

# Moral cost, social perception and corruption

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## Abstract

We explore a model of corruption with two principal elements; agents suffer a moral cost if their corruption behaviour diverges from the level they perceive to be the social norm, and the perception of the norm is imperfect—being heavily coloured by the behaviour of colleagues with whom the agent interacts regularly. This leads to the possibility that different organisations within the same country may stabilise at widely different levels of corruption, implying that some organisations may have established internal “cultures” of corruption. The equilibria are determined primarily by the opportunities and (moral) costs of corruption. Depending on the values of these parameters the degree of corruption across departments may be relatively uniform or widely dispersed. These results explain a surprising empirical observation; that in different countries similar government departments such as tax and education rank very differently relative to each other in the extent to which they are corrupt. Contrary to other coordination models, our analysis suggests that corruption can be controlled by targeting one organisation at a time.

*Keywords:* corruption, cognitive dissonance, perception, social norms

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