Does Rational Choice Explain Corruption and its Persistence Adequately?

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Abstract: A major problem of human action in the context of society is that of corruption and its persistence. The explanations offered for corruption in literature are formulated mainly on the premises of *homo economicus.* In economics literature the dominant mainstream explanations for human action is by way of the *homo economicus* approach which is based on or derived from the premises of methodological individualism and rational choice. It is assumed by proponents of *homo economicus* that it explains corruption so completely that highly formalised optimisation methods situated in efficient arrangements of participants are used to represent and explain various parametric and nonparametric aspects of corrupt action perpetrated by people; an approach that qualifies the study of corruption as scientific. However, a methodological requirement for the use of optimisation approaches in science is that the problem being studied is very well understood; this presents a serious methodological problem if the understanding of the problem of corruption by the adopted methodology is inadequate. This paper contends that methodological individualism and rational choice do not in themselves provide more than narrow and limited explanations for corruption because they do not take into account various significant factors that are responsible for the causes and perpetuation of corruption. The paper also examines the capacity of other approaches in economics and offers robust explanations of corruption.

Introduction

Preamble

This paper is divided three sections. The first section provides an introduction to a review of studies of corruption and the persistence of corruption in society. The second section provides an introduction and critique of corruption and persistence of corruption as explained by the rational choice theory. The third section provides explanations of corruption and its persistence from a perspective of social reality. The fourth section introduces the concepts of socialised possibility and idealised institutional rules as adequate explanations of the existence of corruption and its persistence.

Corruption

In many societies (if not all) corruption is a very efficient and convenient way to achieve vast or small fortunes relative to conventional ways, provided that its perpetrators do not get caught.   In some societies it is the only way, due to limited or even non-existent opportunities for significant entrepreneurial activity (Akande 200). Transparency International defines corruption as "the use of public office for personal gain" (Thomas & Meagher 2004). While this definition is biased against public sector corruption, there are also very significant levels of private sector corruption (AAPPG Report 2006) and in countries where levels of corruption are high it appears that most corruption happens at the public–private sector interface (AAPPG Report 2006). Therefore, corruption may be more accurately defined as "behaviour that deviates from formal duties because of private gains" (Mishra 2006).

Corruption has been categorised by Heidenheimer (1970) as (1) black corruption (financial corruption including fraud, embezzlement, smuggling, graft etc.); (2) grey corruption (misuse of public office resources and powers including flash cars, expensive holidays, sale of valuable information, policy manipulation etc.). (3) White corruption (undue special privileges including patronage, favouritism, and nepotism in the award of jobs, promotions, contracts, honours etc.). These three categories of corruption point to the fact that there is something of extra value to give or gain by those who partake in corruption. The primary conditions for the acts of corruption to take place are there must be a system to corrupt and agents for it to happen (Bardhan 2006).

While some acts of corruption involve at least two agents, namely the corruptor who offers incentives and the corrupted who receives incentives (He 2000; Bardhan 2006), some acts of corruption involve just one agent, e.g. in cases of embezzlement, although Gong (2002) argues embezzlement tends to be a collective activity for the purpose of protection from detection and prosecution. A major problem of corruption and rent seeking is that it has numerous negative and detrimental impacts on the political, social and economic development of society and is implicated as one of the major factors the makes economies of numerous countries to be poor, become poor or to stagnate (Mauro 1995; Mauro 1998; Tanzi 1998; Larsson 2006).

The most obvious causes of corruption are numerous but the most significant ones are unbridled executive discretion (Tanzi 1998), poor governance (Hyden et al 2003), poor / low salaries of civil servants (Van Rijckeghem & Weder 1997), harsh economic conditions (Akande 2003), weak institutions (Rowley 2001), weak rule of law (Herzfeld & Weiss 2003), political instability (Mo 2001), lack of transparency (Lambsdorff 2004) and perverse social capital (Hyden 2001; Kingston 2005). Two less obvious but very significant causes of corruption are lowered moral costs which appear to be as a result of structural changes in society (He 2002) and social pressure that involves the social structure of society playing roles such as third party enforcers or influencers of acts of corruption (Kingston 2005).

Persistence of Corruption

The major problem with corruption, particularly in countries where its practice is most severe or widespread, is its persistence. Akindele (2005) argues from an anthropological perspective that it appears that once corruption takes hold in the foundational structures of society, it simply reproduces itself with every successive generation, but the explanation for the reproduction is not offered. What drives corruption or is responsible for its persistence is often deemed as elusive (Damania et al 2003). Mishra (2006) tries to explain persistence using a number of logical counterfactuals. Another suggestion is that once corruption becomes pervasive in society it becomes very difficult to reduce or eliminate due to the stable equilibria it attains in society (Dabla-Norris 1999) (Mishra 2006). Some authors very credibly argue that corruption may persist

because of the presence of a dictatorship where the benevolent dictator permits corruption (i.e. public officials that extract bribes or rents from the public) as a way of compensating for their low wages; paying low wages reduces the cost of the dictator's management of government and it becomes path-dependent practice (Rose-Ackerman 1978; Rose-Ackerman & Coolidge 1998). Other authors argue that corruption is inherent in (weak) bureaucracies (Hyden et al 2003) particularly as the size of the bureaucracy increases (Shi & Temzelides 2003) and that as long as bureaucracies exist, corruption will coexist with it. These arguments provide strong explanations of the economic arrangements deemed as responsible for the persistence of corruption but do not explain the mechanisms behind why it happens.

Corruption and Its Persistence: Rational Choice & Methodological Individualism

The rational choice theory professes that all human beings are rational agents that engage in activities motivated purely by self-interest (Olson 1965), (Tullock 1967). Tullock, a giant of the rational choice school, made a famous declaration that "human beings are about 95% selfish in the narrow sense of the term" (Frank 2005). In simple terms, rational choice is focused on the self-interest of agents in society and the resultant competition amongst agents. A critique of the concept of human agents being rational demonstrates that it is founded on a number of unrealistic assumptions (Lawson 2003; Dow 1999), (1) individual agents have the cognitive ability to evaluate the cost-benefit outcome of every choice they encounter in the order of their individual preferences; (2) Individual agents are aware of all possible choices available to them. (3) Individuals have the precise information to calculate the exact outcomes of any of the preferred choices they may make and (4) external conditions, particularly parametric conditions (i.e. conditions the agents have no control over), do not change Chick &Dow (2000). These assumptions are incorporated into mathematical optimisation models of rationality that are by all standards of reality unrealistic since they are based on what Simon (1979) describes as Olympian rationality of omniscience superimposed on every agent. Instead of optimisation Simon suggests that satisficing (i.e. the achievement of minimum requirements of a goal) as opposed to optimisation since agents do not possess the cognitive ability to maximise. Preliminary

research conducted by the author indicates that the consequences of partaking in corruption and the dependence on collusion, makes corrupt agents tend to adopt a satisficing approach rather than a maximisation approach.

Rational choice incorporates methodological individualism into its construction. Methodological individualism professes that all social phenomena are brought about as an exclusive result of the actions of individual agents (people, firms, governments etc.) within society. An unusual aspect of methodological individualism is its synonymity with individual atomism, which discounts the existence of the psychic or emotional content of agents and discounts society as a whole (Lawson 2003). The goal of rational choice is to increase the efficiency of all economic activities in society in terms of output, by way of the introduction of efficient arrangements that promote competition amongst agents (Dixit 2004).

In the paradigm of rational choice the game theory methodology has been used widely as an explanatory tool in the literature of corruption. Based on positivist formalism, the game theory is a highly formalised mathematical tool used to explain the problems relating to the strategic behaviour of two or more participants (individuals or groups) that are competing for the same resources or goal outcomes within the same arena (Fudenberg & Tirole 1991). It is hailed by its practitioners as possessing superior explanatory capabilities in economics because it captures the singular and interactive behaviours of economic agents in any given setting and that economic utility influences human behaviour more than any other incentive in society. Game theoretic explanations of the problems of corruption are often presented in the context of prisoner's dilemmas (McCrae 1982; Ganuza & Hauk 2004), competitive activity in allocation problems (Lien 1987; Lien 1990; Clark & Riis 2000), and principal-agent problems (Bac 1996; Bag 1997), all culminating in the production of equilibria as solutions to economic problems. Equilibria are defined by the reduction of the probable agent outcomes to almost certain outcomes, by presenting the agent with the best possible strategy from a 'choice' of alternatives to attain them. Solutions to problems of corruption are thus rendered, in game theoretic models, as equilibria (mainly Nash

Equilibria), which is simply a situation in which a participant cannot increase his utility by changing his strategy (von Stengel 2001). One problem with game theoretic equilibria is that there are inevitably many individual equilibriums to choose from, causing dilemmas for the agents whose actions it is supposed to guide. This raises the question, in the presence of multiple equilibria, how does an agent select the best equilibria?

It is a significant fact that the non-axiomatic aspects of game theory are useful in understanding explicit strategies used by agents in committing acts of corruption. It is also useful for understanding the problems of the commitments of agents to agreements in corrupt deals relating to trust, moral hazard, adverse selection and incomplete information. It is an observable fact that corruption is rarely carried out for selfless reasons. It is also an observable fact that once a briber pays a bribe for a service it is scandalously difficult to force the bribee to keep his part of the bargain and *vice versa* (Kingston 2005) which constitutes a common moral hazard problem. A further observable fact is that corruption (particularly of the bureaucratic type) is often, but not exclusively, based on the guileful use of information by corrupt agents (Williamson 1975), which creates cases of principal-agent problems. Furthermore, it is an observable fact that the fear of detection induces corrupt agents to carefully select the strategies that will obscure their actions most effectively, combined with strategies that will yield them the most utility. Game theory on the back of rational choice theories does give significant positivist explanations of corruption which essentially can be persuasive but they tend to be strongly 'ivory tower' since they are centred on claims about the observable facts of corruption rather than the facts of corruption itself. Rational choice tends to avoid and reject significant facts about corruption that are just as significant as self-interest.

There are a number of significant social and psychological aspects of human society and action that game theoretic explanations do not capture. Firstly, Amartya Sen is well known to dismiss the assumption of self-interest completely. According to Sen (1987), human action particularly in some societies like Japan (and others) is not primarily driven by individual self-interest but by group-interest because of the value placed on loyalty within

groups. Commons in his approach to institutions augments this argument by emphasising the value of trust, loyalty, love, shame, and the desire for justice in economic organisation (Kaufman 2003). Elster (1986) argues that agent action is not driven by the maximisation of outcomes but by emotions such as shame and guilt. In corruption studies, the 'economies of affection' are deemed to play a significant role in corruption related to patronage and prebendalism (Hyden 2001; Kingston 2005). In fact from a social capital perspective, very overt displays of love and loyalty as well as conformity and sycophancy are crucial to being included in patronage networks or even simple opportunities for corruption.

Secondly, the game theory does not capture the moral limitations of agents in committing acts of corruption, it only captures the various utilities of such acts such e.g. cash rewards, promotions, returnable favours, etc. He (2002) argues that an increase in corruption in society is closely related to a continual lowering of the moral costs of doing so. In reality, many corrupt or intending to be corrupt agents are self-deterred from, or are reluctant parties in corruption; not because of the cost in terms of penalties they will be subject to if they are caught but in terms of what they can live with morally as a consequence of their actions. Corruption is very often perpetrated in conjunction with violence, murder, blackmail, intimidation, deception, forgery, betrayal, slander, framing the innocent, perjury, etc. crimes that innumerable corrupt or intending to be corrupt agents cannot or will not partake in due to the limitations placed upon them by their moral dispositions. An explanation of the economic actions of agents without thorough consideration of the moral cost is sorely incomplete.

Thirdly, game theory does not explain the presence of significant proportions of both corrupt and non-corrupt agents in society that possess similar individual characteristics and similar opportunities of corruption; this again shows an avoidance or rejection of the moral costs of corruption to agents.

Fourthly, game theory does not explain the persistence of corruption in society. Mishra (2004), attempts to explain the persistence of corruption in terms of the propagation of norms and values related to corruption in society. Mishra (2006) extends the propagation of the norms and values of corruption

using evolutionary game theory by arguing that the shifts in proportions of corrupt and non-corrupt agents produce equilibria that is responsible for the level of corruption in society. The flaw in this argument is that it is not possible to determine, even with the tolerance of high error margins, the numbers of corrupt and non-corrupt agents in society. Authors such as (Tirole 1996; Hauk & Saez-Marti 2002) try to explain the transmission of corruption from one generation of agents to their subordinates or offspring, by way of education, but these works are elaborate attempts at formalism that fall short of providing credible explanations for the persistence of corruption. In reality every generation has its own tastes, interests, morality, worldviews, norms, values, etc. which parents, bosses or the previous generation has no control over. Furthermore, is formal or informal education directed towards / at transmitting norms and values under idealised conditions productive? Why do the children of religious parents brought up with strong and consistent religious education from the cradle often become atheists or non-religious or why do interracial, interfaith, intertribal marriages occur regardless of alleged parental transmission racism, bigotry or tribalism?

Fifthly, game theory does not explain why some societies are more corrupt than others. Dabla-Norris (1999) and Mishra (2002) make the case that there are multiple parallel equilibria for the varying levels of corruption in every society. Societies with similar structures, institutions and economies may end up having very different levels of corruption and it is suggested that societies that arrive at the equilibria of high levels of corruption are merely victims of bad luck (Dabla-Norris 1999). Rationality and luck tend to be starkly incompatible since rational man expects and is expected to make his own luck. The inability of the equilibria to shift once settled upon suggests that either agent action has no effect on it (a contradiction to the rational choice theory) or agents perpetually conform to it, regardless of the moral or personal cost to agents or of changing prevailing conditions.

Sixthly, and most spectacularly, is the fact that game theoretic models, like mathematical models used in economics, lack any significant predictive capabilities (Lawson 1985; 1997; Lawson 2003). This because the models are based a deductivist methodology assumes phenomena (and agent behaviour)

in society are subject specific laws. The absence of event regularities in societal phenomena and agent behaviour lead to spectacular deviations of real world observations from those predicted in game theoretic models. These deviations persist even after hundreds of run and reruns of data sets supposed to prove the hypothesis the models are developed for (Lawson 2003).

Corruption and Its Persistence: Aesthetic Preferences, Complexity, Emergence and Social Irreducibility

There are a number of more realistic explanations of corruption that take the social and psychological aspects of corruption into consideration and provide more adequate descriptions of corruption. Firstly, corrupt agents wherever they may be found and particularly as their position in society elevates tend to have strong aesthetic preferences in carrying out corrupt acts that tend to override instinctive aspects of self-interest (Akande 2003; Frank 2005). Dispositional or acquired aesthetic preferences strongly influence the approach of an agent achieving his or her goal. This causes the agent to exercise significant discrimination in the approach used in pursuing the fulfilment of whatever interests he or she may have. Using non-economic examples, a satyr may find the use of coercion, inebriation or sedation in making a conquest degrading or a tenacious unrelenting policeman may find the use of underhand methods in catching criminals totally unacceptable. Empirical studies in progress, as carried out by the author, present a classification of corrupt agents based on aesthetic preferences in perpetrating corruption not evident in literature and are given as follows,

1. Corrupt Agents with theft-only preferences; such agents specifically focus their corrupt actions on embezzlement, fraud, and graft.

2. Corrupt agents with rent-only preferences; such agents specifically focus their corrupt actions on the seeking and extraction of (cash) rents, often in a stable long-term manner.

3. Corrupt Agents with bribe-only preferences; such agents specifically focus their corrupt actions on soliciting and acceptance of (cash) bribes, often in a series of one-off payments.

4. Corrupt Agents with enterprise only preferences; such agents specifically focus their corrupt actions on the use of their office for purely entrepreneurial activities that give them the satisfaction of earning 'clean' money.

5. Corrupt Agents with favour exchange only preferences; such agents specifically focus their corrupt actions on the '*quid pro quo*' principle.

6. Corrupt Agents with nepotism only preferences; such agents specifically focus their corrupt actions on controlling and abetting the dynamics of entry and ascendancy within organisations or markets.

This classification does not suppose that corrupt agents cannot have more than one aesthetic preference when partaking in corruption, but continuing research by the author has produced the provisional conclusion that most agents tend to have a singular, dominant aesthetic preference. The classification augments the findings of corruption investigators that corrupt agents become specialised in their chosen type of corruption either on the basis of pre-formulated preferences or post-specialisation preferences (AFRC Report 1984; Akande 2003).

Secondly, from a propensity theory perspective of probabilities, rational choice mathematical models are based on long run (objectified) propensity models, which suggest that the acts and conditions in which agents perpetrate corruption are repeatable i.e., occur in an identical form, with a regular frequency under identical conditions. This argument emphasises that equilibria is achieved as a result of the effects of coordination, reputations, etc. on repeatable agent interactions. Fudenberg and Tirole (1991), a classic game theory textbook is replete with chapters on variations of repeated games. In reality corruption is illegal and where legal (such as lobbying, round-tripping, etc.) is highly objectionable to the public and results in high punishment costs to perpetrators, thus acts of corruption are by no means practised in such a way that they are repeatable. The logic behind the irrepeatability of acts of corruption is that repeatability increases the risk of detection; once a predictable pattern of corruption or crime is established methodological detection can be introduced to expose it very effectively. Even

when a succession of acts of corruption are carried out by the same agents in the same organisation and on the same basis, the approach is significantly altered each time, with minor to disproportionately changing utilities and risks for each agent.

Thirdly, economies and economic activity is constituted of vast system complexities (Lawson 1997). All societal phenomena appear to be devoid of any sort of event regularities that are observable over a period of time. According to Lawson (1997) event regularity is presented as the statement *"whenever event x then event y"* which are very rare in society or nature. It is a clear fact that acts of corruption are not repeatable and its clandestine nature (at middle higher levels), it is arguably one of the economic or social phenomena with the least evidence of event regularities. Lawson (1997, 2003); Dow (2002); Bigo (2006), discuss the virtual absence of event regularities in society due to it being an open system from a perspective of social reality. Chick & Dow (1999) argue that social systems are open systems because agents learn and innovate while institutions are shaping their actions and they are critical of methodologies that place closure of social systems. In the same light of open systems, economies are conceptualised as complex adaptive systems (Foster 2004).

Complexity in corruption, articulated by Githongo (2005) and Goudie & Stasavage (2004), is related to the intricate interplay of agents, systems and local / national jurisdictions involved in grand corruption. Some major acts of corruption are usually a multinational activity involving scores of agents with the assistance of local and foreign governments, politicians, entrepreneurs, financial institutions, law firms and consultants. The systemic and jurisdictional complexities that result from such acts of corruption are overwhelming in terms of both magnitude and quality. Guarantees of impunity in corruption may well come from interests in a country other than where it is perpetrated.

Akande (2003) contends of complexity in corruption,

"Contemplating corruption in the armchair is simple and straightforward; intention, opportunity and action. However, an investigator of middle and high levels of corruption is often perplexed if not eventually daunted by the complexities of the

actions of agents and the conditions under which corruption is perpetrated … the truly corrupt appear to see clearly in the dark."

More subtle complexities on agent actions in the incidence of corruption are societal pressures. In societies where corruption is high, it tends to be legitimate in the eyes of the people[1]. Akanno (2001) declares that on the very day a person is appointed or promoted to positions of power in Nigeria, self-appointed sycophantic or presumptuous "pressure groups" of family, friends, tribesmen and unknown people form tenaciously around him. These pressure groups, in varying terms, often have more to do with the decisions of corrupt agents than the self-interest of the agents themselves (Andvig & Moene 1990).

Fourthly, the illegal and / or objectionable nature of all perceivable kinds of corruption forces governments to clamp down on them often in a publicly ostensible manner. The standard approach with many variants is to (a) prosecute the guilty, (b) introduce new legislation or regulation to prevent future cases of corruption and (c) introduce technology that will enhance detection (Dixit 2004). An increase in public awareness of general and specific acts of corruption through the media can augment the government's anticorruption efforts (Tavares 2007); new regulation can change the rules of the game (Nane 2007) and improved ICT can either deter culprits or increase the risk of detection. These approaches are known to fail woefully in most societies where they are implemented regardless of the GDP of the nation. This is because the economic behaviour of agents is emergent, rather than static in itself, or dynamic within static conditions. The poverty of the political and economic focus on the interest microstructure of society [2], is that, its increasing empowerment and concentration, at the expense of other structures in society particularly the macrostructures, fosters and perpetuates corruption. This is because social structures are manifest, by way of an almost imperceptible "lead margin", as "perpetual incubation" states. Lead margins are created by the incubation of structures and are in essence the lead times that agents have in advance of the provisions of the macrostructure (e.g. regulation) that enable them to exploit new or existing rules of the game. Macrostructural changes in legislation, regulation, technology, economic

systems, etc. all create lead margins. An agent intent on corrupt actions merely needs focus his attentions on the lead margin where all the vast or narrow opportunities for partaking in corruption exist. Nowhere is the exploitation of lead margins more evident than in the interest microstructure. In fact lead margins are often legal to exploit. Tax loopholes, lobbying, over-rationalised parking laws, late payment penalties, illegal corporate selling, opportunistic bankruptcy, offshore financial facilities, etc. are just a few obvious lead margins opportune agents exploit without fear of justice; in reality they are innumerable and often obscure. As for the argument of perpetual incubation, structures in society never take definite form but are subject to emergence. Structures in society undergo emergence as a way of evening out the limitations and excitations that manifest as threats to the general consensus of the desirable path for perpetuation of society. With each case of emergence in society comes a lead margin. Foster (2004) argues that emergence is borne of complexity due to complex and dissipative inter- and intra-connections between systems; the role of historical time in such interactions and the irreversibility of the outcomes of the interactions in question. Corruption is a highly dissipative phenomenon since rewards and favours gained or transferred by acts of corruption are considered to be 'destructive leakages' in economic and political systems due to the absence of restitution for the leakages (Akande 2003).

Fifthly, corruption, as a significant phenomenon in society, cannot be singularly attributed to the result of the actions of individual agents in the isolation of idealised axiomatised arrangements between the agents. Bhaskar (1998) contends that society cannot be identified with, reduced to, explained in or reconstructed from the terms of intentional human action. A multi-billionaire's money, in isolation, has no use in itself. It is when his money affects thousands of jobs, the prices of common goods, finances wars, or provides significant charitable public goods etc. that his money becomes effective in society, and only so if the structures of society permit. Jobs, prices, wars and public goods take effect within society not without it. In reality the actions of agents are strongly interdependent with the local and general structures prevailing in society at the location of their actions (Lawson 2003; Foster 2004). The structures of society primarily limit the reflexive actions of

agents and, to a lesser extent, facilitate their reflective actions (Lawson 1997). This causes a dilemma to all agents as to what they want to do and what they can do within a given society. An all-pervading realisation intuited by experienced corrupt agents regardless of their sphere of endeavour or their personal capabilities is that the "rightness" of "time and place" is more likely to assure the success of their endeavour than the quality or quantity of their effort. That is, in the absence of vainglory or narcissism, the corrupt agent intuitively knows that the successful outcomes thus the utility of his actions are not reducible to his actions alone. In order to assure the success of his actions many an agent seeks to gain access to the enabling structures of society. A change of boss, subordinate, policy, law, government, market conditions, funding mechanism, audit techniques etc. can significantly alter the number / size of opportunities for corruption as well as the requirements / uncertainty of the scope of execution.

Corruption and Its Persistence: Socialised Possibility and Idealised Institutional Rules

Akande (2003) is concerned more with the effective possibilities of corruption than the causes or motivations behind it. Based on recent research [3], the author introduces the concept of "socialised possibility". Socialised possibility is the "intuitive overcoming of institutional limitations in society by way of operating in a margin of allowance, due to intuitive support of other members of society". Wherever there are institutional limitations in society, as present due to various forms of governance, it suggests that individuals more or less adhere to them e.g. fulfilling obligatory duties unsupervised or obeying traffic lights (Lawson 2003). On the other hand, wherever people violate the institutional limitations placed upon them by governance provisions it is distinctly due to overt or tacit support from other people within the sphere they are operating. Africans in Europe tend to go to Africa to find a spouse when they cannot find one amongst their own in Europe; this is because of the socialised possibility of arranged marriage in most African cultures. Conversely, the child of a Scottish émigré in Australia will not return to Scotland for four weeks or less to find a spouse because of the absence of the socialised possibility of arranged marriages (except maybe amongst aristocrats). Socialised possibility may occur as a narrow phenomenon as in

the context of the micro institutions of a school, club or family or as a broad phenomenon as in the context of the macro institutions of society at large. Equal opportunities legislation is a perfect example of the virtuous promotion of overt socialised possibility for those who face the limitation of being excluded from many activities in society. The practice of corruption is an example of bad and covert socialised possibility. A true loner who is oblivious of social interaction can be a skilled financial criminal but never a typical practitioner of corruption because his actions lack support in society.

Socialised possibility is distinct from herding but in many cases can result in herding. Herding is a case whereby the action of a first-mover agent is mimicked or imitated by other agents who have conscious or tacit interests similar to that of the first-mover till the agents have sated their interests. As a transitional phenomenon herding is transient. Thus herding can be said to be the transitional dependence of agents on the signals produced by the first mover agent whose actions appear to transform immediate conditions of uncertainty into apparent conditions of relative certainty. Conversely, socialised possibility is a case whereby the acceptance of an agent's actions is tacit and without formality whether the supporting agents are involved in a similar activity or not. Rebels, criminals and terrorists are only able to break the law or violate institutions with impunity because they have very popular, but tacit, support of sympathisers. It follows that a significant proportion of corrupt agents enter into corrupt activity by way of herding on the back of socialised possibility. Casual corruption is just as bad as deliberate corruption and just as common. Once again, socialised possibility is distinct from Elster's (1989) concept of 'abstract possibility set', which represents all possible actions.

Socialised possibility may take agents a very long time to attain or can be attained instantly. With experienced corrupt agents socialised possibility takes a very short time to attain whereas the uninitiated may never attain it, even if opportunities for it are presented before him everyday [4]. Also opportunities for socialised possibility may be ancient or new. However, in the case of corruption most (but not all) ancient opportunities for social possibility tend to have been reviewed and corrected. The unfortunate thing for anticorruption

activity is that new institutions often create lead margins where the socialised possibility of corruption is more evident than in ancient margins, hence the rise in corruption since the radical global economic changes of the 1980s.

The author contends that corruption does not persist. It does not persist in society through any form of agent action equilibria or norms and values equilibria or intergenerational transmission equilibria. If socialised possibility for corruption exists at any point in time then it will happen not as a continuous phenomena but a number of successive discrete and independent events of corruption, perpetrated by (a myriad of new, old, long standing, one-time only, habitual, discrete, foolhardy etc.) corrupt agents. The (one-time only, regular or once in very long while) punters who patronise a prostitute do not persist, they are discrete clients who gain access to the body of man or woman by way of socialised possibility to pay money and collect their utility. Corruption does not really depend on the interest of agents in this sense but on opportunities for socialised possibility. This argument raises questions about the validity of corruption survey index studies. Thomas & Meagher (2004) do argue that corruption varies in form from country to country and what is illegal as corruption in one country may be completely legal in another country. It appears that the higher the GDP of a nation the more the mode of corruption prevalent within its society is given the support of socialised possibility of acceptance / permission in economic methodology by economists. For instance, in countries with high GDP, social capital-based corruption and lobbying are vehemently defended as legal and democratic within economic methodology. Patronage and economies of affection also social capital based corruption but are abhorred as objectionable in countries with low GDP within the same economic methodology. Instances of the stylish use socialised possibility by economists in economic studies do defend the excesses and malpractices of nations with high GDPs are too many to mention.

Since the socialised possibility of corruption occurs within margins, particularly lead margins, the nature of margins needs to be examined. Margins are created out of the presence of institutions used to govern economic resources and have the characteristics of being (1) focused overly on the performance of front line services, (2) have a well-facilitated and well-distributed resource

transfer mechanism and (3) the institution being enforced by a nominal mechanism, due to the high cost of control and enforcement (Dixit 2004). What is ignored in the margins is the discretionary powers of the manager over resource transfer mechanisms (Tanzi 1998) and the inherent capacity for malpractice outside of the resource transfer mechanisms in the system (Akande 2003). A combination of manager discretion, without oversight, and a capacity for malpractice, results in a non-transparent system. Therefore, lead margins, in the context of governance, typically lack transparency.

How can the socialised possibility of corruption be reduced or eliminated in society? The answer may be found in an often-neglected argument presented by Runde (1997) regarding the use of idealization in orthodox economic methodologies to ensure that object representations are congruent with the demands of a preconceived method. Idealised methodologies which are used in the governance of economies today (such as game theory) are devoid of ontological rationale and reflect economic objects and arrangements that are isolated from reality (Runde 1997). Following this argument, the author suggests that there must be a paradigm shift in governance modes (public or private) from an excessive focus on idealised institutional rules for economic resources to a strong focus on realistic institutional rules for economic conditions[5]. Economic resources in the current orthodoxy are governed by highly idealised if not unrealistic institutional rules. Idealised institutions in reality require Olympian temperance and an Olympian rationality as staple instruments of compliance and high costs in operation. It is most ironic that the economists who insist on the dominance of idealised institutions of governance are the same ones who complain about its costs. A king who insists on thirteen bows from visitors will have a high cost of counting the bows even if he delegates the responsibility. A king who insists on a simple respectful greeting from his visitors will not incur the cost of counting bows. Economic conditions are manifest in the structures and outcomes of the interdependence between systems, a system and its components and individuals and society (Foster 2004). Institutions for the governance of economic conditions may tend to be significantly more effective and manageable (in terms of performance and compliance) since such institutions are more likely to be designed and implemented catch up with the presence of

lead margins if reality-requirements-based criteria are adopted instead of preconception-requirements-based criteria that Runde (1997) emphasises. Furthermore, institutions focused on economic conditions will be more suitable to countering the decline and decay caused by unmanageable deviations from idealised expectations, as well as promoting the rejuvenation and growth of economic systems; and above all the effective control of corruption.

There are several idealised rules in society that provoke high incidences of socialised possibilities such as anti-abortion and anti-divorce laws in Catholic nations, the Prohibition in America, inappropriate good governance modes in Africa, etc. The idealised alcohol temperance law that failed woefully in America during the Prohibition is a realistic law and institution in Saudi Arabia because practising Muslims accept they should not drink. Idealised imported or Western-imposed good governance modes that fail woefully in Africa are realistic modes in Scandinavia and work well there, because the society is ready for it. Idealised anti-abortion or anti-divorce laws may not work in any society because of the dramatic change in the institution of marriage since the early days of the church or any religion.

The preponderance of idealised institutions used for the governance of economic resources inadvertently results in incidences of corruption; the higher the level of idealisation, the higher the level of corruption. Corruption and its so-called persistence are now perhaps better understood.

Conclusions

Rational choice theory with its insistence on unrealistic assumptions as presented in the form of the Olympian rationality of *homo economicus* and an isolated formalism based on an ontology that rejects social and psychological realities does not adequately explain the phenomena of corruption or its persistence. Bounded rationality with its focus on satisficing outcomes rather than maximisation outcomes as postulated by the rational choice theory appears to be a more adequate concept. Rational choice provides useful insights into facts of economic activity such the presence of principal-agent problems, adverse selection, moral hazard and agent arrangements as they impact on economic activity. Game theory and evolutionary game theory

based on individual agent and norms and values equilibria, respectively, do not explain a number of aspects of corruption such as the influence of moral limitations of agent's actions, why some societies have higher levels of corruption than others, why some agents are corrupt and others are not even though they are in the same circumstances etc.

Within a realist paradigm, aesthetics preferences, complexity, emergence and social irreducibility provide more wholesome explanations of corruption. On aesthetic preferences, agents would not just enter into acts of corruption unless it suits their aesthetic preferences. On complexity and emergence, corruption appears to persist in society due to the emergent behaviour of corrupt agents that take advantage of lead margins created by changes in governance or technology. Emergent behaviour and lead margins are created because structures in society due complexity are always in a state of incubation. On social irreducibility, experienced agents intuit that the success or failure of their corrupt acts is not reducible to their efforts but due to the rightness of place or time within society. However, the political and economic orthodoxy focus on the interest structures of society to the exclusion of all others; the interest structure is thus conceptualised in the mainstream as arrangements where outcomes are reducible to the actions of agents.

Socialised possibility is a concept based on emergence and articulates that intuitive social support for acts that result in the overcoming of the limitations created by the existence of institutions is responsible for corruption, and not self-interest. Also within the context of socialised responsibility, it is the case that corruption does not persist, but the phenomenon of corruption is a series of discrete acts of corruption that occur due to opportunities created by socialised possibility. This challenges the approaches to the measurement of corruption. Also, idealised institutional rules that advocate economic governance based on ideal preconceptions rather than economic realism are implicated as the causes of increased observations of corruption since the 1980s, since such institutions provoke significant to extreme socialised possibility of corruption. Also a shift from the institutional focus of governance modes from the management of economic resources to economic conditions will be a more robust approach to the reduction of corruption.

Footnotes

1 A study carried out by the author in Nigeria (Nane 2002) demonstrated that 78% of professional people in did not see power theft in the form of meter-tampering, bribing for bill erasure or reduction, illegal electricity supplies etc. as a crime since it was a "legitimate" part of everyday life but they thought is was wrong only because it was cheating.

2 While structures in society are classified as either (1) normative, (2) ideal, (3) interest and (4) interactive, it is only the interest structure of has been rendered as relevant in mainstream economics. The interest structure has in the same breath been reduced to a microstructure of purely transactional arrangements that can be further reduced to the transactional actions of agents. Yet the cry of the mainstream economist is for the macrostructures of society such as a democratic government, the political system, the economy, prevailing norms and values, the judiciary and the entire globe of to focus all their resources and capabilities on supporting the transactional arrangements of the interest microstructure.

3 Recent empirical doctoral research carried out by the author on motivations for individuals to carry out acts of corruption indicates that corruption is a socially inclusive activity where significant tacit approval of other agents is essential for an individual agent's self-interested motivations to become effective; corruption for isolated self-interested agents is not a feasible approach to the activity. Case-studies show that high levels of financial malpractice discovered in Nigeria in 1975 and 1984 was due to the existence of numerous stand alone acts of theft that were prosecuted as financial crimes (such as embezzlement and fraud) rather than acts of corruption; though many acts of corruption were also uncovered in the same exercises.

4 This is synonymous to the individual that has ample opportunity to get something he or she really values but does not for some reason and when the opportunity closes his or her protests are met with a simply answer; "you never asked".

5 Transparency is perhaps the only significant institutional approach to handling economic conditions and reducing corruption.

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