

Business and low corruption. Evidence from Southern Italy*

Michela Limardi[†] and Dorothy Louise Zinn[‡]

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1 Extended Abstract

Corruption affects economic activities and the way how individuals interact in the private market and in the public sector (Pardo, 2017; Rose-Ackerman & Soreide, 2011). A definition of corruption generally adopted by economists, is the abuse of entrusted power for private gain. However, this definition remains too restricted to understand a complex phenomenon (Torsello & Venard, 2016).

The objective of this research project is to deeper analyze the interaction between corruption and private sector, by adopting a much broader definition from the anthropological literature. We consider corruption as a deviation from a set of norms, juridical or ethical (Nuijten & Anders, 2009). Corruption can be also legitimized by social practices, tolerated even if it is "unofficial" (Blundo et al., 2006). We plan to further investigate corruption issues at the micro-level, by focusing on the individual-level acceptance or perception of corruption. We want to analyse how private business interacts with a given level of corruption.

The main motivation and also the anthropological contribution of our study come from the book of Zinn (2019), *Raccomandazione, Clientelism and Connections in Italy*.¹ We use *Raccomandazione* (recommendation) as a form of corruption. As stated by Zinn (2018) "Raccoman-

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[†]University of Lille (RIME) and University of Paris 1 (CES), email: michela.limardi@paris1.fr

[‡]Free University of Bolzano, email: dorothy.zinn@unibz.it

¹Dorothy Louise Zinn is Professor of Sociocultural Anthropology at the Free University of Bolzano. She has conducted fieldwork in Southern Italy and has published on clientelism and corruption. She is the co-author of this research work. We will collaborate on this dialogue between Economics and Anthropology.

dazione is a widespread phenomenon in Italian culture that refers to the use of social connections in order to get things done. (...) *Raccomandazione* can encompass relatively innocuous interactions, such as the performance of a small courtesy, as well as more blatant forms of illegality. (...) As a form of patronage-clientelism, *raccomandazione* can easily become bound up with chains of illicit and/or illegal exchanges for votes and other resources such as disability pensions, permits or jobs". We refer especially to a form of *Raccomandazione*, defined by Zinn (2019) as political *Raccomandazione*, such as hiring someone or getting permits to start a business before an election. The main question of our research project is to what extent do municipal elections have an impact on the number of employees in Italian companies, or in business creation, through the channel identified by Zinn (2019), the *Raccomandazione*.

The existence of the *Raccomandazione* cannot be measured or assessed directly through data and empirical analysis. This is why ethnographic interviews, that can find factual evidences, might provide a support and help our economic analysis. The South of Italy represents an ideal case study, due to the presence of the Mafia and low level of trust in the society. We will try to distinguish high level (where *mafiose* families are located) with respect to low level of corruption at the municipality level. The novelty of this research project consists indeed in combining empirical economic analysis with qualitative data from ethnographic interviews. This will allow us to better interpret the complex interactions existing within a corrupted environment.

We plan to use a dataset of the Italian firms (dataset AIDA). We have information on the number of employees at firm level, the legal status of the firm, detailed information on the financial status of the firm and the month/year of creation. We build a dataset with the list of municipalities with elections, year and the name of candidates and political parties. These information are provided by the Ministry of the Interior. We will use other measures of corruption: municipalities under threat, municipalities dissolved for mafia infiltration, location of mafia families, location of unfinished constructions (*opere incompiute*). We refer to a temporal shock: the Anti-Corruption Law 2012 (N.190). As stated by Zinn (2019), "the law attempted to make it (*la raccomandazione*) illegal by defining it as "traffic of illicit influences". Yet from a strictly legal point of view, court decisions have continued to decree that it is not a crime in the context of putting in a good word for someone. If, however, *raccomandazione* is supplemented with gifts or payment to a civil servant, it constitutes bribery or corruption in a penal sense". Our empirical strategy is to perform a differ-

ence in difference analysis, to analyse the difference between municipalities with local elections with respect to those without (within the same province), before and after the Anti-corruption law. We can exploit a geographical variation of the municipal elections, while in Italy these elections are performed in different period in time, so in the same province there are some municipalities with elections and other not.

The logic of the analysis is the following : after the law the probability to use the system of "vote trading" (*voto di scambio*) as a form of "gift" in exchange of a political favor increased. We will measure the impact of *political raccomandazione* in the private sector through two variables : the firm creation in the municipality and the number of employees at firm level. These are two mechanisms identified by Zinn during her ethnographic interviews in the South of Italy. Entrepreneurs have money to buy vote (as reported in several Italian newspapers the range price of a vote is between 25 and 50 euros). They can do it directly or use an intermediary (defined in italian " *procacciatori di voto* ") to do it. The objective is to have the political support for his private business. However after the law 2012, it is more risky to use money in exchange of political favor. Then, other form of "gift" can prevail, such as hiring workers or obtained the permission to create a firm.

A large body of literature focuses on public sector corruption (Harstad & Svensson, 2011; Svensson, 2005). As pointed out by Svensson (2005): "the primary social losses of corruption come from supporting inefficient firms and the allocation of talent, technology and capital away from their socially most productive uses". There are also other forms of corruption in the private sector that are less analyzed (Argandona, 2003; Gopinath, 2008). A form of private sector corruption is favoritism, clientelism, "when a person or group of persons are given unfair preferential treatment at the expense of others " (United Nations Report, Private Sector Corruption, Module 5). One contribution of our paper is to analyse a form of private sector corruption. The novelty of this research project consists indeed in combining empirical economic analysis with qualitative data from ethnographic interviews. This will allow us to better interpret the complex interactions existing within a corrupted environment. The aim of this research project is to extend the standard economic analysis of corruption to better understand how private business emerge and survive in a corrupted environment.

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