Modelling a Rational Choice Theory of Corruption:
Norms as a theoretical feature of Corruption
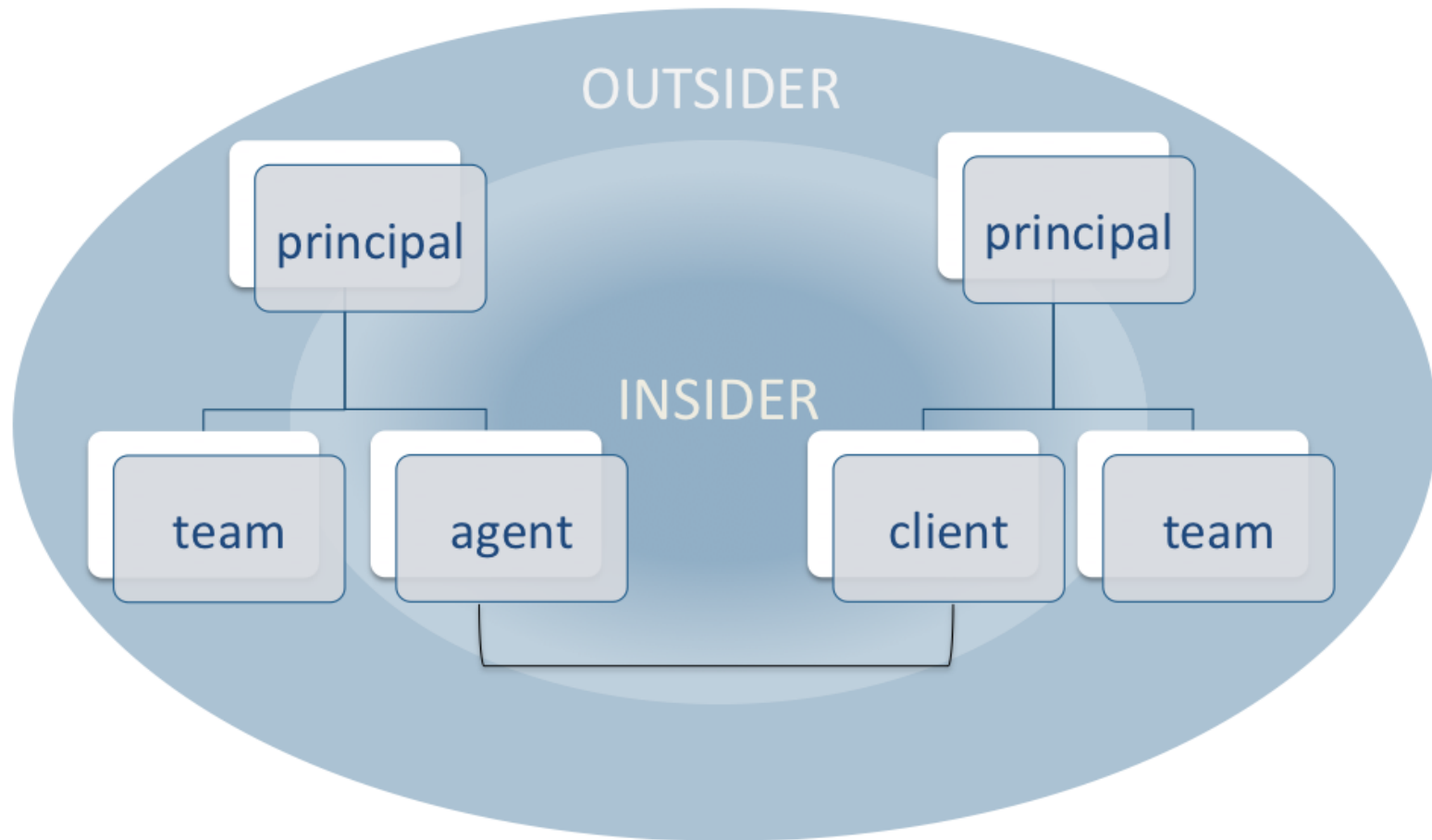
Peter Graeff & Antonia Steßl

Venice International University on November 29, 2010

Agenda

➢ Introduction: Theoretical Approach

➢ Norms and Social Capital

➢ Measuring Corruption Norms

➢ Sample & Empirical results

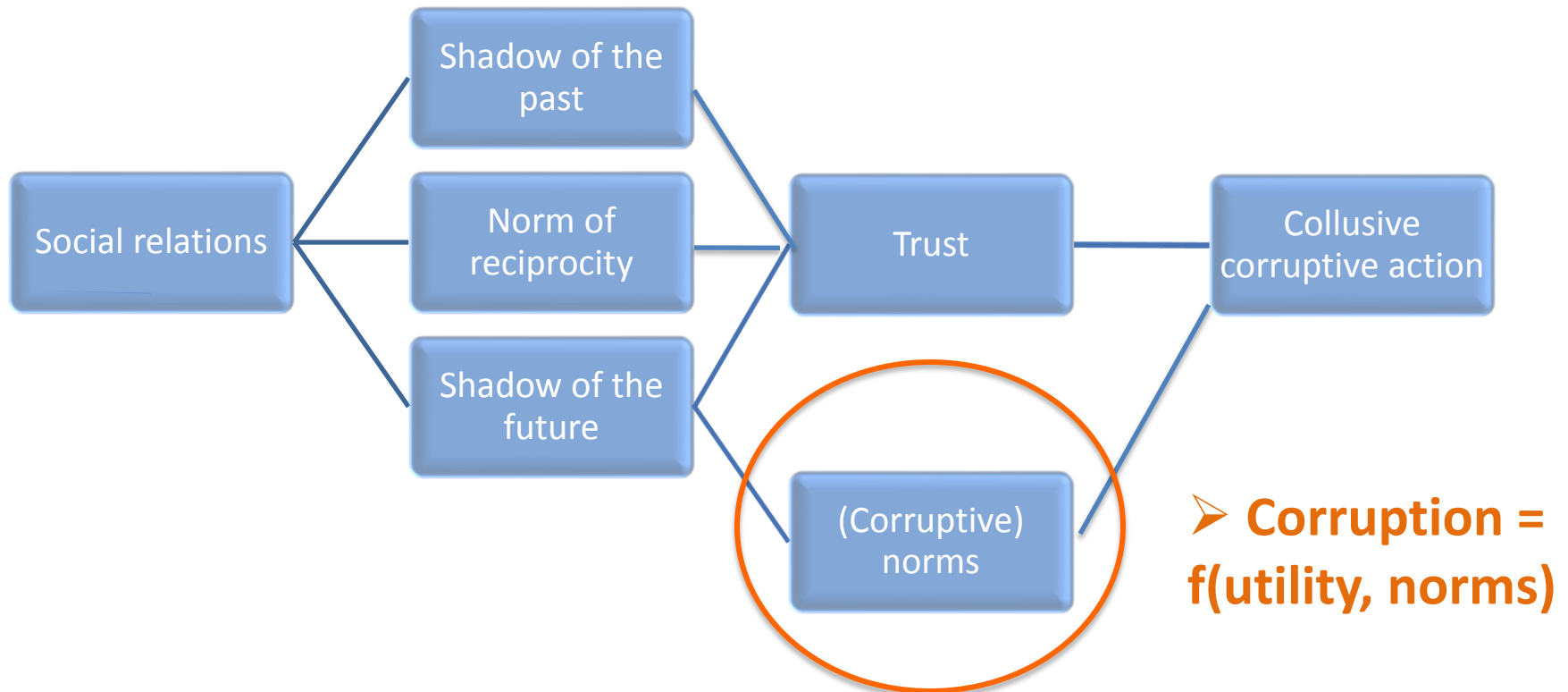➢ Conclusion

Corruption in Organizations

Extended principal-agent-client model (Banfield 1975).

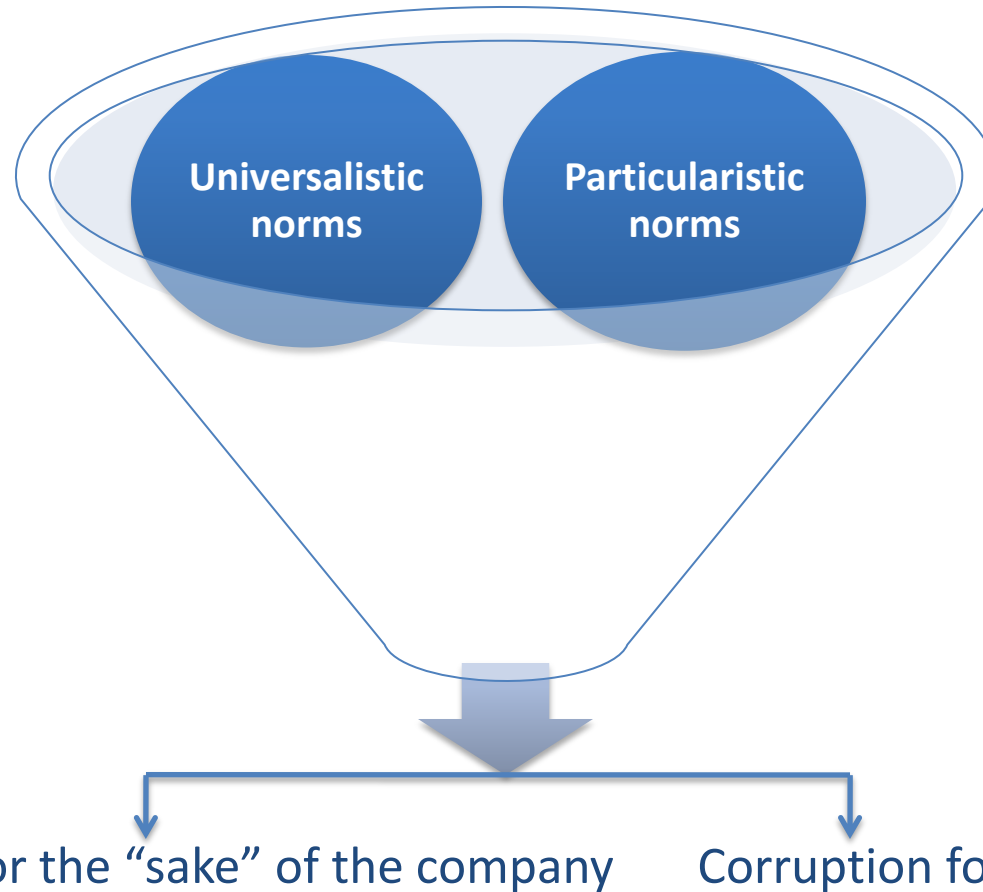# Social Capital and Corruption

Core benefits of social capital

$\Rightarrow$ reduction of insecurity in collusive action (Coleman 1994)

Corruption Norms – challenging positive social capital

Disparate norms

Universalistic norms

Particularistic norms

Corruption for the "sake" of the company   Corruption for private gain only

Sample

➢ International German Company

➢ Randomized sample of 1,000 employees in 87 countries

➢ Anonymous, paper-pencil-based questionnaire

	Domestic	Abroad	Total
Sent to	549	451	**1,000**
Returned	208	144	**357**
Percentage	37,89	31,93	**35,7**

Measuring Corruption Norms

Orientation to
Universalistic Norm

When doing business
I always comply with
all rules and regulations.

≠

I would be willing to
avoid one or the other
regulation or guideline,
if that ensures the
success of the company.

Orientation to
Particularistic Norm

Differentiate: for the
„sake" of the company.

When doing business
I always comply with
all rules and regulations.

≠

I might avoid some
laws in the future in
order to achieve a
personal goal.

Differentiate: for
private gain.

Dependent Variable ("I have already committed corruption in the course of my business")

Prevalence of corruption	frequency	Percent
(1) „totally untrue"	257	72.60
(2) „untrue"	72	20.34
(3) „rather untrue"	17	4.8
(4) „rather true"	6	1.69
(5) „true"	2	.56
(6) „totally true"	0	0
	354	100

Not normally distributed

„Intention"-based variable not available.

Several models possible (logit, ologit).

Independent Variables

Variable	Content	Gnorm	Pnorm_p	Pnorm_u	N_p	N_u	Age	Duration
Gnorm	I obey to rules and to the law in the course of my business.	-						
Pnorm_p	I will violate a law in order to reach a personal aim.	-.31***	-					
Pnorm_u	I will fail some compliance guidelines if this is demanded for securing the interests of the firm.	-.32***	.28***	-				
N_p	Gnorm – Pnorm_p	.80***	-.82***	-.34***	-			
N_u	Gnorm – Pnorm_u	.74***	-.34***	-.87***	.66***	-		
Age	Age [five categories]	-.10	-.07	-.02	-.01	-.003	-	
Duration	Duration of firm affiliation	-.06	.10*	.01	.04	-.02	.69***	-
IoA	Work inside (= 0) or outside the office (= 1)	-.06	.02	.07	-.05	-.10	.1**	-.1**

Ordered Logit

	Model 1	Model 2	Model 3
N_p		-.4297*** (.1039)	-.5153*** (.1084)
Gnorm	-.3508** (.179)		
Pnorm_p	.6099*** (.1592)		
Age			-.0215 (.1718)
Duration			-.0045 .0210
IoA			-.3402 (.2940)
Cut1	.18	-.716	-1.41
Cut2	1.83	.924	.315
Cut3	3.25	2.33	1.63
Cut4	4.38	3.45	2.75
N	284	284	271
Loglike.	-220.62	-221.10	-209.52
Pseudo-R	.052	.050	.056

Ordered Logit

	Model 1	Model 2	Model 3
N_u		-.3674*** (.0967)	-.3970*** (.1010)
Gnorm	-.5120*** (.1924)		
Pnorm_u	.2819** (.1377)		
Age			.0442 (.1814)
Duration			-.0107 .0215
IoA			-.5990* (.3116)
Cut1	-.965	-.0313	-.920
Cut2	.72	1.65	.824
Cut3	1.95	2.88	2.00
Cut4	3.07	4.00	3.12
N	263	263	253
Loglike.	-207.45	-207.83	-198.93
Pseudo-R	.037	.039	.044

Conclusion

➢ Consider norms as feature of the social fabric of a company, e.g. as social capital.

➢ Deviations to compliance are likely to arise if disparate norms occur.

➢ Norms are (endogenously) interrelated with utility during the decision process. For measures of compliance they are of prime importance.

➢ Increase impact of universal norm/reduce gap to particularistic norm to curb corruption.