it - not the other way round.

Another definition, favoured e.g. by the World Bank or by Transparency International, seems to be more clear in saying *‘Corruption is the abuse of an office for individual benefits’*, or as the head of TI Germany has said: *‘Corruption is the abuse of entrusted power for individual gains’*¹⁴ and the former GTZ¹⁵ defined similarly¹⁶:

‘Corruption is the abuse of institutionalized power to gain unjustified benefits. The three levels of corruption are: corruption on the level of the government (grand cor-

¹³ It is quite unclear what is meant by „normal“. Is this the arithmetical most frequent behaviour, the one which is prescribed by a rule or even a law or the one which most of the people in a same or similar position think is appropriate.

¹⁴ In a leaflet of TI-Germany: *Macht der Korruption ein Ende (End corruption)*; no date, Berlin

¹⁵ GTZ = Gesellschaft für technische Zusammenarbeit (Association for Technical Cooperation). This state-run German organization for development programmes (third world aid policy) now is called GIZ (Association for International Cooperation).

¹⁶ See GTZ-website, accessed march 16., 2007

*ruption), corruption on the meeting level between citizen and state (petty corruption) and corruption for getting political influence (political corruption)'.

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But for logical reasons these definitions do not cover corrupt actions within the private sector, a restriction which cannot be accepted for a general scientific definition. Moreover, in these definitions the exchange as a necessary element of corruption has been omitted and for this reason this definition can become applied unwantedly to fraud or theft or even sexual harassment¹⁷. Many writers on corruption tend to neglect questions of analytical and logical precision, but prefer to follow their everyday use of the term corruption which includes all sorts of facts which they think or feel should be labelled corruption. This makes it difficult to compare the various findings¹⁸. Consequently, the research on corruption is stuck and the progress of knowledge will remain in the quicksand of incompatible terminologies as long as this unpleasant situation lasts. That's why, after the analysis of hundreds of corrupt deals¹⁹, I propose an alternative definition of corruption to pass all these obstacles. It emphasizes the differences of the norms in the process of carrying out corruption while the actors and the structure in the corruption process are looked at only second or third. This definition can incorporate a considerable number of existing definitions while at the same time evades their loopholes.

Definition: Corruption is called the provision of individual or group-specific advantages by voluntary exchange between a minimum of two parties (persons) whose formal legal appropriateness and / or ethical righteousness is valued as doubtful or which has been carried out with methods which are legally inappropriate or even forbidden.

Commentary: The actors violate the binding valid universalistic norms in favour of particularistic norms. Therefore corruption is either the manifestation of an ongoing and unsolved conflict between particularistic and universalistic norms or between contradictory universalistic norms²⁰. This difference of the norms is the core of corruption, the absolutely necessary and indispensable driving force, which constitutes the event and

¹⁷ Despite a very widespread misunderstanding the extension of the scope of a definition does not strengthen the analytical power but diminishes it considerably.

¹⁸ Because of that situation I am still very skeptical about empirical, statistically refined analyses of corruption. The most refined statistical procedures used in comparisons will not really improve our knowledge about corruption and its consequences if we are not really sure that we are talking about identical facts. On the contrary, currently in computing most sophisticated models we are always in danger of a GIGO-situation.

¹⁹ All these cases have been reported in newspapers or journals and thus all have been accessible for the public.

²⁰ Universalistic norms are valid for all persons alike, thus they are neutral as to persons and thus they are valid independently of any personal status, e.g. laws or orders (the law makes all men equal). However, particularistic norms are relativistic norms and therefore valid only for persons in a special relation to the actor(s), e.g. relatives or friends. This pair of variables comes from the *pattern variables* which TALCOTT PARSONS (1951) has developed together with colleagues. See PARSONS & SHILS (Eds.) (1951).

which keeps all its parts together. Without it none of all the other factors, e.g. the structure of the actual situation like a principal-agent-constellation, the opportunity, the temptation, the characters of the actors etc. can develop their effects.

Corruption always refers to an exchange: without exchange there is no corruption and thus corruption does not necessarily imply a bad character of the individuals involved. The distinction between a character called >corrupt< and the social action >corruption< must be underlined because the mixing of the two again and again blurs the arguments and leads to confusion. This becomes obvious in the argument that greed is the main impetus in the corruption process: this argument refers and can refer to a greedy individual only, not to a social action.

It is most important to emphasize that corruption does not designate an ethically or legally questionable or forbidden action of an individual as some of the definitions mentioned above suggest, mainly the one of Transparency International and the World Bank. Additionally, stressing the abuse of an entrusted position is applicable only to a small part of corrupt deals because it completely neglects the social components of the corruptive events. That the social exchange is an indispensable part of corruption has been said already and thus corruption is not identical with cheating although there is some overlapping²¹.

Because corruption results from the preference of particularistic norms in cases where universalistic norms have to be applied the identification of actions as corruption must necessarily be based on the actual system of norms of the society or state in which the corrupt actions take or took place (see SCHWEITZER, 2009: 47/48). Therefore actions considered as corruption in society >A< must not necessarily be valued the same in society >B< because there the differences between the universalistic and particularistic norms might not be the same as in society >A<.

From the above definition follow some consequences regarding the prevention of corruption in organizations because it shows that looking for the >corrupt characters< is unimportant and futile. Really important however is the identification of what one may call “lines of fracture” within the system of normative (self-)obligations of the principal (boss) and the agents (employees/ subordinates), which could be an entry gate for corruption.

The >Borderline moral<-theorem and the emergence of corruption

As corruption emerges from the differences of norms an explanation of how these differences come into existence is required because obviously the extent of corruption within a

²¹ See CALLAHAN (2004), esp. chapters 6 and 7

society is changing. For an explanation the concept of >borderline moral< (Grenzmoral) is helpful which was developed in the first half of the 1920s by the German economist GOETZ BRIEFS when analysing the social consequences of economic competition²². But this concept does also help to explain changes of the moral standards on the whole within a social entity. When analysing economic competition Briefs found that some participants developed in an opportunistic manner borderline practices which were situated in the grey zone very close above the limit of what is still morally and / or judicially acceptable. In a less specified and more recent meaning the concept of >borderline moral< designates a behaviour close the lowest threshold still accepted by the rules but does not yet fall below the limit defined either by law or by other binding norms, e.g. the socially obliging rules for the honourable merchant (“Ehrbarer Kaufmann”).

BRIEFS defined >borderline moral< as the moral of those economic actors who are hindered least in the competition by moral scruples, those who have - under otherwise equal conditions - the best expectations for success (typically by reducing costs) due to their comparatively low individual moral. Thus the borderline moralist forces the competitors by the threat of their exclusion from the market to adjust gradually to the lowest level of the economic moral (the borderline moral). Once started there is a trend in this movement and that is how the borderline moral gradually becomes the moral of the majority²³.

BRIEFS referred with this concept mainly to expectations of individual economic benefits, but if the scope is widened one can apply it to any behaviour which is just tolerated or which is seen as just endurable in personal relations. Because the behaviour is at the borderline of the society’s body of norms it is first carried out by a minority only, i.e. by those people who dare to test the limits of the norms which are normally respected as the limits of the established rules (see BRIEFS, 1980, Vol.1: 51). BRIEFS was the first author who by introducing the concept of borderline moral took the problem of differing norms within the pluralistic societies into the field of modern social-scientific analysis. With this concept he released the issue of changing norms from the struggle of conflicting opinions and the ideologies of cultural criticism and cultural pessimism. Differences of norms and their stages of development have become accessible to rational and dispassionate analysis because the concept of border-

²² BRIEFS used the concept of borderline moral first in his analysis of OSWALD SPENGLER’s book: ‘Der Untergang des Abendlandes’ (*The Decline of the West*) (BRIEFS, 1921: 5). He specified the concept in a number of subsequent publications. But although BRIEFS emigrated to the United States in 1934 and stayed there after WW II his concept did not win much recognition there. The present-day anglo-saxon concept which comes closest to his concept is ‘*the race to the bottom*’.

²³ Descriptions of this trend can be found in FRANK and COOK (1995) and CALLAHAN (2004) although the authors presumably did not intend to do this.

line moral renders the tool for identifying quite clearly the areas, the causes, the speed and the size of the changes of the norms - and even helps to make predictions.

Norms as collective goods.

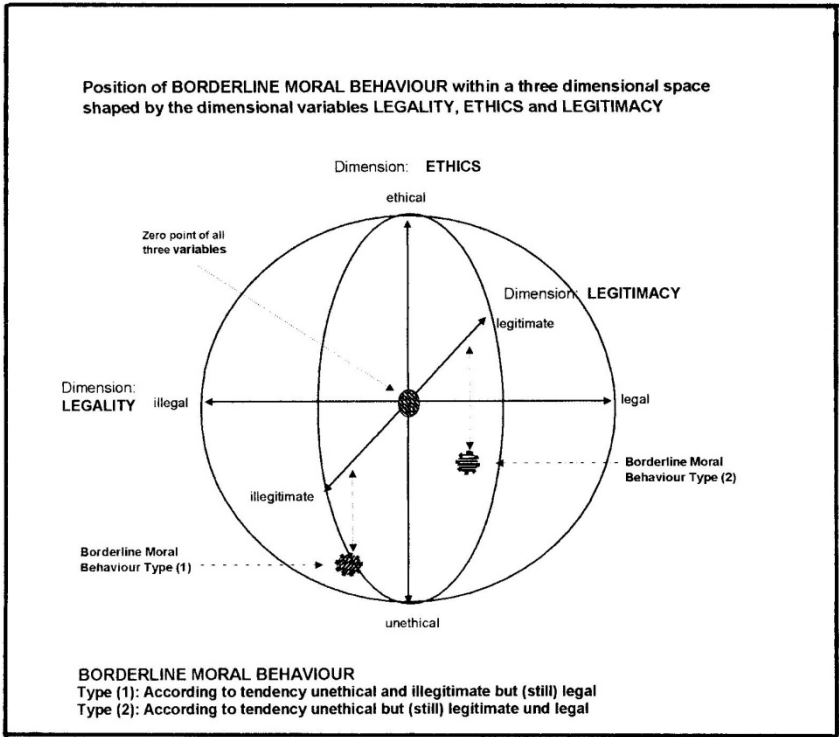
Furthermore the concept of borderline moral reminds us that norms are social and collective goods, meaning that nobody can be excluded from their use. Moreover, the misuse has to be endured by the whole collective. If norms are violated and therefore eroded over a longer period of time, this social capital is consumed and it will take considerable time until this "capital stock", the confidence into the common binding of the norms, has been reconstructed. By reckless usage this immaterial social good can and will be worn out in the same way as a material good. As a consequence for keeping the social binding value the maintenance of the collective good consumes resources which must be provided collectively. In principle social norms need the same care as e.g. the infrastructure but they don't receive it because nobody really feels responsible for their maintenance - as it is conventional with collective goods. This is the mechanism of the >commons dilemma<. The situation gets worse because usually many people are prepared to violate the norms if they think this is to their personal advantage and such behaviour is particularly attractive if the actors assume that they can get away with this behaviour. The attraction to act on the basis of a borderline moral can be identified in the economic sector as well as in other situations of social competition where by lowering the moral standards gains can be realized which otherwise would not be possible. Because the borderline moralist behaves like a free rider he can realize his gains only because the competitors do not (yet) behave like him and he can realize (illegitimate or even illegal) monopolistic gains which give him an advantage in competition by which his competitors are forced to act similarly. Because the borderline moralist cannot be taken to court and therefore his kind of acting cannot be forbidden a vicious circle is initiated by which the borderline moral at point (t₁) tends to become the normal moral at point (t₂).

The concept of borderline moral shows that norms change within a society because some actors want to internalize the benefits and try to evade the costs of the validity of the norms and therefore behave as moral free-riders. This mechanism is inherent in every system of competition and therefore - of course - also in the capitalist system. Consequently, the norms suffer >the tragedy of the commons< as HARDIN's essay is titled.

If an actor has a tendency towards low moral standards in business, his partners will protect themselves by securing their exchange with him by comprehensive judicial precautions. That is one reason for the floods of judicial regulations within the last 100 years or so and the enormous increase of the influence of the lawyers in our western capitalist societies.

But this is a race which cannot be won because it is impossible to formulate somewhat complex contracts without any loophole or flaw. Therefore the majority of agreements becomes more and more voluminous and this development leads to a continuous rise of the transaction costs in all fields of life - from marriage contracts to selling contracts. In summary: by borderline moral behaviour a mechanism of progressive degradation of moral standards is triggered off causing an erosion of norms in situations of competition. On the theoretical level, this approach makes it unnecessary to recur to the moral quality of the individuals involved. Therefore the concept of the borderline moral provides us so far with a relatively solid analytical tool for analysing the changes in the alternating spread and extent of corruption.

The structure of borderline moral behaviour is presented in the following graph:



Norms and competition.

The tendency towards the borderline moral causes an expansion of the space of validity of the particularistic norms at the expense of the universalistic norms in the modern (contemporary) market economies. At the same time this development shows that an unregulated market economy (the free market) ²⁴ cannot constitute a barrier against corruption but on the contrary

²⁴ Today this would be the neo-liberal market economy, according to the anglo-saxon understanding, as it

it even strengthens the development in that direction. (Economic) competition therefore *per se* is no barrier against corruption: a market needs regulatory rules because otherwise it will either generate or strengthen corruption or to paraphrase the title of an article by BLISS and DI TELLA (1997): *Competition does not kill corruption*.

Though we can find in some analyses a negative correlation of competition and corruption this has to be considered very carefully because different kinds of competition and different social situations cause varying results and some of them are touched here. First we have the competition in a largely unrestricted market economy where the >Invisible Hand< produces equilibrium prices by the competition of countless suppliers and customers. Beside it we have distorted competition with only few suppliers and only one customer (e. g. for military equipment) or we have only little demand and many suppliers, as in civil engineering. Moreover we find a very different kind of competition in faked markets where a market price cannot be formed because there is no real supply-and-demand situation and in addition there is no measure for a price²⁵. This is the situation in all contests where certificates are used, e.g. in scholarly or academic competition and to a great extent also in the market for art objects. An additional kind of competition prevails when faked markets are combined with a winner-takes-all-outcome²⁶. Apart from the first one all kinds of competition are prone to corruption and this is true for more or less all bureaucratically organized competitions where some comparative figures have to be arrived at but an impartial judgement is more or less excluded because it is impossible to reach. Consequently the introduction of elements of competition into the state bureaucracy is likely to prove counter-productive - catchword: introduction of achievement-oriented elements and remuneration according to the same principle. This policy opens the door for corruption as the British political scientist NEILD (2010) has shown for the reforms of MAGGIE THATCHER in England.

If economic competition in markets becomes combined with a declining borderline moral and / or a winner-takes-all-situation this leads to many incentives for corrupt exchanges.

was politically initiated by RONALD REAGAN and MAGGIE THATCHER and which got its fitting economic ideology in the „shareholder value“-concept.

²⁵ See BINSWANGER (2010) who devoted his book these markets and the senseless competitions they produce.

²⁶ See FRANK AND COOK (1995). This does not hold true only for our contemporary academic systems but also for different societies as the analysis of the ancient Chinese emperors' examination system shows (see VETTER 1985).

Closing remarks

The definition of corruption suggested here avoids the problems of the other definitions because it rests on the identification of the difference of the norms involved which can be achieved rather exactly. It comprises the content of the longer and less precise definitions as well as the content of the short definition of the World Bank or Transparency International. It is geared to exchange situations and enables comparisons between different cultures and between consecutive points of time meaning that it provides a tool for analysing the development of corruption. This approach also allows to clearly identify distinct kinds of corruption as (1) particularistic, (2) universalistic and (3) systemic (see SCHWEITZER: 2005, 22). In addition the definition can be applied to different scientific fields, even law and ethics.

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Acknowledgements

I thank both Prof. Detlev Karsten, Universität Bonn, and Prof. Hartmut Lüdtke, Universität Marburg, for giving valuable advice, and my friend Derek Frankland-Ferrari for his support in finding an adequate translation of the German term “Grenzmoral”.

Funding

This research received no grant from any funding agency or organisation in the public, commercial, or not-for-profit sector.

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