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“A friend gave me a phone number” – Brokerage in low-level corruption

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Abstract

Corrupt exchanges are often brokered by a third party, but this phenomenon has not been satisfactorily explored by researchers of corruption. Literature on brokerage in general provides interesting models but they have not previously been applied to corrupt exchanges. Based on in-depth qualitative interviews with respondents who participated in actual corrupt transactions, this paper identifies several distinct brokerage types in low-level corruption in contemporary Hungary. The paper also provides explanation of variation in corruption brokerage in terms of actors' group affiliations, forms of the corrupt exchanges, brokerage mechanisms, as well as neutrality, benefit and motivation, risk distribution, and stability of the brokerage structure. Finally, we discuss some policy implications of corruption brokerage.

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1. Introduction

Low level or petty corruption involves relatively small sums of money or exchanges of other resources between bureaucrats or shop-floor employees and ordinary people. Informality and petty corruption had a long tradition under the Communist regime in Hungary, and in other Central and Eastern European (CEE) countries (Jowitt, 1983; Galasi and Kertesi, 1987). After

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the Communist system collapsed, the phenomenon of petty corruption persisted and even proliferated in these societies (Holmes, 2006: 114; Kotchegura, 2004). Many post-socialist countries are network-oriented cultures where corruption has a multiplayer transaction form (Sik and Wellman, 1999; Szántó et al., 2013). Despite the fact that such exchanges often involve “middlemen,” corruption brokerage is a rarely examined phenomenon.

This paper is distinct in that it brings together brokerage concepts from the anthropological and Social Network Analysis (SNA) literature in the examination of low-level brokered corrupt exchanges in contemporary Hungary. Using data from a qualitative field research conducted in Hungary between 2009 and 2011, this paper attempts to develop a more systematic explanation of corruption brokers in petty corruption. The three main research questions we address are: What are the main exchange forms through which resources are transferred between a client, a broker and an agent? What are the main mechanisms through which resources are brokered? What are the possible explanatory factors of variation in brokerage?

According to perception-based measures, the level of corruption in Hungary is close to other Central European nations such as Poland, Czech Republic, and Slovakia (Transparency International, 2012). The average Corruption Perceptions Index (CPI) score of these four countries (52.2) is higher than the Eastern European and Central Asian mean score of 33, yet the region lagged far behind the Western European average of 71.8 (Transparency International, 2013). The level of corruption in Hungary does not appear to be decreasing. During the last decade the country shifted down to a more unfavorable position on the CPI global country rank from 32nd in 2000 to 47th in 2013. According to the recent *Special Eurobarometer Survey* (2012), about 96% of Hungarians agreed that corruption is a major problem.

This study focuses on a special type of low-level corruption in Hungary: brokered corrupt exchanges, where there is a third party acting as a middleman to set up or carry out a corrupt exchange. Due to cultural, historical and structural factors, informal social networks were more widespread in Communist countries than in Capitalist ones (Sik and Wellman, 1999). The possible reason of this is that Communism in CEE came into power in post-peasant and small-town societies in which the population lived in close local communities with strong personal ties. Since these informal structures provided low-risk infrastructure for illicit economic transactions, the network oriented culture remained strong in Communism, serving as a survival tool under the rigid and over-centralized Communist bureaucratic system (Lomnitz and Sheinbaum, 2004). For example, the *blat* in Russia or the “so called” *second economy* in Hungary were important means for ordinary citizens to, “get things done” (Ledeneva, 1998; Hankiss, 2002, p. 248; Heinzen, 2007). These informal networks survived in post-Communism and became even more widespread since people had to cope with emerging inequality, skyrocketing unemployment and other shocks caused by the collapse of the Communism, with uncertainties brought by the new Capitalist system (Sik and Wellman, 1999). A recent empirical study suggests that the network-type corruption with multiple participants is growing in contemporary Hungary (Szántó et al., 2013).

The notion that corruption has a multiplayer structure with several intermediaries stands in contrast to the predominant principal-agent model which treats corruption as an illegal transaction between two actors: an agent and a client (Banfield, 1975; Shleifer and Vishny, 1993; Lambert-Mogiliansky et al., 2007). While some corruption scholars have recognized the role of a middleman in corrupt exchanges, there are crucial gaps in scholarship concerning corruption brokers. Most of these studies focus only on the functional explanation of such practices and do not analyze the structures and micro-dynamics of actual corrupt exchanges (Lambsdorff, 2007, p. 136; Drugov et al., 2011). Moreover, studies focusing on corruption brokerage do not

differentiate between low-level and high-level brokered transactions and do not consider the group affiliation of the actors.

Brokerage typically involves the flow or exchange of valued resources from one actor to another via an intermediary (Gould and Fernandez, 1989; Stovel and Shaw, 2012). Any brokered relation requires at least three actors, a sender and a receiver who are the parties of the transaction and the broker who is the one between them. The brokerage literature emphasizes the fact that brokers usually extract profit or ‘commissions’ from the transaction. The extracted resources do not need to be cash (Mardsen, 1982, p. 206; Boissevain, 1974, p. 147–57).

Georg Simmel's (1950, p. 135–169) seminal early work about the role of triadic relations in a society has had a long lasting influence on the brokerage literature. In the 1960s and 1970s, anthropologists studied brokers, and viewed them as actors who have an important role connecting different levels of a society (typically local communities with larger formal systems or the national level) (Adams, 1970; Wolf, 1956; Boissevain, 1968; Silverman, 1967; Bailey, 1959, p. 59). Social Network Analysis (SNA) represents a contemporary structural view of brokerage. This approach is based on the concept that social life is riddled with gaps and holes that obstruct the free flow of information and other resources (Stovel et al., 2011). Social network studies typically deploy a quantitative apparatus and mathematical tools to analyze network structures. The subsequent data analyses allow us to refine some brokerage types developed by anthropologists and SNA scholars and adapt and apply them to a corrupt environment.

2. Operationalization of corruption

Since corruption is a conceptually elusive term, it is important to set up the main defining elements of our corruption concept. Perhaps the most frequently used definitions is provided by global institutions, such as the Transparency International and the World Bank. According to this corruption is, “the abuse of entrusted power and public office for private gain.” (Transparency International, 2009; World Bank, 1997) This definition refers to the principal-agent model of economics to explain corruption. The main point of this model is that the agent is a self-interested government official who tries to abuse his/her power and collect bribes for private gains, while betraying the trust of the abstract principal who represents the top management of the public organization or the general public (Shleifer and Vishny, 1993; Aidt, 2003). The principal-agent model primarily focuses on the contractual structure, incentives and punishments between the principal and the agent and neglect or only superficially considers the client-agent side of corruption. When it is mentioned the client-agent transaction is superficially viewed as an abstract dyadic exchange without reflecting the broader organizational and social context and the active or passive participation of other social network members. Only a few scholars consider more than two corrupt transactors within the principal-agent framework but none of them examine the wider social framework around these brokered structures (Szántó et al., 2013; Bayar, 2005; Hasker and Okten, 2008). The aforementioned definition also suggests that corruption happens exclusively in public organizations.

Since this study explores actual transactions between a client and an agent brokered by one or more intermediaries, we propose an alternative corruption concept more appropriate to capture important elements of the transaction such as the exchanged organizational resources, the forms of the exchange, and the relationship structure. In this paper we view corrupt transactions as informal exchanges of formally allocated resources. That is, resources that properly belong to a formal, but not exclusively public, organization (Jancsics, 2014; Lange,

2008). In contrast to the principal-agent model we claim that corruption may occur in any organizational context (Shore and Haler, 2005, p. 18; Ashforth and Anand, 2003).

Since organizational resources are supposed to be allocated by references of impersonal and formal criteria through contracts or other official rule systems (Meyer and Rowan, 1977; Heimer, 1992, p. 148), the informal extraction of these resources should be considered as a corrupt act that, at minimum, violates the rules of the focal organization. Yet in most cases, corruption is also against society wide codified norms, which, of course, are reinforced by internal organizational rules (Martin et al., 2013). The exchanged resource may have material (cash) or non-material (information, symbolic capital etc.) forms (Varese, 2000).

In our corruption concept at least one party – the agent – has a formal affiliation with the organization from which the resources are extracted (Della Porta and Vanucci, 2012, p. 2–3). Here, we focus on petty corruption when the resources exchanged by the actors are found at lower organizational levels. Thus the agent is a low-level employee or “street level bureaucrat” (one who deals with the public).

3. Methodology: site, sampling, and interviews

We conducted 50 in-depth interviews – speaking in Hungarian – in Budapest between December 2009 and May 2011. We sought people from different social and organizational backgrounds who had themselves participated in corruption or at least had a very close and direct insight into the phenomenon.

We subsequently used snowball sampling, a technique applicable when it is difficult to identify and contact the members of a target population, or when the subject matter—like corruption—is sensitive (Heckathorn, 1997; Goodman, 1961; Lindesmith, 1968; Becker, 1966). Members of deviant or vulnerable social groups such as prostitutes, homeless people, drug users, gang members or criminals often refuse to cooperate with researchers or provide unreliable answers to protect their privacy. Therefore the size, boundaries and other characteristics of hidden populations are unknown since standard probability sampling techniques produce extremely low response rates among these groups (Heckathorn, 1997). The primary advantage of snowball sampling is that it provides access to these hard-to-reach populations (Atkinson and Flint, 2001). We asked people whom we had interviewed to recommend other people whom they knew could talk to us about petty corruption. Respondents in hidden populations usually want to know that an interviewer is trustworthy before agreeing to be questioned. Snowball sampling uses interpersonal networks to vouch for the researcher's trustworthiness, as well as being a strategy to find new respondents.

Snowball sampling also has weaknesses. The main concern of this sampling technique is the selection bias that reduces the validity of the sample (Faugier, 1997). New respondents are not randomly selected but are dependent on the subjective choice of the previous respondent. This limits the researchers' ability to make general assumptions from a sample. Moreover scholars who use snowball sampling can be easily stuck in cohesive subgroups and thus the findings will overemphasize the similar features of that particular group and exclude others who are not members of the close-knit network (Griffiths et al., 1993).

In order to address these issues we chose the first set of chain referrals with significantly different social and organizational background. For this we used our personal social network and authorities in the field, such the Hungarian chapter of Transparency International and investigative journalists also helped us to find potential respondents. Beyond our first ten interviews, we did not know the informants that we interviewed. Even within the snowball

sampling, the researcher has some control over the sample's development (Biernacki and Waldorf, 1981). During the selection of the new interviewees we made considerable efforts to reach a sample as diverse as possible based on respondents' location, age, gender, occupation and social status. Since methodological drawbacks of the snowball technique can be only partially addressed, the researcher must always consider the trade off between the unique insight of a hidden population and the above-mentioned selection bias. We do believe that the benefits that the qualitative research and snowball method provide, clearly outweigh the weaknesses.

We promised anonymity to all informants. Given that assurance, plus the recommendation of the prior respondent in the snowball chain, people were eager to discuss their experiences with corruption. Semi-structured interviews were conducted in Hungarian, using a flexible interview protocol that allowed us to tailor our research questions to each interview situation. We recorded the interviews when given permission. The interviews explored topics such as the respondents' participation in corruption, their relationship with other actors, the circumstances of the corrupt exchange, the resources that were exchanged. Our main goal was to collect detailed descriptions of actual corrupt occurrences. Table 1 summarizes the backgrounds of our respondents.

Although interviewees mentioned several grand corruption cases in this paper we consider only petty corruption where the agent is located in the lower layers of the formal organization and the transaction involves resources available at those lowest organizational levels. We also focus only on participants who are individuals. Low-level corruption brokerage studied in this paper significantly differs from the brokered corrupt exchanges of organizational elites who are embedded into highly institutionalized bureaucratic systems. In this grand corruption actors use formal inter-organizational networks and complex contractual structures to hide the corrupt nature of their transaction (Jancsics and Jávör, 2012). Here, formal organizations, not individual brokers, have intermediary functions (Szántó et al., 2013).

4. Analysis and findings

The data analysis began while interviews were still being conducted. We created transcripts from the recorded interviews. Qualitative coding was used to synthesize our transcripts and identify systematic patterns in our data (Charmaz, 2006). We also used “theoretical memos” to keep our ideas on possible relationships between the empirical data, the emerging concepts and the existing literature. We coded the transcripts and sorted them multiple ways, for example, by the actors' social status, types of brokered resources, group affiliation and so on, and thoughtfully studied their contents. This methodology did not allow us to undertake a

Table 1
Social background of all respondents.

| Social background | N | % |
|--------------------------|----|-----|
| Elite | 13 | 26 |
| Middle-class | 12 | 24 |
| Entrepreneur | 9 | 18 |
| Working-class | 9 | 18 |
| Lower-working class | 3 | 6 |
| Investigative Journalist | 4 | 8 |
| Total | 50 | 100 |

quantitative structural analysis of corrupt networks and brokerage. However, it revealed important micro-level exchange mechanisms and qualitative elements of corrupt brokered exchanges. Since our data was not sufficient to analyze a whole social network, we focused on the most basic forms of brokerage, mainly triads. By the end of our analysis, we had constructed a list of core categories, theoretical memos, quotes from interviews and, finally, a portrait of how different types of brokerage in low level corruption function.

Two major ways to categorize low-level corruption brokerage practices were, (1) according to the *form of the exchange* and (2) according to the *mechanisms*. These two categories imply different group affiliation structures among corrupt actors. One of the main questions of this study is what the form of the exchange is between the client, the broker and the agent. The anthropological and social exchange literature distinguishes market type and reciprocal exchanges. In our interviews we encountered both types. Market type exchange is a *balanced reciprocity* when there is a precise balance and an equivalent return without delay between partners who are not socially close (Sahlins, 1965; Gregory, 1982, p. 42). Here the exchanged resource is mainly cash. By contrast, reciprocal exchange is based on *generalized reciprocity*: unilateral giving and receiving. In this case the actor who gives something expects to be get something good in return, but what exactly and when is not spelled out. The counter is not stipulated by time, quantity or quality (Sahlins, 1965, p. 147).

Two different mechanisms emerged from the interviews about the role of the broker or how the broker facilitated a deal. In the first type, the broker connected the client with the agent by introducing them to each other, but then stepped aside. By contrast, in the second type the broker controlled the transaction throughout and remained the only link between the otherwise unconnected actors. These types were also referred in the literature. Stovel et al. (2011) called the first type *catalyst brokerage* and the latter one, *middlemen brokerage*.

Our data analysis identified five different types of corruption brokerage: (1) *representative brokerage*, (2) *entrepreneur brokerage*, (3) *gatekeeper brokerage*; (4) *extra service brokerage*; and (5) *multiple insider brokerage*. In this article we provide verbatim quotations as examples to illustrate our findings and use (fictitious) names, ages, genders, and job titles for our respondents.

4.1. *Representative brokerage*

According to the SNA literature, representative brokers are fellow group members who establish contact (weak ties) with outsiders (Gould and Fernandez, 1989; Granovetter, 1973). In this case, the group delegates one of its members to communicate and negotiate with an outsider. Fig. 1 shows a graphic representation of the representative corruption brokerage relation we discovered. In our figures A, B, and C subsequently represent the agent, the broker and the client. The triangle symbolizes the formal organization and the cycle indicates close-knit group membership. Our data confirmed that representative corruption brokers “just help” family members, friends, acquaintances, or neighbors in a local community to obtain organizational resources illegally. This is an example how András, – a 25-year old unemployed male working class respondent – was tied to an agent through a community broker, a ‘friend’. András bribed the agent, an instructor in a driving school, to falsely approve his driving lessons:

“I called a friend who had mentioned me this driving instructor before. I got the instructor’s phone number. When I called him [the instructor] I had to refer to our friend. I met with the guy twice. First he wanted to see whether I really can drive and we did the

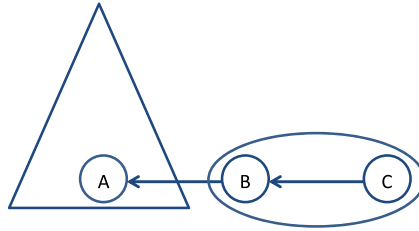


Fig. 1. Representative brokerage.

paperwork, personal data, and so on. Next time, I got our approval from his school. You know I can call five acquaintances right now if I want to get a fake license this, a fake permit that. At least one will provide me the needed name and phone number.”

In this following case András, originally a client, turned into a broker who connected several friends with a corrupt agent:

“A friend gave me a phone number of a car inspection service where I could get a fake ‘green card’ for our car. The green card proves that your car meets the environmental standards. Getting a fake one is much cheaper and faster than really fixing your car and going through an “honest” inspection. So I got the contact to this small service. Last week I was in this service again with a friend who also needed a fake green card. I introduced him to the service guys. I have already sent at least 10 other friends to them. That is good for me because next time they will help me find somebody.”

In these examples the intermediaries were catalyst brokers. They were willing to share a corrupt contact with others and thus they created a new relationship between the client and the agent. They just connected the actors but they did not manage the actual transaction. For example, when he introduced his friends to the crooked car service members, András shared his social capital and made his friends structurally equivalent with him in this triadic structure. His main motivation was creating a gift-debt, a reciprocal dependence, which, eventually, should be returned by his friend (Gregory, 1982, p. 42). This counter transfer may have the form of favor or the form of András' enhanced status and loyalty within his close-knit group. András did not expect benefit from the agent. In this case it was easy to find brokers among friends and family members and it was also easy to become a broker. This has two implications. First, András gave up the benefit of controlling the relationship and second, he provided an opportunity to his friends to become corruption brokers in turn. He also acted as guarantor of the deal, reducing the risks (transaction costs) of reciprocal mistrust between corrupt actors.

4.2. Entrepreneur brokerage

Entrepreneur corruption brokerage is a market type relationship between a client and the broker. An entrepreneur broker is a *tertius gaudens* (Simmel, 1950, p. 154) or a *liaison* (Gould and Fernandez, 1989), a neutral third party who benefits from the situation because s/he is the only connection between actors who do not know each other (Burt, 1992, p. 23, 34; Boissevain, 1968; Marsden, 1982, p. 206; Kadushin, 2012, p. 62–63). This is a more impersonal and cash-based exchange based on balanced reciprocity. These brokers usually do not let the corrupt

actors directly meet with each other, but instead try to block all information about the agent, further brokers or the real price of the resource. Their commission is usually extracted from the total price of the corrupt deal. Fig. 2 shows a graphic representation of the entrepreneur corruption brokerage relation.

It is common to find that a client does not have direct contact to the entrepreneur broker and s/he therefore needs a representative broker, a local group member to connect with the entrepreneur. For example, we interviewed a 37-year-old working class woman, Zsuzsa who was unemployed and sought a shop assistant job at an international chain of newspaper stores, but the employer required at least a high school diploma from the candidates. Since she had only an elementary level education, she used her social network to find an entrepreneur broker who helped acquire a fake diploma:

“I asked a few people. I wanted a high school diploma with a commercial qualification. One contact was through my sister and the other one was a former colleague. Both could have got me a diploma but the second one was too hungry and wanted too much. So finally my sister's acquaintance brought it to me. I did not meet with the guy who actually sold it. I gave my sister's friend our personal data and the money. I trusted him... So, I meet with the guy, my sister's friend. He did not ask extra money. Probably his share was already in the price but I do not know. It was 20,000 HUF cheaper than the other option... the guy [broker] did not say anything about the source of the diploma but it is officially registered... So, the person who sold it must be a real insider in the education system.”

In this case the first representative broker was the Zsuzsa's sister who tied Zsuzsa directly to the second entrepreneur broker. Using the same analogy we can imagine that relatively large and complex networks of corruption brokerage may exist with sequences of entrepreneurs who act for cash and representative brokers who act to help ingroup members. Fig. 3 shows a graphic representation of the basic structure of multiple entrepreneur corruption brokerage.

4.3. Gatekeeper brokerage

In Gatekeeper brokerage situations, the broker and the agent are members of the same organization from which the resources are extracted, and the client is an outsider (Gould and Fernandez, 1989). Here the broker acts as a gatekeeper for his/her own organizational group and must decide if s/he is willing to mediate between the two parties. In this case the broker-client relationship is – similarly to the entrepreneur brokerage – a market type exchange when the client pays cash for the illegally sold resources. There is a weak relationship and low level

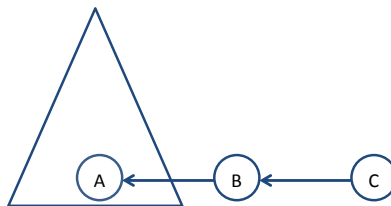


Fig. 2. Entrepreneur brokerage.

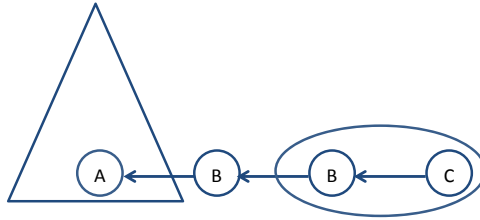


Fig. 3. Multiple entrepreneur brokerage.

of trust between them. This is a middleman type brokerage where the broker is not willing to introduce the agent and the client to each other. Fig. 4 shows gatekeeper brokerage.

However the broker-agent side seems to be different for gatekeeper cases. The fact that the broker and the agent are members of the same organization extends the variety of possible collusions. Here is an example how the broker and the agent may collude in such transactions. We interviewed Ágnes a 29-year-old bank clerk. She acted as an agent in a corrupt exchange involving authorized mortgage loans for people who were not qualified because of too low a legal income or who lacked a job. The clients were recommended to Ágnes by her colleague, the broker of the deals. She explained:

“This is him [colleague] who brings the clients and I do the “paperwork”. They [clients] do not know if I am in on the deal or not. They are just sitting in front of me and I do the regular paperwork I normally do. Probably they think that somebody at higher levels at the bank approved their loan request but actually this is me who manipulated the documents.”

Tamás, a 39-year-old early-retired custom officer, told us a story about how he contributed to regular smuggling of electronic devices from Western Europe by involving his colleagues and letting the smuggler cross the border without inspection. It is also an example of multiple brokerage structure since Tamás in the beginning was reached through a representative brokerage network (family members). Tamás' motivation was partially realizing cash profit but also increasing his status within the group of colleagues that helped him to get involved in further illegal deals.

“It was back in the early 2000s, before Hungary's membership in the European Union. I brought this business into the table, as a rookie. It really increased my reputation among the colleagues because it proved that I could get good deals. The smuggler approached

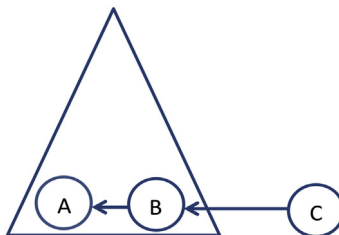


Fig. 4. Gatekeeper brokerage.

me through my wife's brother. I did not even care that I had to share the bulk of the profit with my colleagues and my immediate commander because it guaranteed me a spot among the big boys, you know, in future big deals... I arranged everything with the smuggler. Nobody knew anything about the other party except me. I tried to be in contact with the smuggler as rarely as possible. He only knew that at a particular time of a day he could enter the country without inspection and my colleagues only knew that they should have checked the cars very superficially for an hour at the same time."

4.4. Extra service brokerage

My interviews suggested service brokerage that is a form of entrepreneur brokerage but shows some special characteristics not discussed in the corruption or brokerage literature. Here small entrepreneurs or self-employed freelancers are the brokers. In this type, connecting the agent with the client is only one among other services that the entrepreneur can offer to his/her client. Brokers usually regard the brokerage as an extra service that may provide them competitive advantage over their rivals in the formal business world. The main motivation of the broker is to make his/her official service more attractive for the client. Fig. 5 shows the basic structure of extra service brokerage relation.

Gyula, a 28 year old male small shop owner, said:

"When I bought my first pre-owned car, a car mechanic helped me. He checked the car before I signed the contract. When you buy a car in Hungary you have to immediately take out automobile insurance. At the same time this car mechanic gave me a phone number of an insurance agent. He [the car mechanic] told me that if I paid some extra to the agent she would have taken me to the highest level insurance category where you have to pay only a much reduced yearly insurance fee. Normally you can get that level only after 4–5 years driving without any traffic offences or road accidents. So, I called her [insurance agent]; we met at Duna Plaza [large shopping mall in Budapest], sat down in a bench and I got this extremely good insurance contract. I need hardly say this was totally illegal. The car mechanic shared his contact with me because, I guess, he hoped he would be my long-term mechanic. And he was right; he is still repairing my cars; although I have had 4 cars since then."

Béla – 35 year old – who formerly worked as a cashier in outskirts game rooms – was unemployed when he was interviewed. He gave the following description:

"I went to the office of this real estate agent. It was 3 years ago, exactly. I knew that he was well connected to the local government. He had had some big real estate deals with them. At

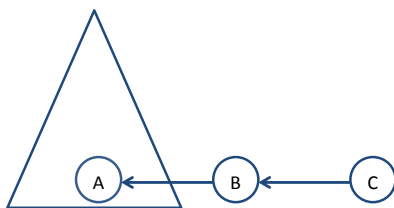


Fig. 5. Extra service brokerage.

that time, the local government had a program for young people who were born in the district. Those who wanted to buy their first apartment in their life were eligible to apply for a 1 million HUF subsidized long-term loan from the government: without any interest being charged, and of course with very low monthly installments. But the case is that the loans were allocated only to insiders. So, this real estate guy told me that he would get me a loan. He did not even want extra money for it. His only requirement was that I had to buy the apartment through his office and pay the normal and legal 2% broker fee.”

In contrast to their entrepreneur counterparts, extra service brokers do not extract a ‘commission’ from the illegal payment. The profit for the brokerage is included in the payment for the broker's formal services. By providing this extra service to a client the broker wins the good will or long-term customer loyalty from the client or simply gains an edge over competitor entrepreneurs. Extra service brokerage can be either the catalyst or middleman type. The broker is not interested in extracting a commission from the corrupt payment but s/he wants profit through the official service. Therefore the broker is not necessarily concerned about preventing the client and the agent from knowing each other.

4.5. Multiple insider brokerage

Multiple insider brokers are people who are simultaneously members of two different groups that they link. The broker has multiple group affiliations: a formal organizational membership that is shared with the corrupt agent and a social group membership, outside the organization, that is shared with the client. Fig. 6 shows the basic structure of multiple insider brokerage relation.

In our cases usually former university classmates, ex-colleagues or family members approached the broker to use insider organizational contacts reaching agents. Károly, a middle manager at an insurance company, is 33 years old. He helped an old friend to get paid for his property damage higher than the insurance would have been normally covered.

“An ex-college classmate called me and told that he had an ongoing insurance case with our company. He asked if I knew somebody in my firm who could pump his money up a little bit. He wanted our pencil draw a bit thicker line [informal Hungarian term for overpricing] when we determine the amount covering his flooding damage. Generally I do not like this. I had to call a person in another department responsible for this particular case. I had to ask her [insider agent] a favor, which made me quite uncomfortable because I am a higher-level manager than she and I do not like to be indebted to subordinates. But I did it for my old friend and he [classmate] finally got a really generous compensation. But it was only a one-time help.”

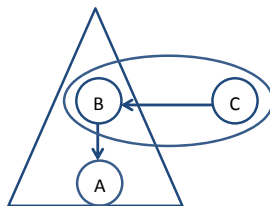


Fig. 6. Multiple insider brokerage.

Multiple insider brokerage is often a fragile and strained relationship because members other than the brokers are suspicious that their group member (broker) may not be successfully representing their side's interests. It is also an embarrassing structure for the broker (Simmel, 1950, p. 142; Stovel et al., 2011; Vedres and Stark, 2010). This is middleman brokerage because the broker tries to isolate the parties from each other by minimizing the contact between them.

Another distinctive feature of multiple insider brokerage is that cash is rarely considered as a currency neither on the client-broker nor on the broker-agent side. The broker does favor both parties, which makes the client indebted to the broker, but the broker also becomes obligated to the agent and needs to compensate her/him somehow in the future. Since the broker does not receive cash from the client there is no immediate profit that could be shared with the agent. In several cases we collected the broker had a higher organizational status in the same organization than the agent. This suggests a power inequality between them. In these cases there was a patronage relationship between the broker and the agent. The broker is superior to the agent. However patronage is a personal and informal relationship. Because of some possible benefits the agent provides loyalty and helps the broker in the illicit practice (Wolf, 1966; Granovetter, 2007; Boissevain, 1989; Jackall, 2010, p. 18–44).

5. Discussion

Our study follows a bottom-up analytical strategy- from the field to the concept (Miles et al., 2013, p. 293). In this chapter we make some conceptual “additions” to our observed data and link our findings to the SNA literature and such concepts, now empirically grounded in corruption context, may help to better understand brokerage in low-level corruption. Some potential explanations of variation in our brokerage typology are also provided. Here we address the main issues from the literature such as exchange types, brokerage mechanisms, forms of benefit/motivation, neutrality, distribution of risks, and stability. Table 2 summarizes our main understanding about different types of low-level corruption brokerage.

Table 2
Corruption brokerage.

| Brokerage type | Client-broker exchange | Broker-agent exchange | Brokerage mechanism | Broker's benefit | Client's risks | Brokerage stability |
|------------------|-------------------------------|-----------------------|-----------------------|--|----------------|---------------------|
| Representative | Reciprocal | Market | Catalyst | Social: symbolic capital, mutual favors | Low | Unstable |
| Entrepreneur | Market | Market | Middleman | Economic: commission, fee from the clients payment | High | Unstable |
| Gatekeeper | Market | Reciprocal | Middleman | Economic or Social: shared profit with the agent, mutual favors from the agent | High | Unstable |
| Extra Service | Between market and reciprocal | Market | Catalyst or Middleman | Economic: profit embedded in formal payments | High/Low | Stable |
| Multiple Insider | Reciprocal | Reciprocal | Middleman | Social: mutual favors from the client | Low | Unstable |

5.1. Exchange types and brokerage mechanisms

Two major interrelated categories emerged from the interviews that predominantly structured the findings of this paper: first, the form of the exchange (market vs. reciprocal) and second, the mechanisms which through the corruption broker managed the transaction (catalyst vs. middleman). In reciprocal exchange there are no strict rules regulating the transaction and the actors do not know exactly what and when they will receive something as a roughly equivalent counter transfer of a favor. When actors do not know each other very well and there is considerable social distance or a low level of trust between them, this gives rise to what is called the “secularization of reciprocity” and leads to a market type exchange based on a negotiated amount of cash (Lomnitz, 1988).

Catalyst brokerage socially integrates previously segregated parties while middleman brokerage maintains group boundaries (Stovel and Shaw, 2012). People are structurally equivalent if they have the same contacts (Burt, 1992). In several cases when a broker introduces a “protégé” (catalyst brokerage) to other contacts he/she makes the protégé structurally equivalent. This implies that social capital is shared between them and both become brokers (Dekker, 2006).

While representative and partly, extra service brokerages create new relations between the client and agent and therefore can be classified as catalyst brokerage entrepreneur, gatekeeper and multiple-insider intermediaries are middleman brokers who do not introduce clients and agents to each other. The latter are also more impersonal market-types exchanges on the client-broker side when the parties exchange cash with each other under a clearly defined schedule and rule system. Extra service brokerage is a rather dynamic hybrid structure, midway between market and reciprocal transactions. Here the extra service broker's goal is to make successful formal deals with the client that often means long-term business relationship. Therefore this type has a potential to evolve from a purely impersonal market-type form to a more personal trust-based, but still a business one.

5.2. Benefits/motivations

In representative and multiple insider types, while brokers usually do not receive commission from the transactions in material form, they likely benefit in other ways. Similarly to other gift-givers, they accumulate symbolic capital in return, such as recognition, honor, prestige, nobility, or status (Bourdieu, 1997). They also create debts on their group's side that, based on the norm of reciprocity, will be paid off in the future (Gouldner, 1960). Entrepreneur broker's main benefit is commission from the payment to the agent. The broker is in a position to set prices in the exchange while the client is not aware of the actual price paid to the agent. In this limited information setting the client is unable to learn directly about the prices (Myerson, 1981). Such monopoly prices may provide substantial profit for the broker. In the case of gatekeeper or multiple insider brokerage, the broker and the agent are members of the same organization. They may share the profit of the corrupt transaction but, especially in the multiple insider type, they also have other options to profit from the deal. The likelihood they meet regularly and the stronger social ties between them would make different forms of reciprocal exchanges possible (Lomnitz and Sheinbaum, 2004; Blundo, 2008). Here it is also possible that the broker's main benefit is enhancing his/her status within an organizational subgroup and strengthening group cohesion. The organizational environment provides several opportunities as well. The broker may compensate the agent with other favors, resources s/he personally controls, support in promotion or political struggles, or silence about the agent's other illegal deals and so on.

5.3. *Risk/costs*

The outcomes of brokerage emerged from our interviews have some implications regarding the risk distribution. Entrepreneur and gatekeeper brokerages are the riskiest forms, especially for the client, for various reasons. Even in normal (legal) market transactions there is more suspicion and antagonistic attitudes between the partners than in hierarchical or network relations (Powell, 1990). However the fact that corruption is illegal further increases uncertainty and law-enforcement risk for the participants. In corrupt deals, the actors in market-type corrupt exchanges are usually exposed to their partner's opportunistic behavior (e.g. betrayal) (Lambsdorff, 2002; Della Porta and Vanucci, 2004). Finally, in these types the broker benefits from controlling information between the client and the agent (Burt, 2004). Since the exchanged organizational resources are often personal permits, licenses or other official documents, the client must provide information about his/her identity. Therefore these exchanges are much riskier for the client. In other brokerage types, risk is more equally distributed due to social bonds that reduce risk and uncertainty in social exchanges.

5.4. *Neutrality*

In our cases there are no fully neutral forms of brokerage. All types proved to be somewhat biased when the broker was closer to one party than the other (Stovel and Shaw, 2012). Even the purest market type relationship, entrepreneur brokerage, is not clearly unbiased. Here the brokerage may be relationally and socially neutral but there is a clear informational advantage (or bias) on the broker-agent side against the client. The client knows nothing about the agent while the agent and the broker have detailed personal information on the client. Extra service brokerage has a strong potential to shift from neutral to biased. Other brokerage types are also biased since the broker is apparently allied or affiliated with the client or the agent side. In multiple insider structures, the broker is simultaneously member of two different groups when both groups may try to pressure him/her to weaken the ties with the other group. This will probably shift brokerage towards a biased structure.

5.5. *Stability*

Many brokerage examples in this study are non-repetitive deals and such single transactions naturally have an unstable character. Catalyst brokerage seems to be the most stable social relationship in our typology. Here each successfully brokered act consolidates broker's position in the local structure (Stovel and Shaw, 2012). For example, András enhanced his status and reputation in the local community as a cool guy who has such contacts. This may suggest a stable and highly integrated relationship on the broker-client side. But the whole structure of this particular brokerage is rather unstable because after the client and the agent were united they do not need the broker anymore. The broker may introduce other agents to the same client or new clients to the same agent but the original brokerage structure is not likely to happen again.

Market type exchanges are the riskiest forms for the client who is not interested in maintaining this very uncertain structure. This suggests that entrepreneur brokerage is an unstable relationship. However, if the client needs the same resource, regularly recurrent transactions with the same broker may be necessary. In this case the client will probably seek opportunities to reduce the risks and transaction costs involved and build trust-based social bonds with the broker (Lambsdorff, 2007, p. 218–19). As mentioned before, extra service brokerage has a

potential to develop from a market-type to a trust-based structure. In multiple insider brokerage, the broker is a simultaneous member of both groups. The literature suggests that this is a rather unstable structure because group members may be suspicious that they are manipulated by the broker's other group (Stovel et al., 2011). Gatekeeper brokerage is fragile on the broker-client side but stable on the broker-agent side. However the client's effort to turn this relationship into a trust and socially based one may also create a fragile multiple insider structure.

6. Conclusion

The main findings of this study is that corruption brokerage in low-level corruption is deeply embedded into social and organizational relationship structures. While the mainstream principal-agent model suggests that partners in an exchange always pursue their economic goals, in reality sociability, approval, status and power are also fundamental human motives (Granovetter, 1992). Our interviews suggest that people pursue these goals through corruption brokerage as well. Corruption brokers make informal and illegal deals possible across formal organizational boundaries and facilitate smuggling out organizational resources through such boundaries. On the other hand, brokerage is also a means to establish or maintain personal relationships and reproduce socio-cultural systems inside and outside the organization.

The findings of this paper about corruption brokerage emerged from research in Hungary. It is a valid question whether similar patterns may be found in other countries and different cultures. In the next section we address some generalizability issues and finally we discuss to what extent can our findings be used to inform public policy.

6.1. Generalizability

Many scholars argue that qualitative research has strong internal but weak external validity (Maxwell, 1992). Qualitative analysis is acclaimed for its interpretive quality, deep insight and understanding of the social world, especially from viewpoint of the studied group (Myers, 2000; Falk and Guenther, 2007). It follows Max Weber's *verstehen* approach, a heuristic interpretation of social phenomena, usually a more important aspect than validity. But it is often questioned whether qualitative research findings are applicable to other populations or samples. Some scholars simply reject generalizability as the ultimate goal of this type of research (Cronbach, 1975; Denzin, 1983, p. 133). Others claim that although qualitative studies are not generalizable in the 'traditional quantitative' sense they may form a strong basis for understanding and explaining social situations similar to those investigated in a particular study (Falk and Guenther, 2007; Popay et al., 1998).

Rigorous research design, data collection and analysis may enhance the generalizability of a study and well-developed theory from the data, applied to similar conditions, may be also a vehicle of 'analytic generalization', in contrast to statistical generalization (Falk and Guenther, 2007; Popay et al., 1998). This means that the author should go beyond simple description and provide a more abstract interpretation of social action than the immediate physical and mental characters of the examined phenomenon (Maxwell, 1992). Analytic generalization occurs when the developed concept is useful in explaining similar situations or persons (Yin, 2013).

As we explained in the methodology section our research was designed carefully to address the selection bias. Moreover our data was rigorously coded and analyzed. We believe that these technical implementations and the fact that we found similar patterns within different settings (Glaser and Strauss, 1967, p. 140) conceivably strengthen the generalizability of our findings.

In our discussion we also stepped beyond a simple description and offered some conceptual “additions” to our data. This analytic generalization may further enhance the validity of our study. However since there is no exact scientific method to define the size and boundaries of a hidden population (Heckathorn, 1997) we do not know how general the revealed behavior is among all corrupt people or in wider society. At minimum the brokerage typology and the related mechanisms developed in this study may serve as a useful conceptual framework or testable hypothesis for scholars who examine corruption brokerage in other countries.

6.2. Policy implications

Brokered low-level corruption is a multi-level social phenomenon. The addition of even one broker to the dyad of an agent and a client significantly increases the complexity of corrupt relationships (Kadushin, 2012, p. 23). Some phases of the exchange happen within organizational layers, while other parts are embedded into the wider social context, outside of the organization. This suggests that there is no “one best way” comprehensive anti-corruption solution for this tangled social issue and policies will always have partial success. In this section we provide some suggestions on how anti-corruption strategies could be used to fight different forms of brokered transactions in low-level corruption.

Anti-corruption practices can be classified along two main dimensions, top-down/bottom-up (Lambsdorff, 2008) and internal/external policies (Brunetti and Weder, 2003). Top-down anti-corruption policies are implemented by formal authorities, such as organizational leaders, governments or legislative bodies. In contrast to this, bottom-up measures are more grassroots-type phenomena, initiated by individuals, communities, journalists, bloggers, other media workers, civil society members and activists. The internal/external dimension simply implies whether anti-corruption happens within an organization or is implemented by outsider actors. Table 3 shows the intersection of these two dimensions.

Internal top-down measures represent the mainstream of anti-corruption policies. In brokered corruption, rule or repression-based internal top-down strategies can reach only the agent-broker segment of the exchange: transactions in which the organizational members are involved. The broker-client part, outside the organization, is totally out of the scope of these measures. The theoretical background of internal top-down anti-corruption strategies is the principal-agent model. The idea behind this is that corruption is a market type transaction and the principal and the agent are entirely rational actors. Therefore proper incentive and punishment structures, price mechanisms, strict monitoring, well-designed contracts and discretion

Table 3
Anti-corruption strategies.

| | Internal | External |
|-----------|---|--|
| Top-down | Internal Monitoring (audit) Incentives (penalties and rewards) Limiting discretion (rotation) | Regulations (criminal code, political campaign financing) Law enforcement & Judiciary External Monitoring (audit) Anti-corruption units Formal education PR campaigns Technology (online impersonal procurement) |
| Bottom-up | Whistle-blowing Organizational culture | Free Press Civil society NGOs |

limitation through, for example, staff rotation, can resolve the problem of corruption (Rose-Ackerman, 1986; Becker and Stigler, 1974; Bardhan, 2006; Eisenhardt, 1989; Abbink, 2003). In our brokerage typology representative, entrepreneur and extra-service types are based on market exchange between the agent and the broker and therefore internal top-down strategies may be effective to cut the brokerage chain in these types of transactions.

However strengthening the organization's monitoring system or narrowing agents' discretion to detect corruption may be expensive solutions (Banfield, 1975). Ad-hoc low-level corrupt exchanges often remain unexposed because the extracted resources are strategically not important enough to "call the attention" of the organization (Jávora and Jancsics, 2013). Our findings suggest that reciprocal exchange forms in low-level transactions makes the detection of this type of corruption especially difficult. These exchanges do not require immediate counter-transfer and the form of the returned resource can be nonmaterial, for example symbolic capital or information. In these cases actors are easily able to blur the corrupt nature of their transaction (Hipp and Lawler, 2010).

When the relationship between the agent and the broker is based on social bonds or unequal power, like in our gatekeeper and multiple-insider types, other than rational decisions determine participants' behavior. This suggests that internal top-down policies have major limitations to curb this type. Here internal bottom-up strategies, when rank and file organizational members engage in anti-corruption, may be more successful tackling illegal collusions. Encouraging whistle blowing by communication and supporting institutional structure would be an obvious strategy. However developing a general organizational culture intolerant of corruption seems to be a more ample bottom-up organizational solution.

Brokers in low-level corruption link organizational agents with outsider clients. Anti-corruption strategies targeting the broker-client side in wider society are much harder to implement. Our study suggests that complex networks of corruption brokerage may exist with sequences of entrepreneur and in-group-member brokers. External top-down strategies might be successful to deal with market type exchanges on the broker-client side in entrepreneur, gatekeeper and some extra service brokerage types. In these cases the actors rationally evaluate the possible outcomes of their behavior and stricter criminal code or more effective law enforcement may increase the risks of corrupt acts. However external top-down measures have limited impacts on brokerage within close close-knit trust networks in representative and multiple-insider brokerage types. Such groups develop their own particular norm systems that may support corruption. In many network oriented post-communist societies corruption is accepted and normal. Here particularistic norms that regulate the behavior of small groups (friends, kin, classmates or colleagues) often become dominant over society-wide universalistic formal norms (Schweitzer, 2004). Since widespread informal networks are results of historical patterns and longer-term socialist and post-socialist institutional development there is no simple policy solution to change this powerful macro-structural phenomenon. In this case a whole range of large-scale social reforms must be required (Persson et al., 2010).

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