# The Social Construction of Corruption

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**Introduction**

In this paper I sketch out some sociological arguments about corruption. I try not to duplicate the already large literature on the subject. For example, economists' treatments of corruption focus on either i) identifying structures of incentives that make corruption more likely; or ii) assessing the impact of corruption on efficient economic outcomes.[1] Both of these are worthwhile concerns, but I argue that there are others which are also important and interesting which require a different conceptual framework.

I begin with some brief definitional issues: The second edition of the Oxford English Dictionary defines "corruption" as "Perversion or destruction of integrity in the discharge of public duties by bribery or favour". Note the several elements. One refers to "public" duties, which limits the concept to individuals acting on behalf of the public, normally government officials at some level. While this is no doubt the most common usage, it is not unusual to hear the term extended so as to describe private individuals as "corrupt", such as a professor who would accept money or other favors in return for higher grades. The term "duties" implies that corruption entails abuse of the trust and formal responsibility someone has undertaken by virtue of a position held in some organization. The rules of such organizations thus become relevant.

The exact meaning of these and other elements of this definition are open to discussion and depend upon social constructions. What is "integrity" in the discharge of public or other duties is defined by social and professional norms that may vary by time and place. And the meaning of "bribery" is negotiable and elastic. The concept assumes that A conveys a payment, gift or favor to B, and B makes some decision, provides some service, or takes some action that improves A's welfare, and can do so because he occupies some organizational position. Imputation of bribery further assumes a) that the two sets of events are causally related – there is some *quid pro quo* – they are not simply independent of one another; and b) that this give and take is inappropriate by legal or by commonly accepted local moral standards, or both. Whether either of these two conditions is actually met is often the subject of contention.

A slightly broader conception of corruption involves not an exchange between two identified individuals, but a single individual using a position in which he is trusted, to appropriate an organization's goods or services that he does not deserve. Embezzlement is the type case. A recent example would be corporate managers who erected elaborate accounting frauds for their own enrichment, at the expense of shareholders. Note that a crucial element here is the local conception of who in an organization "deserves" what under which circumstances.

[1] In recent years, this second effort has mainly consisted of arguing that corruption reduces efficiency. This is often posed as directly refuting earlier contentions by some political scientists and sociologists (Samuel Huntington, Robert Merton) that corruption may "grease the wheels of commerce", or give political or economic access to lower status groups who might otherwise be neglected.

Judgments of corruption *always* assume that a moral violation has occurred, whether or not an actual law has been broken. This assumption is sometimes widely accepted (as, e.g., with the infamous Montesinos bribes in Peru, captured on videotape, which brought down the Fujimori government in 2000; see McMillan and Zoido 2004). But many actions do not reach the radar screen of corruption monitors because parties effectively neutralize or pre-empt the taint of moral defect. That is, individuals aware of the actions in question accept what I call some "principle of neutralization": an account that acknowledges the causal connection between a payment and a service, or that items have been appropriated as the result of a position held, but implies that *given the particular circumstances*, no moral violation has occurred. [2]

Following are some issues about corruption that strike me as being of sociological interest.

**Aspects of corruption in exchange within dyads, and between individuals and organizations.**

Much familiar corruption involves exchange between two individuals. Given this fact, it is surprising that the subject has not attracted more attention from theorists of social exchange. Corrupt exchange is a special case of exchange in general, so the theoretical issue is what determines the legitimacy of an exchange, by locally and globally accepted standards (which may conflict, as I discuss later). One reason exchange theory has not occupied itself here is probably that corruption implies betrayal of trust inherent in some formal position, whereas most theories of exchange imagine the dyad as outside formal structures.

Meanings and norms matter a lot, as we can see by observing that many behaviorally identical actions may be interpreted very differently depending on circumstances. The categories of "gifts", "favors" and "loans" are morally neutral. But the exact same exchanges, if construed as a "bribes" or "payoffs", have very different meanings. We need to explore what social principles govern our interpretations of what category given exchanges fall into.

Gifts and favors are typically regulated by a norm of reciprocity. This norm operates in more than one dimension. One aspect is that return gifts or favors should be in a similar modality as the original. It is hard to say precisely what this means, but some instances are obvious to nearly everyone, such as that one should not reciprocate an invitation to dinner at someone's home with a cash payment. There is also an etiquette about the timing of reciprocation, e.g., invitations to dinner should not be reciprocated the next day. As La Rochefoucauld reminds us in his *Maxims (#226),* "excessive eagerness to discharge an obligation is a form of ingratitude". The norm also specifies that return gifts and favors should be roughly in proportion to the original offering. If a gift or favor falls far short, the attribution of ingratitude inhibits further exchange. But if it is excessive,

[2] I take the idea of "neutralization" from the work of Sykes and Matza (1955) on "techniques of neutralization", in which they show how juvenile delinquents admit their crimes yet hold values similar to law-abiding citizens, arguing that for various reasons, their victims deserved what befell them.

either when originally given or in reciprocation, recipients may suspect that the giver expects something more in return than is appropriate.

Judgments of what is “excessive” and “appropriate” are finely tuned to local culture and circumstance. So for example, Darr, in his study of upstate New York electronics salesmen, reports that they often took customers to lunch, and that this was considered appropriate in an ongoing relationship. But offering lunch to *prospective* buyers was considered a “bribe” because it was excessive, not called for given the lack of a previous relationship in which reciprocity was expected. This inappropriateness conferred a moral stigma on such an offer which therefore was rarely made. This shows that not only the current situation or organizational rules, but also the particular history of an exchange relation, determine what is considered an appropriate exchange.

When individuals appropriate resources from an organization, the judgment of corruption may be neutralized in various ways. So Darr (2003) reports that engineers who spent too much company money on dinner were excused by the CEO because they had gotten so many good sales leads. The principle of neutralization here is one of distributive justice. Such a principle extends even to cases when employees remove goods or use services of their employers without authorization and in clear violation of company policy. These would seem straightforward cases of corrupt behavior, but not if a local consensus assumes that employees deserved what they got.

There are two main ways this occurs. In one, employers knowingly pay lower wages than they or the employees think reasonable, assuming that some pilferage will take place that makes up the difference. This is a widespread past and present practice (see e.g. Liebow 1967, 38-39; Ditton 1977) distinguishable from theft when employers, though aware of the pilferage, do not actively prevent it, and “wink” at what is going on (Ditton 1977: 48), in effect framing the items taken as “perks” rather than unauthorized appropriations. Employers have some incentive to continue this situation since it gives them leeway to discipline or fire employees not to their liking for violating a formal if typically unenforced rule. Management considers employees who do not understand the meaning of such a system bumblers and fools. Dalton (1959) describes, for example, a department store chain where lunch counter employees were informally expected to take some food home at the end of the day, and the turmoil that ensued when one store’s lunch counter manager locked up the refrigerator at day’s close, preventing this rule violation. Her counter naturally showed higher profits than others, but morale sank and management implied that her unusual results must reflect incorrect bookkeeping. Her resignation restored the *status quo ante*.

Dalton (1959) also suggests a more complicated role for such “perks”, proposing that they often constitute a system of “informal rewards” essential for the smooth functioning of the organization. These are targeted for those who have made important contributions, but of a kind that are difficult to give official recognition, such as supporting the boss in a conflict with another unit. Though such informal rewards could get out of hand if appropriated by those who had not made important contributions, Dalton suggests that social control often intervenes to prevent excess. In one case, an employee wanted the house paint that he saw others taking. Most thought, however, that his contributions did not warrant this perk. Thus, he was given a supply of paint which, however, omitted the crucial drying fluid. Dalton reports that the employee excitedly painted his house, but the work was ruined by the ensuing accumulation of dust and insects. He could hardly complain, however, since the paint was officially forbidden to be taken. Instead, he became “a laughing-stock without recourse” (Dalton 1959, 202n).

**The Role of Relative Social Status in Corruption**

In exchanges between two people, their relative social status may play an important role in determining the type of exchange, and whether it is defined as corrupt. Anthropologist Larissa Lomnitz writes about the highly refined system of exchanges of favors among the Chilean middle class in the mid-twentieth century (Lomnitz 1971, 1988). Rules of reciprocity were complex and subtle, but it was clear that there were some limits on how favors should be repaid or returned. So, for example, “sexual advances made by a man as the result of granting a favor to a woman would be regarded as extremely gross behavior” (1971:96), and reciprocity “does not include tangible presents, and definitely excludes money”. The reason is that “offering these would be regarded as a personal offense between social equals”.

She elaborates, developing an important theme, noting that “Material payment in return for favors is graft. It means the absence of any possibility of personal relationship or having friends in common. Accepting a bribe is an acknowledgement of social inferiority, like accepting a tip or gratuity” (1988: 44). Vacationers in unfamiliar places are often wary of offering tips for services provided, precisely because the offer may imply that the recipient is lower status. If a favor is done in the hope of supporting some claim of status similarity, then the hoped-for reciprocation is social approval, and the proffering of money in the form of a tip is a status insult. One crucial difference between a gift and a tip is that a gift implies the likelihood of an ongoing social relationship in which gifts and favors will continue to be exchanged, whereas a tip is a one-time event which precludes further exchange.

If accepting a bribe is to acknowledge social inferiority, then one factor affecting whether there is widespread bribery between government officials and private economic actors may be the status differentials between these groups, which vary widely depending on historical and political circumstances. In the mid-century Chilean setting that Lomnitz describes, business was dominated by a socially-defined upper class, and the government bureaucracy by a middle-class that for complex historical reasons had lost their previously important position as industrialists. The social distance between business interests and bureaucracy facilitated graft as a form of well-understood market exchange, in which bureaucrats were willing accept cash or material payments in return for favors since the social inferiority that this implied was already accepted and well understood (Lomnitz 1971: 194; 1988: 46).

In such a setting, bribes that flow from business to government comport with the pre-existing status structure. But then if government needed to pay business for services that could not be properly or legally bought, such payments would meet resistance based on the social status difference. A good example of this may be the case of Peru, where Vladimiro Montesinos, as director of the Peruvian intelligence service, systematically bribed judges, politicians and media owners to provide decisions, votes and information favorable to the Fujimori regime. The regime's undoing resulted from the failure to bribe the owners of one small yet influential newspaper and television channel controlled since 1898 by a single prominent, high-status family (McMillan and Zoido 2004: 11). In most situations, successful bribes to the majority of relevant businesses would be sufficient, as it was for judges and politicians. But a single television channel can wield enormous influence if, as occurred in this case, it repeatedly publicizes incontrovertible evidence of high-level corruption (McMillan and Zoido 2004: 17).

This is not to say that bribes cannot take place between equals or flow from those socially inferior to those socially superior. But for this to occur goes against the grain of normal social interaction and is more complicated, requiring extensive management and buffering, at much higher cost and complexity, and requiring far more skill, than simple monetary payments. Thus Lomnitz notes that when equal status individuals in Mexico need to bribe one another, which is normally socially proscribed, the exchange is conducted through intermediaries called *coyotes*. This spares both partners in the exchange the need to meet personally (1988: 46).

Government bureaucrats may be of higher social status than those in business, as has been the case historically in China, a pattern that continues during the recent wave of market reforms. This does not prevent those in business from arranging favors from government officials, a practice which is common (see Wank 2000) and without which it may be difficult or impossible to conduct business (Lin 2001). But the direction of status difference means that a simple exchange of favors for money becomes unlikely. Instead, elaborate systems of gift-giving, banquets, entertainment and favors keyed to the highly particular needs of officials are developed. Thus, "Boss Lai", the central figure in an enormous corruption scandal in the Chinese city of Xiamen that exploded in 1998 – in which customs revenue of around ten billion US dollars had been evaded by his business interests – was of much lower social background than most of the officials whose cooperation he needed. Lai developed many techniques to offset the likely reluctance of such officials to accept bribes. One is that he "always took care to maintain the appearance of proffering gifts out of personal concern for the needs of an official rather than as a *quid pro quo* exchange" (Wank 2002: 14). Faced with rejection of gifts or bribes by officials who considered him socially inferior, Lai used intermediaries to avoid face-to face interaction (as in Mexico), and even built a seven-story mansion that was opulently decorated, and included a dance hall, karaoke lounge, movie theater, sauna, footbath facilities and five luxurious suites "all attended to by a staff of attractive young women who reportedly provided sexual services" (Wank 2002: 19). Officials who would not take money from the socially inferior Boss Lai were less reluctant to indulge in the pleasures of the "Red Mansion", where Lai was nowhere to be seen (though his video cameras were secretly taping officials' illicit activities).

The lesson here is that the configuration of social networks and social status differences between those who need favors and those in a position to provide them in an economy may strongly shape the modalities, the costs and the likelihood of such favors being provided. To study such processes in the absence of understanding these forces omits one of the most important causal determinants.

**Patron-Client Relations, Corruption and Loyalty**

The businessperson who bribes an official of lower social status usually conducts this activity as if it were a market-type relationship, more or less impersonal and without expectation of continuing relations. In Peru, Montesinos even used the artifice of written contracts, specifying the obligations of those bribed, despite the obvious lack of legal standing for such a document (McMillan and Zoido, 2004). Exchange of favors among equals, by contrast, typically is embedded in expectations of a continuing relation and this is one reason why the exchange of favors can be carried out without definite expectations of the timing and nature of reciprocity. This affords considerable flexibility to the exchange process. (For a similar analysis of exchanges among venture capitalists in Silicon Valley, see Ferrary 2003).

When resources and favors flow from those of higher status to those of lower status, and there is an expectation of continuing relationship, we enter the important realm of patron-client relationships. Depending on the nature of what flows back from lower to higher status individuals, and local social constructions, the resulting exchanges may or may not be coded as corruption. A typical case is politicians, usually of middle status origins, and their lower social status supporters. Some such cases include simple market transactions such as buying votes. This is often one-shot, as in the familiar image of money being handed out in Chicago bars on election night. But in many settings politicians engage in longer-term relations with constituents, and many different kinds of favors flow down, including employment, public works and other items that those in government may control, and loyalty, political support and votes flow up. Such political figures may build up long-term cadres of supporters which they use to gain and maintain positions of influence and power. The nature of the exchange is such that the less powerful and lower-status individual cannot reciprocate with favors or cash, and therefore balances the account by providing loyalty and subordination (cf. Lomnitz 1988: 47). When employment is provided, such patronage builds up cliques of individuals in public administration who remain loyal to their patron whether he is in or out of power. Such collections of patrons and their coteries are familiar in most political systems, and may typically be the basis for coordinated action that can be more efficient than when administrators have to build relations with a previously unknown network of subordinates. But they also facilitate corrupt activity such as covert financial operations that depend on secrecy and trust (cf. Lomnitz on Mexico, 1988: 48).

A crucial issue in the vast literature on patron-client relations is whether clients are merely utility-maximizing actors responding to incentives provided by patrons, and feigning loyalty while awaiting an opportunity to defect once their market position permits it; or are actually loyal, meaning that their solidarity with patrons exceeds what incentives prescribe, and is less likely to shift as the incentive situation does (see the analysis by Eisenstadt and Roniger 1984: 261, of contrasting cases and their account of the sources of the difference).

**Conflicts of Interest and of Ideology**

Whether the activities of patrons and clients, or other sets of individuals engaged in exchange, come to be considered "corrupt" depends on whose interests are hurt by their activities, and also by the conceptual and ideological framework in which those interests are described. The two may often be related. For the Chilean case that Lomnitz describes, the favors that middle-class individuals employed in the bureaucracy did for one another sometimes violated formal regulations that prescribed impersonal relationships. Aware that such favors might be at the expense of those without good connections, those engaging in such exchange were ambivalent. But on the whole they neutralized imputations of corruption by appeal to an "ideology of class solidarity based on friendship and reciprocity" (Lomnitz 1971: 99).

This ideology was in explicit contradiction to that of liberal free enterprise, which prescribes advancement on merit alone, and proscribes tampering with the operation of free markets. [3] But Lomnitz observes that these views, though enshrined in Latin American legal systems, are widely seen as expressing the "values of the elite"; the middle class, "while outwardly respectful of the law, has little use for those values". Instead, competition "is viewed as a necessary evil, caused by the scarcity of resources; it is not valued as a proving-ground for individual worth"; and "Chileans abroad tend to be critical of competitive middle-class values in industrial societies, which they view as creating a friendless, dull, herdlike existence" (1971: 100). And the ideology of friendship and solidarity provides an advantage for middle-class Chileans to compete and succeed in Chile, in relation to members of the upper or lower classes (Lomnitz 1971: 105).

Thus, the ideology that individuals use to effectively neutralize perceptions or imputations of corrupt behavior is in explicit contrast to another that would condemn and restrain reciprocity of this type as illegitimate and corrupt exchange. This conflict of ideologies is not socially random, but reflects real conflicts of interest between well defined social groups in a society that is highly stratified along class and social status lines. Another interesting example of this is the argument of Richard Hofstadter, in *The*

[3] Indeed, it seems likely that the nearly universal adherence to such liberal or neoliberal views among economists is one reason for their recent interest in showing that corruption leads to inefficiency. Such a view is not inevitable for an economist, however, as under some circumstances, it is displaced by a Panglossian view that any existing institutional practice must be serving some efficiency purpose, otherwise it would have been competed away. The reigning aphorism for this view is that you "won't find dollar bills lying in the street": inefficient institutions present an opportunity for profit for those who could do things better, and all opportunities for profit are taken. Lenient antitrust views of some transaction cost economists are one example of this position in action. Because both views are compatible with some aspects of economic thought, it can be hard to predict economists' positions on public policy. Thus, in the Microsoft antitrust case, economists and economically oriented legal scholars found themselves expressing strong views on both sides, often independent of their position on the political spectrum.

*Age of Reform* (1955). Analyzing the Progressive movement in turn-of-the 20th-century American cities, that combated urban political machines, Hofstadter proposed that the relation of these machines to the immigrants to whom they provided patronage was a symbiotic one which satisfied both patrons and clients. But to the Progressives, drawn, he argued, from among those members of the middle class who were losing their social status and leadership positions to immigrants and newly rising industrialists alike, the machines seemed the embodiment of evil. The ideology of clean government developed out of this status anxiety, and gives another example of how conflicts among status groups are reflected in ideology, one of whose most effective tools is to persuade the general public that its way of defining corruption is correct. [4]

A different type of neutralization that arises from ideology and the conflict of interest that it expresses occurs in center-periphery political and fiscal relations. When a central political authority extracts resources from component elements in a federal system, resistance to such extraction may take various forms. Withholding of revenues that the center demands is seen by the center as corrupt action by local officials, but may be coded locally as legitimate resistance to excessive and illegitimate demands. Such coding may be formulated into ideologies and slogans such as "no taxation without representation", as in colonial America. In the enormous corruption scandal in Xiamen, China, which I mentioned earlier, one of the most interesting aspects was that the enormous scale of import tax evasion by Boss Lai was only possible with the extensive cooperation of local authorities. Indeed, that cooperation was so extensive that Boss Lai was sometimes referred to as "underground director" of the Xiamen Customs House, and the routine bureaucratic operations of the local government's customs officers were integrated into those of Lai's business. In effect, the Customs House became "a profit center for [Boss Lai's] Yuanhua Corporation" (Wank 2002: 22). There are a number of reasons why this was possible, including Lai's consummate skill at manipulating complex networks of officials and their subordinates. But I would argue that one necessary condition for these events was that the revenue siphoned off in the illicit activity was locally earned (by the enormous trade activity in Xiamen's busy port) but destined for the most part to support Beijing's central government functions. Since the main victims of the scheme could be interpreted as making excessive demands on local revenues, moral scruples about the activity could be substantially neutralized.

As with most principles of neutralization, whether one thinks that this was merely a rationalization for corrupt behavior that should be strongly condemned, or the expression of an appropriate local autonomy,  depends on one's view of the legitimacy of the extraction that was being resisted. When parties disagree sharply on that legitimacy, as did Americans and British in 1776, there may not be any peaceful way to resolve the issue.

[4] Generations of revisionist historians have disputed many elements of Hofstadter's interpretations, but his arguments about Populism have generally fared worse than those about the Progressive movement. For a detailed and nuanced review, see Brinkley 1985.

**Discussion**

Because defining behavior as “corrupt” inevitably entails a judgment about what behavior is legitimate and what is not, there is an irreducible sociological component that has been given surprisingly little attention. Judgments about legitimacy are part of the larger frameworks of normative conceptions that people produce in all known social structures. Norms do not come from above, nor do they arise in most cases, I would argue, from some evolutionary process that selects for efficiency. Instead, they are enacted, reproduced and/or changed in the course of each group’s normal activity. Norms may be in part a reflex of changes in practical realities, as when increasing women’s’ participation in the workforce makes sexist conceptions appear quaint and outdated. Yet they have some life of their own, and can predate and influence as well as being a consequence of social change, as Gunnar Myrdal noted in his 1930’s study *An American Dilemma,* which in effect predicted a civil rights movement from the disjunction between norms and actual behavior.

Norms are not easy to manipulate, yet it is common in human history that groups with conflicting interests present different sets of standards for what behavior is appropriate, and label behavior that benefits competing groups as illegitimate or more specifically “corrupt”. This device, which can only have much effect over some medium to long term, has certainly been successful at times.  Competition occurs along several dimensions, and as postmodern scholars are fond of reminding us, groups that can impose a hegemonic discourse that shapes peoples’ understanding gain a powerful advantage.

Though this is one of the most interesting sociological elements of corruption studies, and the one I have mainly ruminated on here, it is not the only one. Another that I will mention just briefly, and that bears quite a lot of analysis, is that the ability to effectively corrupt the administration of some substantial activity requires corruption entrepreneurs to be masters of social network manipulation. It is never automatic that such masters will arise and succeed, so in order to have the right balance of explanation between structure and agency, more is needed than an understanding of incentives, though that structural element is certainly a necessary starting point. The general principles that should govern success should be similar to those that have been proposed for network entrepreneurs of all kinds (cf. Burt 1992; Padgett and Ansell 1993 and Granovetter 2002), but with some specific wrinkles that apply more to issues of corruption than elsewhere. One specific element of importance is that unlike other situations, once you have succeeded in persuading someone to engage in what is defined as corrupt activity, it is hard for that person to stop, because the threat of exposure effectively deters backsliding. Thus, able corruption entrepreneurs assiduously collect blackmail materials, such as the videotapes made by Montesinos in Peru or Boss Lai in Xiamen.

Those recruiting for corruption must choose carefully on whom to confer resources. Recruiting high-level members of formal organizations can be effective insofar as their subordinates fall into line in corrupt activity, by virtue of their acceptance of orders in the hierarchy. But bureaucratic hierarchies do not engender the automatic obedience that some transaction cost theorists imagine, and in particular, there may be reluctance of lower-level employees to follow clearly illegal orders. This limitation prompted Boss Lai to engage in what Wank calls a “dual-track” strategy, of recruiting both high-level and low-level staff of the Xiamen Customs House to his scheme. Thus the low-level staff had incentives to comply and their superiors to look the other way or indeed routinize and legitimate the new procedures (Wank 2002: 21). More generally, those recruited to corruption may in turn recruit their formal and informal network to the cause. Thus, knowing whose network reaches where allows the corruption entrepreneur to choose strategic targets who are centrally located in networks that reach into informal structures and formal organizations which can best serve his goals. This technique is what Wank calls “delegation” (2002: 17), and requires the corruption entrepreneur to have a strong intuition as to what the overall network structure looks like, and what selection of recruits will most effectively leverage his efforts.

Such comments only scratch the surface of what could be learned about the network structure of corruption, or for that matter other proscribed activity, including the operation of organized crime or terrorism. In this, as in the arguments on legitimation, neutralization and social definition of appropriate exchange, there is much work left to do. I hope here to have suggested the potential rewards of such an effort.

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