

## **The Nature of Corruption: An Interdisciplinary Perspective**

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### **Abstract**

In response to the many facets of corruption, many scholars have produced interdisciplinary research from both the theoretical and empirical perspective. This paper provides a comprehensive state-of-the-art survey of existing literature on corruption, utilizing these interdisciplinary insights. Specifically, we shed light on corruption research including insights from, among others, the fields of economics, psychology, and criminology. Our systematic discussion of the antecedents and effects of corruption at the micro, meso, and macro level allows us to capture the big picture of not only what drives corrupt behavior, but also its substantial ramifications.

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## A. Introduction

Over the last decades, research on corruption—especially on the economic assessments and detrimental effects of its antecedents and detrimental effects has accelerated and corruption has become an established focal point on political agendas. Swelling media coverage, the inception of anti-corruption institutions and anti-corruption laws, and the availability of both micro and macro data has facilitated the visibility of corruption and its adverse effects. Consequently, today's increasingly sensitized society has put pressure on governmental bodies to put this topic on the agenda of politicians to find means and ways to fight the spread of corruption. Now more than ever, scholars have a better understanding of the mechanism of corruption due to the availability of better data giving rise to more eclectic measures.

Corruption is considered one of the biggest threats to humanity in both developing and developed countries because it distorts economic growth,<sup>1</sup> lowers foreign direct investment,<sup>2</sup> and decreases productivity on a firm level due to inefficient allocations of contracts.<sup>3</sup> Corruption also impedes the general societal and economic environment because it reduces voluntary contributions to public goods,<sup>4</sup> increases inequality,<sup>5</sup> facilitates emigration of highly skilled people (“brain drain”),<sup>6</sup> and creates inefficiencies in the sport sector.<sup>7</sup> Research also indicates that corruption rattles a community's public perception, triggers an atrophy of general and political trust, provides an incubator for general crime, dilutes societal norms and values, and distorts both competition and

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<sup>1</sup> Toke S. Aidt et al., *Corruption and Sustainable Development*, in 2 INTERNATIONAL HANDBOOK ON THE ECONOMICS OF CORRUPTION 3 (Susan Rose-Ackerman & Tina Soreide eds., 2011); Noel D. Johnson, Courtney L. LaFountain & Steven Yamarik, *Corruption Is Bad for Growth (Even in the United States)*, 147 PUB. CHOICE 377 (2011).

<sup>2</sup> See Mohsin Habib & Leon Zurawicki, *Corruption and Foreign Direct Investment*, 33 J. INT'L BUS. STUD. 291 (2002); Aparna Mathur & Kartikeya Singh, *Foreign Direct Investment, Corruption, and Democracy* 135 (Am. Enter. Inst., Working Paper, 2007); S. L. Reiter & H. Kevin Steensma, *Human Development and Foreign Direct Investment in Developing Countries: The Influence of FDI Policy and Corruption*, 38 WORLD DEV. 1678 (2010).

<sup>3</sup> Hasan Faruq et al., *Corruption, Bureaucracy and Firm Productivity in Africa*, 17 REV. DEV. ECON. 117 (2011); Virginie Vial & Julien Hanoteau, *Corruption, Manufacturing Plant Growth, and the Asian Paradox: Indonesian Evidence*, 38 WORLD DEV. 69 (2010); Organization for Economic Cooperation and Development, *Consequences of Corruption at the Sector Level and Implications for Economic Growth and Development* (Mar. 25, 2015).

<sup>4</sup> Gonne Beekman et al., *Corruption, Investments and Contributions to Public Goods: Experimental Evidence from Rural Liberia*, 115 J. PUB. ECON. 37 (2014).

<sup>5</sup> See, e.g., Mogens K. Justesen & Christian Bjørnskov, *Exploiting the Poor: Bureaucratic Corruption and Poverty in Africa*, 58 WORLD DEV. 106 (2014); John Christensen, *The Looting Continues: Tax Havens and Corruption*, 7 CRITICAL PERSP. ON INT'L BUS. 177 (2011).

<sup>6</sup> Eugen Dimant et al., *The Effect of Corruption on Migration, 1985–2000*, 20 APPLIED ECON. LETTERS 1270 (2013).

<sup>7</sup> Eugen Dimant & Christian Deutscher, *The Economics of Corruption in Sports: The Special Case of Doping* (Edmond J. Safra, Working Paper No. 55, 2015).

innovation.<sup>8</sup> Interestingly, certain forms of corruption, such as bribing a foreign official, were often viewed as legal and common practice in many countries until the late 1990s.<sup>9</sup> These considerations not only show the economic drawbacks, but also highlight ethical implications on how society as a whole is affected by corruption.

In a recent report, the Organization for Economic Co-operation and Development (OECD) tried to measure and describe international corruption cases that have been unveiled since the introduction of the OECD Anti-Bribery Convention in 1999.<sup>10</sup> The OECD's findings indicate that forty-three percent of the total cases evaluated involved the bribing of public officials from countries ranked either high or very high in terms of human development status. More than half of the infringements were committed by—or at the very least committed with the knowledge of—the management level or higher. The OECD also found that governmental corporations—corporations either owned or controlled by the state—were involved in more than one quarter of all affairs, while public officials were involved in almost another quarter. Shockingly, the total sum of money used for bribing amounted to almost eleven percent of the overall transaction volume that was connected to the analyzed infringements.<sup>11</sup> These figures indicate that corrupt behavior entails a moral component. “The common good of any society consists not only in its material possessions but in its shared ideals. When these ideals are betrayed, as they are betrayed when bribery is practiced, the common good, intangible though it be, suffers injury.”<sup>12</sup> Still, it is important to stress that the moral conflict of corrupt behavior is subject to the underlying environment and cannot be assessed purely from the perspective of its economic or societal harm. What is assumed to be moral and along the lines of acceptable behavior in one country or culture may be disapproved of in another.<sup>13</sup> Rather, one should consider, among other things, the existing and relevant norms, and the institutional environment that is key to facilitating deviant behavior. Due to considerable heterogeneity with respect to the understanding of what corruption is, its moral reprehension, and its drivers, we deem it important to approach this topic from an interdisciplinary perspective.

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<sup>8</sup> See, e.g., Sean Richey, *The Impact of Corruption on Social Trust*, 38 AM. POL. RES. 676 (2010); Augusto López Claros, *Removing Impediments to Sustainable Economic Development: The Case of Corruption* (World Bank Policy Research, Working Paper No. 6704, 2013); Eugen Dimant, *The Antecedents and Effects of Corruption—A Reassessment of Current (Empirical) Findings* (Munich Personal RePEc Archive, 2014).

<sup>9</sup> Vito Tanzi, *Corruption Around the World: Causes, Consequences, Scope, and Cures*, 45 IMF STAFF PAPERS 559 (1998).

<sup>10</sup> Organization for Economic Cooperation and Development, *OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials* (Dec. 2, 2014).

<sup>11</sup> *Id.*

<sup>12</sup> JOHN T. NOONAN, JR., *BIBES: THE INTELLECTUAL HISTORY OF A MORAL IDEA* 700 (1987).

<sup>13</sup> Alvaro Cuervo-Cazurra, *Transparency and Corruption*, in *THE OXFORD HANDBOOK OF ECONOMIC AND INSTITUTIONAL TRANSPARENCY* 324 (Jens Forssbæck & Lars Oxelheim eds., 2014).

One point is worth clarifying. There is an enormous amount of existing conceptual, theoretical, and empirical research on the topic of corruption. In particular, empirical research—namely, using survey methods, field and lab experiments—has accelerated over the last twenty years, allowing researchers to contrast theoretical predictions with actual occurrence of corruption. The goal of this Article is to provide a systematic discussion of existing research by shedding light on the different key concepts that explain the spread and diversity of corruption from an interdisciplinary perspective. We deem it important to use this approach and to incorporate theoretical foundations and empirical studies focusing on explaining corrupt behavior at the micro, meso, and macro level. This reasoning results from current and past research evidence indicating that a variety of factors going beyond clear-cut rational decision-making facilitate or attenuate corrupt behavior. Rather, existing results promote the idea that social and institutional factors possess extensive explanatory power. Naturally, inherent to the interdisciplinary approach is the dichotomy of these concepts, more often than not leading to different assumptions, perspectives, and predictions—for example, rational choice versus behavioral concepts. This Article does not attempt to settle the dispute over which approach best explains corrupt behavior. Instead, it offers a comprehensive collection and discussion of existing theories and evidence explaining the antecedents and effects of corruption.

In what follows, Section B provides a brief summary of the historical development of corruption. In Section C, we first discuss the facets of corruption subdivided into an “internal world”—rational choice and behavioral factors, a “meso world”—sociological and criminological determinants, and an “external world”—economic, legal, political, historical, and geographical factors. Applying such an interdisciplinary strategy is essential to construct a well-rounded explanation for corrupt behavior. We conclude in Part D.

## **B. History of Corruption and Corruption Research**

In the past, several institutions and regulations were introduced to strengthen the international fight against corruption. However, corruption is not a new phenomenon, having its origins in ancient history. First, documents on the existence and recognition of corruption date back to Greek philosophers such as Socrates, Plato, Polybius, and Aristotle.<sup>14</sup> Additionally,

archives recovered from the administrative centre of Middle Kingdom Assyria (c 1,400 B C) refer to civil servants taking bribes, with senior officials and a close relative of the head of state implicated. There are also

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<sup>14</sup> John Joseph Wallis, *The Concept of Systematic Corruption in American History*, in *CORRUPTION AND REFORM: LESSONS FROM AMERICA'S ECONOMIC HISTORY* 23 (Edward L. Glaeser & Claudia Goldin eds., 2006).

references to bribery in the Old Testament scriptures. . . . Corruption must be exposed for what it is, a form of organized crime and a serious abuse of human rights.<sup>15</sup>

Still, for a long time, corruption was mainly a research topic in the fields of political, sociological, historical, and criminal law research. In the 1960s and 1970s, general approaches to assessing the mechanism of corruption created an ambiguous picture of its overall effects. Due to a lack of reliable data and methodological issues, economic research remained largely silent.<sup>16</sup> At that time, conflicting interests between politicians and researchers were preventing corruption research from advancing. For example, trying to receive a visa for a possibly corruption-ridden country was almost impossible at that time if the trip's purpose—a corruption study—was mentioned.<sup>17</sup>

On top of that, research on corruption had suffered from disagreement on a formal definition and the context dependency of an act, which may fall under the definition of corruption in one country but not in another. One of the first oft-recited definitions was coined by Nye: "Corruption is behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence."<sup>18</sup> One drawback of this definition is the inherent ambiguity, because "all illegal acts are not necessarily corrupt and all corrupt acts are not necessarily illegal."<sup>19</sup> In certain societies, particular actions may already be considered a form of corrupt misconduct, whereas in other societies these acts may well be part of their "formal duties" and "just politics."<sup>20</sup>

Starting in the late 1980s and early 1990s, sound theoretical approaches facilitated the scholarly efforts to study the mechanism of the economics of corruption. Especially in light of the economic acceleration of Asian countries at that time, research was still unsettled on whether corruption exhibits only adverse effects on societies and economics—sanding

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<sup>15</sup> Bryan R. Evans, *The Cost of Corruption: A Discussion Paper on Corruption, Development and the Poor* 20–21 (Tearfund, Discussion Paper, 1999).

<sup>16</sup> Gunnar Myrdal, *Corruption as a Hindrance to Modernization in South Asia*, in *POLITICAL CORRUPTION: CONCEPTS & CONTEXTS*, 265 (Arnold J. Heidenheimer & Michael Johnston eds., 3d ed. 2011).

<sup>17</sup> Joseph S. Nye, *Corruption and Political Development: A Cost-Benefit Analysis*, 61 *AM. POL. SCI. REV.* 417 (1967).

<sup>18</sup> *Id.* at 419.

<sup>19</sup> John G. Peters & Susan Welch, *Gradients of Corruption in Perceptions of American Public Life*, in *POLITICAL CORRUPTION: CONCEPTS & CONTEXTS* 155 (Arnold J. Heidenheimer & Michael Johnston eds., 3d ed. 2011).

<sup>20</sup> *Id.*

the wheels—or might create positive effects—greasing the wheels—under certain circumstances through the reduction of inefficient red tape.<sup>21</sup> Today, this argument is settled by sound research, indicating that corruption above all is detrimental to the society. These results are now broadly accepted. Through the use of more sophisticated methodological approaches and more reliable data, current research has settled on the fact that the general and long-term detrimental effects of corruption outweigh the context-specific and short-termed positive effects.<sup>22</sup> The broader availability of huge datasets was key for this development. For example, the PRS Group introduced the “International Country Risk Guide” in 1984 and Transparency International established the Corruption Perception Index as one of the most acknowledged measurements in 1995. In the 1990s and after the end of the Cold War, the first global anti-corruption movements occurred along with the democratization process of many developing countries. Ever since, the media has become increasingly involved in a critical assessment of corruption, drawing the public’s attention to its consequences.<sup>23</sup>

### C. Facets and Determinants of Corruption

The next section centers on the interdisciplinary nature of corruption research. In our attempt to blend different theories from various areas, we introduce a structural framework that allows us to discuss corruption stepwise, from what we refer to as the inner-to-outer-world approach.

For this reason, we start with the analysis of corrupt behavior in the internal world, which comprises a critical discussion of the rational choice theory and behavioral theories. Building on this, we then add an additional level of discussion at the meso level, where we shed light on both sociological and criminological factors. Ultimately, we discuss corrupt behavior from the perspective of the external world, which includes, among others, economic, legal, and political aspects. We believe that such an approach encompasses the breadth of scientific discussion on the topic of corruption and does sufficient justice to the different theories and approaches that contribute to a better understanding of what shapes corrupt behavior. For reasons of convenience, we provide a graphical illustration to guide the reader through the next section’s discussion of factors that explain corrupt behavior.

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<sup>21</sup> See Axel Dreher & Martin Gassebner, *Greasing the Wheels? The Impact of Regulations and Corruption on Firm Entry*, 155 PUB. CHOICE 413 (2013); Vial & Hanoteau, *supra* note 3.

<sup>22</sup> See Toke S. Aidt, *Corruption, Institutions, and Economic Development*, 25 OXFORD REV. ECON. POL. 271 (2009); Pierre-Guillaume Méon & Khalid Sekkat, *Does Corruption Grease or Sand the Wheels of Growth?*, 122 PUB. CHOICE 69 (2005).

<sup>23</sup> Effi Lambropoulou *et al.*, *The Construction of Corruption in Greece: A Normative or Cultural Issue?* 4 (U. Konstanz Res. Grp. Soc. Knowledge, Discussion Paper No. 6, 2007).

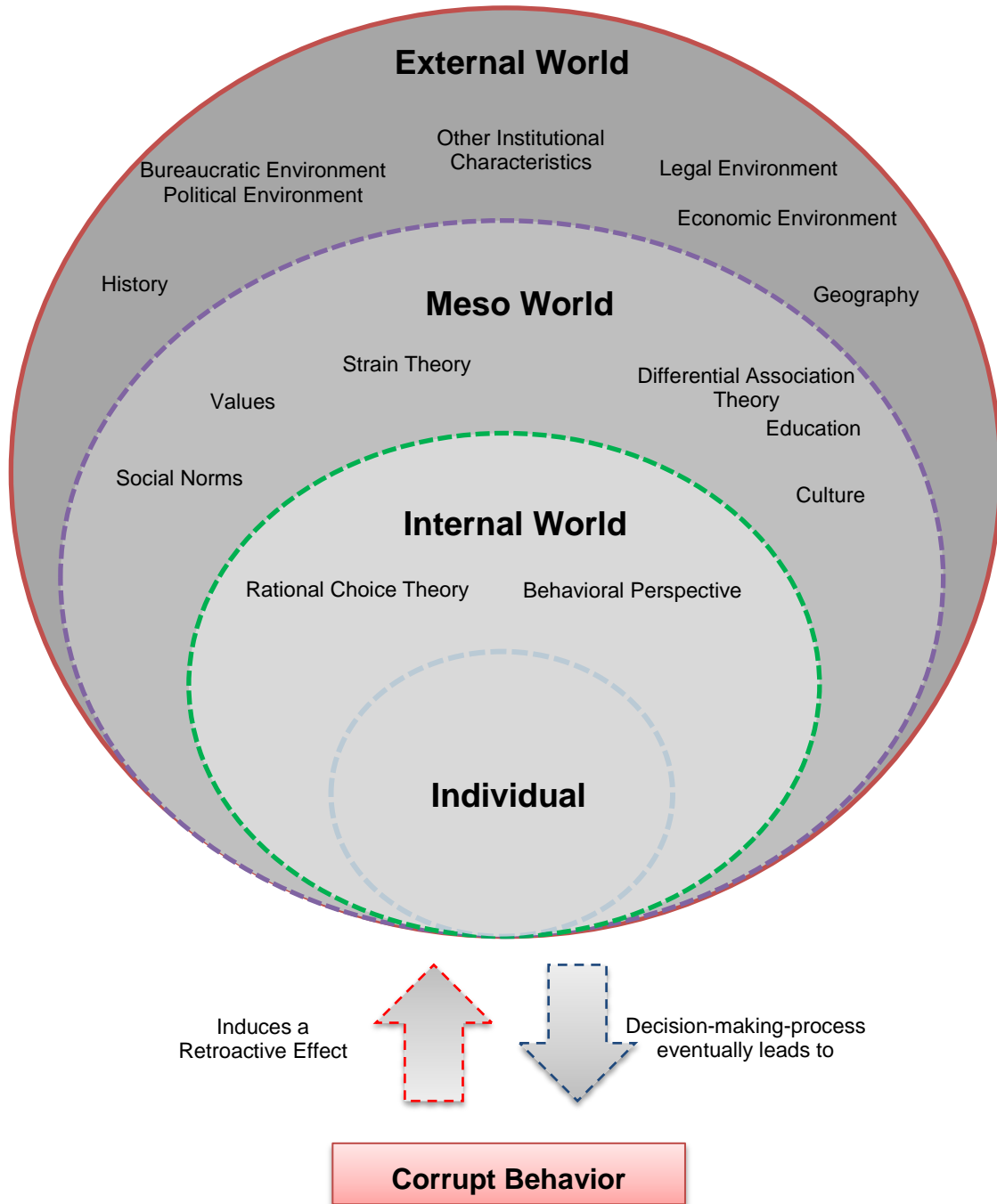


Figure 1 – Interdisciplinary Perspective

*I. Internal World—Rational Choice and Behavioral Perspective*

The internal world represents a micro perspective that highlights the individual's intrinsic willingness to actively engage in acts of corruption. This aspect comprises purely rational behavior and behavior beyond this clear-cut rationale. Here, light will be shed on aspects that exclusively target the individual perspective. This represents a precise methodological difference in comparison to the aggregate levels that will be analyzed in subsequent sections. We deem it important to include these different perspectives to allow for a well-rounded discussion of the antecedents and effects of corruption. For this purpose, we will start with a pure actor-based perspective and then gradually move towards an aggregate perspective.

Considering rational choice, this particular approach in the context of crime has its roots in the seminal contribution of Gary S. Becker, analyzing the disposition to deviant behavior based on cost-benefit calculations.<sup>24</sup> Encompassing economic theories on crime causation have evolved ever since. The rational choice, whether or not to succumb to corrupt behavior, is based on a decision process in which individuals try to maximize their utility. This is done by weighing expected benefits against expected costs of deviant behavior, including opportunity costs and the risk of being caught or punished. One can use this general approach to understand a subset of criminal behavior, namely corruption, by shedding light on the decision-making process of both the briber and the bribee. Although opportunity costs and risk calculation will certainly differ for each of the parties involved, the basic decision process is similar. (1) Opportunity costs due to time allocation: Whenever time is spent on criminal engagement, less time is available for legal activities. The opportunity costs therefore represent the amount of income, which is given up to attend to the alternative action. (2) Risk calculation: The consideration of the risk of being caught or punished. Certain actions are less likely to be observed and prosecuted and thus drive the individual risk assessment.

Both factors also represent viable ways to deter corrupt behavior—for example, through applying more severe punishments and increasing the probability of detection. Research indicates that both increasing the certainty and the severity of punishment are viable measures to deter criminal behavior, with the former being backed up by more consistent empirical evidence than the latter.<sup>25</sup> Feess et al. report that increasing the magnitude of punishment—for example, up to a death penalty like in China—might even bring about perverse effects.<sup>26</sup> It is reasonable to assume that under such circumstances, judges would

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<sup>24</sup> Gary S. Becker, *Crime and Punishment: An Economic Approach*, 76 J. POL. ECON. 169 (1968).

<sup>25</sup> Daniel S. Nagin, *Deterrence: A Review of the Evidence by a Criminologist for Economists*, 5 ANN. REV. ECON. 83 (2013).

<sup>26</sup> EBERHARD FEESS ET AL., *THE IMPACT OF FINE SIZE AND UNCERTAINTY ON PUNISHMENT AND DETERRENCE: EVIDENCE FROM THE LABORATORY 25* (Munich Personal RePEc Archive, 2014).



tend to be more careful in sentencing, since the condemnation would be associated with high costs for both the defendant and the judge given the risk of a potentially wrong decision. Consequently, irrespective of the corrupt acts detected, percentage of actual convictions might drop, rendering the increased sanction detrimental or useless at the best. From a criminal's perspective, in a situation in which deviant behavior becomes more lucrative due to a *ceteris paribus* decrease in expected costs, such a leeway might induce even more deviant behavior. After all, facing both a drop in convictions and a rising estimated number of unreported cases may tempt the government to impose even harder sanctions, leading to a vicious cycle.<sup>27</sup>

Yet, more often than not, individual behavior goes beyond clear-cut rational decision-making but is bounded in terms of to what extent decisions are thoroughly elaborated.<sup>28</sup> As described before, the pure rational choice approach leaves no room for moral quarrels that may influence the calculus, although real life experience proves morals highly relevant. Yet, morals differ not only from society to society but also on an individual level and even from one situation to another—especially if factors such as emotions are considered. Essentially, a combination of all these aspects is needed to reach a well-elaborated internal view. Thus, in recent years, the behavioral approach, which enriches the rational perspective with the inclusion of psychological aspects and biases, has been incorporated into models trying to better explain deviant behavior in general and corrupt behavior in particular. It has been argued that even a rational decision-maker might end up engaging in seemingly irrational behavior that is guided by more than just a rational calculus, but rather is a function of the underlying environment. This stream of literature has extended the decision space of the so-called “homo oeconomicus” by incorporating factors such as reciprocity, emotions, social image, and the like to draw a *more realistic* picture of human behavior.<sup>29</sup> Clearly, the growing body of approaches represent an addition rather than substitution of the rational choice approach.

Arguably, pure rational choice concerns are incapable of explaining the de facto extent of existing corruption. Lambsdorff argues that the rational choice theory brings about two seemingly conflicting outcomes, one with and one without existing corruption. On the one hand, one should observe corruption more frequently as it is the case since—at least in the absence of norms, values, and the like—criminal behavior is solely driven by rational

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<sup>27</sup> Torsten Steinrücken, *Sind härtere Strafen für Korruption erforderlich? Ökonomische Überlegungen zur Sanktionierung illegaler Austauschbeziehungen*, 73 *VIERTELJAHRESHEFTE ZUR WIRTSCHAFTSFORSCHUNG* 301 (2004).

<sup>28</sup> See *BOUNDED RATIONALITY: THE ADAPTIVE TOOLBOX* (Gerd Gigerenzer & Reinhard Selten eds., 2002).

<sup>29</sup> Nicholas Barberis, *Psychology and the Financial Crisis of 2007–2008* (2011) (unpublished manuscript) (on file with the Yale School of Management), <http://faculty.som.yale.edu/nicholasbarberis/cp10.pdf>.

calculus.<sup>30</sup> On the other hand, because bribery is not a subgame perfect Nash equilibrium,<sup>31</sup> its actual occurrence might already be surprising. In one-shot bribery settings, as is usually the case, reputation does not play any role, suggesting that the bribee has no incentive to reciprocate the behavior of the briber. Consequently, the briber anticipates the bribee's deviant behavior—e.g., pocketing the money without providing the respective service—and, as a result, he should not pay any bribes in the first place. Even in repetitive settings, the exchange will terminate eventually, leading to what is called an endgame effect, suggesting that the bribee will deviate from the reciprocal arrangement at some point. This entails that by using backward induction, the briber will refrain from paying bribes in the first place as well. Accounting for these seemingly conflicting outcomes, current research suggests that one's decision-making process is vastly guided by the social environment and one's peer's behavior.<sup>32</sup> Among other things, theoretical and experimental research suggests that the effect of behavioral contagion is mediated by the social proximity to the peers.<sup>33</sup> A person's traits and behavior are predominantly based on social interaction;<sup>34</sup> people are not born with them, but rather they are learned and adapted through the course of social interaction. These patterns and values can vary and develop as time moves on and they can be considered to be under constant exogenous influence. What is more, existing evidence points at the importance of social norms and values, but also the impact of reputation in repeated game environments, in explaining corrupt behavior.<sup>35</sup> "Reputation is a powerful force for strengthening and enlarging moral."<sup>36</sup>

In sum, the many factors comprising the internal world can be seen as the essential pillars in explaining corrupt behavior. Research indicates, however, that the decision to behave in

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<sup>30</sup> Johann Graf Lambsdorff, *Behavioral and Experimental Economics as a Guidance to Anticorruption*, in NEW ADVANCES IN EXPERIMENTAL RESEARCH ON CORRUPTION RESEARCH IN EXPERIMENTAL ECONOMICS 279 (Danila Serra & Leonard Wantchekon eds., 2012).

<sup>31</sup> A well-known game theoretical concept. "A subgame perfect equilibrium is a strategy profile that induces a Nash equilibrium in every subgame." MARTIN J. OSBORNE, AN INTRODUCTION TO GAME THEORY 166 (2004).

<sup>32</sup> See, e.g., William N. Evans et al., *Measuring Peer Group Effects: A Study of Teenage Behavior*, 100 J. POL. ECON. 966 (1992); Edward L. Glaeser et al., *Crime and Social Interaction*, 111 Q. J. ECON. 507 (1996).

<sup>33</sup> George A. Akerlof, *Social Distance and Social Decisions*, 65 ECONOMETRICA 1005 (1997); Eugen Dimant et al., *On Peer Effects: Behavioral Contagion of (Un)Ethical Behavior and the Role of Social Identity* (2015) (unpublished manuscript).

<sup>34</sup> Ralph LaRossa & Donald C. Reitzes, *Symbolic Interactionism and Family Studies*, in SOURCEBOOK OF FAMILY THEORIES AND METHODS: A CONTEXTUAL APPROACH 135–63 (Pauline G. Boss et al. eds., 1993).

<sup>35</sup> See, e.g., Simon Gächter & Armin Falk, *Reputation and Reciprocity: Consequences for the Labour Relation*, 104 Scandinavian J. Econ. 1 (2002); Manfred Milinski, Dirk Semmann & Hans-Jürgen Krambeck, *Reputation Helps Solve the "Tragedy of the Commons"*, 415 NATURE 424 (2002).

<sup>36</sup> Jonathan Haidt, *The New Synthesis in Moral Psychology*, 316 SCI. 998 (2007).

a corrupt manner is not driven solely by internal factors. Instead, it is the interplay with the social environment that impacts or overrides the internal world. The social nature of humans promotes the consideration of peer group affiliation and reputation, deeming it unlikely that behavior in general—and unethical behavior in particular—is purely self-driven. We now turn to the discussion of meso and macro factors that add to the understanding of corrupt decision-making and build upon the internal world.

## *II. Meso World—Sociological and Criminological Factors*

The meso world focuses on social interaction. It is plausible to assume that, beyond the intrinsic willingness, different components like typical values, rules, and norms within a given society have a strong impact on a person's decision on whether or not to act corruptly. There are many sociological factors and criminological aspects as well as theories that can influence the level of corrupt behavior.

### *1. Sociological Factors*

The general culture within a given country can have a significant impact on individual decisions to engage in corrupt behavior. Husted examines the effect of different cultural aspects and describes “a cultural profile of a corrupt country as one in which there is high uncertainty avoidance, high masculinity, and high power distance.”<sup>37</sup> Other studies come to a similar conclusion. For example, Volkema and Getz analyzed power distance and uncertainty avoidance, again showing a significant positive correlation between these cultural factors and the level of corruption.<sup>38</sup> Recent studies also support these results. The two dimensions of national culture (power distance and individualism) moderate the relationship between human development and corruption.<sup>39</sup> This is also true if norms and values are carried over from different cultures through migration. For example, Dimant et al. find some indication for such a footprint effect. In continuing to conduct business as usual, the destination countries experience deterioration in institutional quality and an increase in corruption levels in the short run. But they also find that migrants eventually assimilate to the new environment in the medium run.<sup>40</sup>

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<sup>37</sup> Bryan W. Husted, *Wealth, Culture and Corruption*, 30 J. INT'L BUS. STUD. 339, 354 (1999).

<sup>38</sup> Kathleen A. Getz & Roger J. Volkema, *Culture, Perceived Corruption, and Economics: A Model of Predictors and Outcomes*, 40 Bus. Soc'y 7 (2001).

<sup>39</sup> Randi L. Sims, Baiyun Gong & Cynthia P. Ruppel, *A Contingency Theory of Corruption: The Effect of Human Development and National Culture*, 49 Soc. Sci. J. 90, 95 (2012).

<sup>40</sup> Eugen Dimant, Tim Krieger & Margarete Redlin, *A Crook is a Crook . . . But is He Still a Crook Abroad? On the Effect of Immigration on Destination-Country Corruption*, 16 GERMAN ECON. REV. 464 (2015).

Aside from the cultural aspects, research also points at the relevance of education in mediating the inclination towards corrupt behavior. Education typically intensifies in the process of economic development within a given country and contributes to lower levels of corruption.<sup>41</sup> A study conducted in Nepal indicates that education is one of the primary determinants of corrupt behavior. Higher education is strongly correlated with the likeliness to condemn corrupt behavior and the reluctance to accept even small bribes.<sup>42</sup>

Research also indicates that the composition of gender in leading positions mediates the extent of corruption.<sup>43</sup> For example, Dollar et al. find that a greater number of women involved in parliament is typically associated with lower levels of corruption.<sup>44</sup> Similar results are common in cross-country evaluations.<sup>45</sup> Typically, women tend to obey society rules and are less likely to take serious risks and therefore less often commit to corruption.<sup>46</sup>

## 2. Criminological Factors

From a criminological perspective, corruption is at the center of general crime and it facilitates the pervasiveness of the crime.<sup>47</sup> The criminological view on deviant behavior is interdisciplinary in itself. In particular, there is a strong interdependence between the sociological factors and criminology, because aspects like culture and education have an effect on general crime rates and therefore on the level of corruption. The incorporation of rational decision-making also represents an evident link to the internal world.<sup>48</sup>

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<sup>41</sup> Daniel Treisman, *The Causes of Corruption: A Cross-National Study*, 76 J. PUB. ECON. 399 (2000).

<sup>42</sup> Rory Truex, *Corruption, Attitudes, and Education: Survey Evidence from Nepal*, 39 WORLD DEV. 1133 (2011).

<sup>43</sup> See, e.g., Hung-En Sung & Doris Chu, *Does Participation in the World Economy Reduce Political Corruption? An Empirical Inquiry*, 3 INT'L J. COMP. CRIMINOLOGY 94 (2003); Hung-En Sung, *Fairer Sex or Fairer System? Gender and Corruption Revisited*, 82 SOC. FORCES 703 (2003); Hung-En Sung, *Women in Government, Public Corruption, and Liberal Democracy: A Panel Analysis*, 58 CRIME L. & SOC. CHANGE 195 (2012).

<sup>44</sup> David Dollar, Raymond Fisman & Roberta Gatti, *Are Women Really the "Fairer" Sex? Corruption and Women in Government*, 46 J. ECON. BEHAV. & ORG. 423 (2001).

<sup>45</sup> Anand Swamy, Stephen Knack, Young Lee & Omar Azfar, *Gender and Corruption*, 61 J. DEV. ECON. 25 (2001).

<sup>46</sup> See Justin Esarey & Gina Chirillo, *"Fairer Sex" or Purity Myth? Corruption, Gender, and Institutional Context*, 9 POL. & GENDER 361, 382–87 (2013); Björn Frank, Johann Graf Lambsdorff & Frédéric Boehm, *Gender and Corruption: Lessons from Laboratory Corruption Experiments*, 23 EUR. J. DEV. RES. 59 (2011).

<sup>47</sup> See, e.g., Wim Huisman & Gudrun Vande Walle, *The Criminology of Corruption*, in THE GOOD CAUSE: THEORETICAL PERSPECTIVES ON CORRUPTION 115–45 (Gjalt de Graaf et al. eds., 2010); LOUISE I. SHELLEY, DIRTY ENTANGLEMENTS: CORRUPTION, CRIME, AND TERRORISM 15 (2014).

<sup>48</sup> Eleanor Glueck & Sheldon Glueck, *Unraveling Juvenile Delinquency*, in CRIMINOLOGICAL THEORY: PAST TO PRESENT 47–58 (Frances T. Cullen, Robert Agnew & Pamela Wilcox eds., 2014).

Sutherland and Cressey brought forward the differential association theory, concluding that criminal behavior is commonly learned and adopted in interaction with other people.<sup>49</sup> Aspects such as social class, race, and unstable homes are not only factors favoring the commitment to criminal activity, but they also increase the probability that people will socialize with persons of similar character. This theory is widely supported by empirical research that focuses on social learning for both criminal and conforming behavior.<sup>50</sup> At the same time, social learning is not only restricted to small neighborhoods or certain areas, but also entails an aggregate perspective on the societal level. The strain theory, first established by Merton in 1938—a time when the most widely accepted hypothesis attributed criminal behavior to biological disposition—highlights the relevance of social structures and social pressure in the occurrence of criminal behavior.<sup>51</sup> Whenever individuals feel they are being treated unfairly by the society—e.g., restricted access to good schooling—they encounter a stressful situation, which in turn taxes one's self-control.<sup>52</sup> This theory suggests that under these circumstances, people may tend to reverse the goals set by society and create their own goals conflicting with existing norms and values. They are likely to believe that the means justify the ends, which is conducive to their decision to engage in criminal activities.<sup>53</sup> The basic strain theory, however, has been altered over time, eventually leading to a more generalized theory.

Individuals even in a stable personal environment—for example, with a well-paid and secure job—are potentially willing to put everything at risk and choose to engage in criminal behavior. Such behavior might stem from a biased self-perception. Although well-educated white-collar individuals should be able to fully take stock of the consequences of their corrupt behavior, Benson argues that such offenders often do not view themselves as criminals but rather as good employees, justifying their acts solely on the basis of trying to enforce the company's success.<sup>54</sup> This theory seems to hold, particularly for employees in higher positions with ample responsibilities when they see the chance to, for example,

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<sup>49</sup> Edwin H. Sutherland & Donald R. Cressey, *A Theory of Differential Association*, in CRIMINOLOGICAL THEORY: PAST TO PRESENT, *supra* note 48, at 136–39.

<sup>50</sup> Ronald Akers, *A Social Learning Theory of Crime*, CRIMINOLOGICAL THEORY: PAST TO PRESENT, *supra* note 148, at 140–53; Albert K. Cohen, *Delinquent Boys: The Culture of the Gang*, in CRIMINOLOGICAL THEORY: PAST TO PRESENT, *supra* note 48, at 186–90.

<sup>51</sup> Robert K. Merton, *Social Structure and Anomie*, 3 AM. SOC. REV. 672 (1938).

<sup>52</sup> TRAVIS HIRSCHI & MICHAEL GOTTFREDSON, *A GENERAL THEORY OF CRIME* (1990).

<sup>53</sup> See Cohen, *supra* note 50; Steven F. Messner & Richard Rosenfeld, *Crime and the American Dream*, in CRIMINOLOGICAL THEORY: PAST TO PRESENT, *supra* note 48, at 191–201.

<sup>54</sup> Michael L. Benson, *Denying the Guilty Mind*, in CRIMINOLOGICAL THEORY: PAST TO PRESENT, *supra* note 48, at 398–406.

secure other people's jobs by acting corruptly.<sup>55</sup> Such a biased self-perception might be the result of both hypocrisy and a different understanding of what is right and wrong. As research indicates, such an understanding of, for example, what is considered a bribe or a gift, is context dependent, varying substantially across countries.<sup>56</sup> However, aside from varying perceptions in different countries, the rationalization process is present in every society and it is a key determinant for white-collar crime and corruption in particular. The ability to rationalize unethical behavior pushes out feelings of guilt and shame, rendering corrupt behavior justifiable if there are enough good reasons.<sup>57</sup> In line with the social learning theory introduced earlier, such work environments can be deemed highly negative. If the supervisors act corruptly without any feelings of guilt, this behavior may affect the other employees' decision-making process. Consequently, further analysis is essential with respect to the extremely high damages involved in white-collar crimes. Prosecution and quantification of such crimes turn out to be extremely tough,<sup>58</sup> and even though numerous cases with extensive damage are known, the actual ramifications remain devious. Furthermore, higher levels of corruption combined with weak institutional structures soak through society and eventually lead to rising general crime rates, creating a hostile environment and breeding ground for even more corruption.<sup>59</sup>

This Article now turns to the external world by shedding light at factors at the macro level that influence the extent of corruption.

### *III. External World—Economic, Legal, Political, Historical, and Geographical Factors*

The external world includes all other elements representing extrinsic opportunities that directly or indirectly have an influence on corruption. Among others, these are economic, legal, political, historical, and geographical factors.

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<sup>55</sup> PETER FLEMING & STELIOS C. ZYGLIDPOULOS, CHARTING CORPORATE CORRUPTION: AGENCY, STRUCTURE AND ESCALATION 9 (2009).

<sup>56</sup> Andrew Millington, Markus Eberhardt & Barry Wilkinson, *Gift Giving, "Guanxi" and Illicit Payments in Buyer-Suppliers Relations in China: Analysing the Experience of UK Companies*, 57 J. BUS. ETHICS 255 (2005); Paul Steidlmeier, *Gift Giving, Bribery and Corruption: Ethical Management of Business Relationships in China*, 20 J. BUS. ETHICS 121 (1999).

<sup>57</sup> TINA SØREIDE, DRIVERS OF CORRUPTION: A BRIEF REVIEW 29 (World Bank, 2014).

<sup>58</sup> Johan Graf Lambsdorff & Günther G. Schulze, *What Can We Know About Corruption? A Very Short History of Corruption Research and a List of What We Should Aim For*, 235 JAHRBÜCHER FÜR NATIONALÖKONOMIE UND STATISTIK 101 (2015).

<sup>59</sup> Claros, *supra* note 8.

### 1. Economic Factors

Existing research points at a broad range of economic factors relevant to the extent of corruption. For example, the overall quality of the government in a given country is a well-studied determinant. "Poor governance may affect economic performance through their impact on tax revenue, public spending, and fiscal deficit."<sup>60</sup> Inefficient bureaucracy fuels corruption because it provides a fertile ground for "speed money." Such a mechanism is designed to circumvent impeding regulatory bodies, which represent the major ingredient of the greasing the wheels hypothesis described in Section B. In the context of firm entry in highly regulated countries, Dreher and Gassebner analyzed more than forty countries for several years, concluding that the greasing the wheels hypothesis holds even today.<sup>61</sup> The more inefficient regulations are, the longer the delays for companies being able to start their business. In consequence, such inefficiency, coupled with the risk of losing money and business, trigger their decision to make use of speed money.<sup>62</sup> Whenever the extent and bureaucracy of each public official's decision power are high, people may use their power for personal gain at the cost of general welfare.<sup>63</sup>

Research also indicates the relevance of economic and political freedom. Whenever a country inhabits characteristics such as high protectionism and other significant barriers to trade, corruption appears to breed,<sup>64</sup> whereas countries with a prolonged history of openness to trade are typically characterized by lower levels of corruption.<sup>65</sup> Cross-country comparisons indicate that the extent of economic and political freedom is negatively correlated with corruption levels.<sup>66</sup>

Along these lines, a country's economic growth as measured by the increase in the gross domestic product (GDP) per capita has been found to have a traceable impact on a country's corruption level.<sup>67</sup> For example, Bai et al. analyzed annual firm data from

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<sup>60</sup> Vito Tanzi, *Governance, Corruption, and Public Finance: An Overview*, in GOVERNANCE, CORRUPTION, AND PUBLIC FINANCIAL MANAGEMENT 1 (Salvatore Schiavo-Campo ed., 1999).

<sup>61</sup> Dreher & Gassebner, *supra* note 21.

<sup>62</sup> Tanzi, *supra* note 9.

<sup>63</sup> *Id.*

<sup>64</sup> Alberto Ades & Rafael Di Tella, *Rents, Competition, and Corruption*, 89 AM. ECON. REV. 982 (1999).

<sup>65</sup> Daniel Treisman, *What Have We Learned About the Causes of Corruption from Ten Years of Cross-National Empirical Research?*, 10 ANN. REV. POL. SCI. 211, 241–42 (2007).

<sup>66</sup> Abdiweli M. Ali & Hodan Said Isse, *Determinants of Economic Corruption: A Cross-Country Comparison*, 22 CATO J. 449, 461–62 (2003).

<sup>67</sup> See Ades & Di Tella, *supra* note 64; Jana Kunicová & Susan Rose-Ackerman, *Electoral Rules and Constitutional Structure as Constraints on Corruption*, 35 BRIT. J. POL. SCI., 573 (2005); Treisman, *supra* note 65.

Vietnam and found that corruption will subside automatically after several years of extensive economic growth.<sup>68</sup> Generally speaking, “corruption vanishes as countries get rich, and there is a transition from poverty to honesty.”<sup>69</sup>

## 2. Legal and Political Factors

Institutions play an important role in both ensuring a sound legal environment and facilitating the companies’ business. They set “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.”<sup>70</sup> Whenever an imbalance of power exists, parties are likely to abuse the system and engage in deviant behavior that is detrimental to the society. Typically, weak institutions are responsible for inefficient regulations and the loss of trust on the side of the citizens. Well-functioning institutions therefore represent important factors in the fight against corruption.<sup>71</sup>

Political institutions are indispensable in the fight against corruption because they set the rules and regulations that control the economic environment. Key conditions such as trade openness, competition, and economic development are all influenced by the set of rules imposed by political institutions. Here, transparency and accountability are key in moderating the public officials’ inclination to engage in fraudulent behavior, which is likely to be the case under freedom of speech and democratic elections. Lederman et al. find that “corruption tends to decrease systematically with democracy, parliamentary systems, democratic stability, and freedom of press.”<sup>72</sup>

Research also points to the relevance of institutional decentralization. Autonomy of states and the ability to enforce this power seems to go hand in hand with breeding corruption.<sup>73</sup> In a cross-national study, Gerring and Thacker<sup>74</sup> find that a centralized government system can have a significant decreasing effect on corruption. Contrary to these findings, Fisman

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<sup>68</sup> See generally Jie Bai, Seema Jayachandran, Edmund J. Malesky & Benjamin A. Olken, *Does Economic Growth Reduce Corruption? Theory and Evidence from Vietnam* (2014) (unpublished manuscript) (on file with authors).

<sup>69</sup> Erich Gundlach & Martin Paldam, *The Transition of Corruption: From Poverty to Honesty* 6 (Kiel Inst. for the World Econ., Working Paper No. 1411, 2008). For a more detailed discussion of economic factors, see Dimant, *Antecedents*, *supra* note 8.

<sup>70</sup> DOUGLAS C. NORTH, *INSTITUTIONS, INSTITUTIONAL CHANGE, AND ECONOMIC PERFORMANCE* 3 (1990).

<sup>71</sup> See Axel Dreher, Christos Kotsogiannis & Steve McCorrison, *Corruption Around the World: Evidence From a Structural Model*, 35 J. COMP. ECON. 443, 461–62 (2007).

<sup>72</sup> Lederman *et al.*, *supra* note 72.

<sup>73</sup> *Id.*

<sup>74</sup> Gerring & Thacker, *supra* note 74.



and Gatti find a positive relationship between fiscal decentralization and corruption using indices on a cross-country level.<sup>75</sup>

### 3. *Historical and Geographical Factors*

Existing research suggests that historical and geographical factors are highly predictive of a country's corruption level.<sup>76</sup> One distinct determinant is a country's history of colonization. For example, Acemoglu et al. found that, throughout the past five hundred years, colonization had sizable effects on the spread of corruption.

Civilizations in Meso-America, the Andes, India, and Southeast Asia were richer than those located in North America, Australia, New Zealand, or the southern cone of Latin America. The intervention of Europe reversed this pattern. This is a first-order fact, both for understanding economic and political development over the past 500 years, and for evaluating various theories of long-run development.<sup>77</sup>

Treisman finds support for this argument and argues that the effect of colonization is mediated by the influence of religion.<sup>78</sup>

The geographical disposition appears to have a traceable effect on corruption levels as well. Research suggests that resource endowments, agricultural aspects, and production factors play an important role in overall economic development and, thus, indirectly affect the level of corruption.<sup>79</sup> Extensive resource abundance, however, might also cause perverse outcomes. Bloch and Tang point at numerous examples where resource abundance had detrimental effects on the economy, leading to declining per capita incomes in countries like Venezuela.<sup>80</sup> The exploitation of large resource endowments may often lead to strong income imbalances, political corruption, and property right infringements. These factors tend to contribute to criminal activity due to more profitable

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<sup>75</sup> Fisman & Gatti, *supra* note 75.

<sup>76</sup> See generally Jakob Svensson, *Eight Questions About Corruption*, 19 J. ECON. PERSP. 19 (2005).

<sup>77</sup> Daron Acemoglu, Simon Johnson & James A. Robinson, *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*, 117 Q. J. ECON. 1231, 1278–79 (2002).

<sup>78</sup> Treisman, *supra* note 41.

<sup>79</sup> See Harry Bloch & Sam Hak Kann Tang, *Deep Determinants of Economic Growth: Institutions, Geography, and Openness to Trade*, 4 PROGRESS IN DEV. STUD. 245, 248–53 (2004).

<sup>80</sup> *Id.*

rent-seeking behavior. In addition, Goel and Nelson find support for the hypothesis that “countries with more geographically concentrated populations (*Urban*) are likely to have lower corruption.”<sup>81</sup> The authors show that in densely populated areas corruption is strongly deterred by easier detection and stronger stigmatization.

#### *IV. Interdisciplinary Perspective and Empirical Findings*

Combining the factors and different views that have been elaborated throughout this paper, a deeper understanding and intuitive understanding for the figure presented at the beginning of Section C should now be established.

In this section, and throughout this Article, we do not attempt to weigh one approach against the other. Rather, we try to provide a comprehensive view on the factors that are relevant to corrupt decision-making. Existing research indicates that corrupt behavior can be explained by an array of existing theories, stressing the importance of an interdisciplinary approach. Although we provide a rough framework, explaining the underlying mechanism of how all the interdisciplinary concepts are interrelated and build upon each other is beyond the goal of this Article. Instead, we stress the individual, and how individuals are subjected to the interplay of the different worlds. In any given context, an individual’s decision to engage in corrupt behavior is subject to interior rationalization, or the internal world, as well as the underlying social or meso world, and institutional context, or the external world. With this, we conceptually unify the approaches and theory that focus on both the individual actor and the aggregate perspective.

In particular, in the internal world, decisions based on pure rational choice mechanisms, as well as the inclusion of behavioral factors, determine the individual’s basic inclination to engage in corrupt behavior. At this point, we have shown that using insights from rational choice theory alone cannot sufficiently explain the actual occurrence of corruption. Although the choice whether or not to act corruptly always begins in the internal world, the other layers cannot be excluded from the decision-making process. Thus, it is key to combine this actor-based view with influences from the outside that are almost entirely empirically assessed on an aggregate level. The meso world covers the sociological and criminological factors that add another layer to the decision-making process. Factors like culture, ethical standards, and education are important determinants for deviant conduct. The external world includes economic, legal, political, historical, and geographical determinants, representing factors that individuals are subjected to, but have little power to influence on their own. It is worth noting that these three different layers are not distinct but rather interdependent, thus creating retroactive effects.

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<sup>81</sup> Rajeev K. Goel & Michael A. Nelson, *Causes of Corruption: History, Geography, and Government*, 32 J. POL’Y MODELING 433, 444 (2010) (emphasis in original).

At an individual level, the rational-self reaches the decision to behave corruptly by simply weighing the expected costs against the expected benefits. In addition, the psychological assessment supports this decision because one observes peer behavior of the same kind, thus triggering behavioral conformity. The decision to engage in deviant behavior, however, might go against the norms, values, and moral virtues one was raised with, which could trigger the consideration of long-term consequences such behavior might have in terms of social welfare. Therefore, although corrupt behavior seems to be perfectly rational and justifiable from a pure self-maximization perspective, a more deliberate assessment of the consequences might lead to a different outcome. This argument is in line with previously discussed literature raising the point that the actual occurrence of corruption is in line with what one would expect based on the predictions derived by rational choice theory.

#### **D. Conclusion**

Research on the antecedents and effects of corruption has undergone a profound development over the last decades. Studies using theoretical, empirical, and experimental approaches have broadened our understanding of corruption, helping to develop meaningful countermeasures. In this paper, we shed light on the interdisciplinary discussion of corruption at the micro, meso, and macro level, providing ample evidence that corrupt behavior is not only the result of an internal cost-benefit analysis, but is rather a function of the underlying social and economic environment. For this reason, a multidisciplinary approach is required to understand the complex nature of corruption.

Research indicates that corrupt behavior is driven by a multitude of different mechanisms that have their origin at both the individual and the collective level. Moreover, while the decision to engage in corrupt behavior is the result of a deliberative decision—as opposed to an impulsive one when it comes to general acts of crime—there are many conflicting mechanisms at play. Throughout this paper, we have claimed that pure rational choice theories do not sufficiently explain the occurrence, or the lack, of corruption. Using game-theoretic predictions, one would expect corruption to not exist at all or to be observed everywhere. Instead, we observe both corrupt and honest people, and empirical research also points to substantial heterogeneity across, and even within, countries. The inception of more reliable measures of corruption has stimulated a broad variety of research trying to explain the mechanisms of corruption going beyond clear-cut rational decision-making. Rather, in reaching a decision, research has emphasized the importance of bounded rationality; the inherent values and norms one person has been raised with, as well as the institutional and political environment.

In this paper, we focused on discussion of state-of-the-art literature on corruption as well as bridging the gap between different theories and approaches to the understanding of what really drives corrupt behavior beyond rational decision-making. One aspect that we highlighted throughout the different sections of our interdisciplinary approach is the

relevance and influence of moral and ethical considerations on corrupt behavior. As mentioned in the limitations of the internal world, rational choice approaches neglect this aspect entirely and insufficiently explain the non-occurrence of corruption. Adding the consideration of ethical aspects allows us to draw a more balanced picture of the drivers of corruption.

Throughout this paper, we have argued that more than through simple cost-benefit heuristics, individuals are driven by moral and ethical concerns, which are shaped by, and are independent from, the economic, legal, and political environment in which they live. The consideration of moral aspects is essential to understanding the spread of corruption at each level: micro, meso, and macro. Being more sensitized to ethical considerations, and the impact of one's own behavior on others, is likely to increase both self-awareness and control, and moderate the likelihood to engage in inopportune behavior in the first place. Arguably, ethicality is what makes humans distinct from animals and the lack thereof is likely to facilitate a vicious cycle of systemic misdemeanor.

Having been a problem for centuries, one has to be an inveterate optimist to believe that corruption can be entirely annihilated without undermining the fact that this would not be desirable from a welfare perspective, considering the concomitant costs. At best, research on this topic and the implementation of an effective regulatory policy, suitable codes of conduct, political and bureaucratic transparency, and effective anti-corruption measures can help to mitigate the dissemination of corruption.