



POLITICAL CORRUPTION AND GOVERNANCE

Series Editors: Dan Hough · Paul M. Heywood

Family Corruption in Business and Public Administration

Parents, Spouses, and In-Laws
in Illicit Transactions

David Jancsics

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Political Corruption and Governance

Series Editors

Dan Hough
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This series aims to analyse the nature and scope of, as well as possible remedies for, political corruption. The rise to prominence over the last 20 years of corruption-related problems and of the 'good governance' agenda as the principal means to tackle them has led to the development of a plethora of (national and international) policy proposals, international agreements and anti-corruption programmes and initiatives. National governments, international organisations and NGOs all now claim to take very seriously the need to tackle issues of corruption. It is thus unsurprising that over couple of decades, a significant body of work with a wide and varied focus has been published in academic journals and in international discussion papers. This series seeks to provide a forum through which to address this growing body of literature. It invites not just in-depth single country analyses of corruption and attempts to combat it, but also comparative studies that explore the experiences of different states (or regions) in dealing with different types of corruption. We also invite monographs that take an overtly thematic focus, analysing trends and developments in one type of corruption across either time or space, as well as theoretically informed analysis of discrete events.

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To my wife Veronika

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Praise for *Family Corruption in Business and Public Administration*

“A subtle and wide-ranging typology of the connections between families and public corruption. Illuminated with contemporary examples, Jancsics contrasts regimes where family connections corruptly allocate public benefits with extreme cases of “dynastic corruption”—where corrupt leaders entrench their offspring to succeed them.”

—Susan-Rose Ackerman *is a Professor Emeritus at Yale University, USA*

“The insights presented in this book are both alarming and compelling, challenging readers to reconsider the complexities of familial loyalty in the context of corruption.”

—Alena Ledeneva *is Professor of Politics and Society at the University College London, UK*

“Jancsics skillfully develops and weaves together concepts relating to family, corruption, and family corruption. He provides many interesting examples, and, as such, this book genuinely breaks new ground.”

—Adam Graycar *is a Professor Emeritus at The University of Adelaide, Australia*

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CHAPTER 1

Introduction

This book is about family and corruption. Naturally, family occupies a far deeper and more enduring place in social life than corruption ever could. Nearly everyone has firsthand experience of family; it is the primary social unit, the fundamental fabric, the building block of society. Corruption, by contrast, is typically seen as a deviation—a distortion of the norms and values that family life helps to uphold. Yet reality challenges this presumed opposition between family and corruption, as they often go hand in hand. Situations involving family members and opportunities for corruption are more common than we typically realize. It may be surprising that most companies worldwide are family-run, blending the informal norms of the family with impersonal business rationality (European Commission, 2008; La Porta et al., 1999; Song et al., 2021). Top-level politicians appoint family members widely to government positions or have their close relatives elected to high office, even in most so-called democratic Western countries (Loxton, 2024). But family members can also get involved in corruption in many other ways. Public officials can award government contracts to companies owned by relatives. Managers in private companies can use their position to secure jobs or benefits for family members, regardless of qualifications. Family members can act as intermediaries in illicit dealings by introducing corrupt partners to one another. A mayor might direct municipal workers to renovate a relative's home using city equipment and materials. The examples are numerous. But why does this

happen? What roles do relatives play in successfully facilitating a corrupt transaction? Can corruption, paradoxically, help keep families together by strengthening social cohesion? I attempt to answer these questions in this book. I focus on a specific social configuration in which family and corruption interplay: situations where family membership is an essential element of a corrupt transaction. I call this phenomenon “family corruption.”

Family corruption does not happen by chance. This unique arrangement exists—embedded in the complex layers of social life, in fact—because it serves to provide specific and concrete benefits to the participants. The scale of this phenomenon ranges from fairly low-level nepotism—for example, using one’s influence and connections to give a relative a job—to grand corruption schemes, where powerful families take over the state’s redistributive processes and channel significant resources to family members through complex organizational and contractual structures. Thus, family corruption appears in many forms; sometimes, relatives act as the bribe-taking “agent,” using their official role for the family’s benefit; other times, they serve as the bribe-giving “client,” using kinship ties to secure contracts or access. In some cases, family members work together on both sides of the transaction to keep resources within their kin network.

While corruption is often viewed as negative, harmful, and unethical behavior, I will show that certain forms of family corruption can be socially functional. Its various manifestations can be analyzed in terms of their contributions to fulfilling the specific needs of social actors. This book aims to deepen our understanding of how, why, where, when, and for whom this kind of corruption occurs. Multiple theoretical perspectives from disciplines such as sociology, political science, anthropology, economics, and organization studies are used to conceptualize and understand the different forms of family corruption. I developed this framework by analyzing cases across diverse cultures, drawing primarily on real-world examples documented in academic research and reputable news media.

Although corruption is viewed as immoral and evil, family is often regarded as one of the most essential social forms. Historically, communities and societies have been organized around families or their extended versions, such as kinship, lineage, or clan, and to some extent, this is still the case. Although its role has changed in contemporary societies, the family is still vital in creating and maintaining social order, namely the stability and overall functionality of society or its sub-parts.

Family corruption represents a unique form of corruption due to its strong social component. In contrast, the view of corruption as

disembedded from society is predominant in contemporary scholarship, especially in economics and political science (Garrido et al., 2024). This utilitarian approach views and treats all corrupt exchanges generally as a quid pro quo between two self-interested strangers: an agent who illegally sells his or her discretion to make official decisions to an outsider client who pays for them (Banfield, 1975; Rose-Ackerman, 1975; Shleifer & Vishny, 1986). This view claims that participants in corruption are atomized or “undersocialized” actors unaffected by social relations (Granovetter, 1985; Jancsics, 2024a). They are motivated primarily by benefit maximization or even by greed. According to these theories, corruption is the same thing all around the world. It is ethically wrong and profoundly harmful because it makes state institutions dysfunctional, wastes tax money, deteriorates service quality, erodes trust in the public sector, lowers investment, and retards economic growth. The anti-corruption industry and related scholarship, which have emerged by embracing the utilitarian approach, strongly moralizes corruption as a fundamental evil, a convenient standpoint to justify the global anti-corruption agenda (Garrido et al., 2024).

Nevertheless, the involvement of socially connected family members in a corrupt transaction significantly complicates this elegant utilitarian perspective. This new scenario requires a shift in focus toward social relations, particularly regarding the types and structures of relationships and the resources exchanged among participants.

CONCEPTUAL FRAMEWORK OF FAMILY CORRUPTION

This book is primarily a conceptual endeavor, aiming to develop and refine a theoretical framework for an understudied topic: family corruption. It aims to shed light on an overlooked but fundamental social aspect of corruption. Although I use several cases from the academic literature and news media to support my argument, their selection was guided by the logic of theoretical sampling. This means they were chosen not for statistical representativeness but for their potential to illuminate the theoretical arguments being developed.

I use examples from many different countries; however, since they are not the result of representative data collection, it is challenging to evaluate the strength of cultural factors and determine how widespread these types are in a particular social context. Testing this model in different societies would be part of future research that is more empirically driven.

Family corruption happens when family members are involved in corrupt deals. In most of these cases, family bonds are not just incidental—they're a crucial part of the corruption itself. Rather than treating family involvement as a trivial anecdote, this concept recognizes kinship as a core mechanism that can organize, sustain, and legitimize corruption within broader social systems. In other cases, corruption itself becomes a way of integrating family members. Challenging the assumption that family and formal institutions operate in separate moral spheres, family corruption shows how kinship-based loyalties can penetrate bureaucratic and market settings.

Both family and corruption can be analyzed as distinct forms of social organization. Family—the oldest organized unit of human cooperation—is the elementary form of a domestic, multi-purpose corporate entity. It is present in all human societies, with some common functions (Ahrne, 1990, pp. 57–58; Oberg, 1938; Wolf, 1956; Yanagisako, 1979). Given the potential risks and costs associated with corruption, the involved parties also organize their activities to enhance predictability and reduce the likelihood of detection and punishment (Jancics, 2024b; Lambsdorff, 2002).

Organization generally can be conceptualized as both an entity and a process (Schoeneborn & Vásquez, 2017). As an entity (noun), organization refers to collective social structures—comprising individuals, objects, rules, roles, and organizational forms—that are established by people to facilitate the collaborative pursuit of specific goals (Scott, 1981, p. 11). There is a scale ranging from more fluidly structured social arrangements, such as hacker collectives (Dobusch & Schoeneborn, 2015), biker commuters (Wilhoit & Kisselburgh, 2015), and BMX riders (Smith, 2022), to formal bureaucratic organizations, including firms and governments. Organization as a process (verb) is a collective activity, that is, getting things organized. Individuals generally tend to arrange their activities to create social order and enhance predictability within social life (Ahrne & Brunsson, 2019). The interplay between these concepts is significant, as any organizing activity (process) inherently fosters a degree of structured social order (entity).

When the social organization of family and corruption overlap, family corruption happens. In that case, individuals who are involved in the organized process and entity of corruption are also members of the organized process and entity of a family. Of course, this is just a partial overlap, so non-family members can also be involved in the same corrupt transaction,

while not all family members participate in it. Based on the members' positions in the corrupt transaction, the actors' motivations, and the coordination mechanisms, this book differentiates between five types of family corruption. Table 1.1 shows the types and the main dimensions, along with how they can be understood. Each family corruption configuration presented relies on a distinctive social arrangement and thus can be explained by different theories borrowed from multiple social science disciplines. In this book, I draw on theories from sociology, anthropology, political science, economics, organization studies, and public administration to conceptualize each type and its constituent elements.

I refer to the first type as *family for corruption*, where pre-existing family ties are leveraged to obtain illicit financial benefits, as family provides a trust-based social infrastructure that can facilitate corruption with reduced risk on the agent side. Here, the family bond is essentially a tool for corruption, enabling collusion that would be harder among strangers. While in this case, family serves the corrupt members' self-interest, the second type, *corruption for family*, has an essential but often latent function in contributing to social cohesion within the family. Here, the family provides sites for many informal activities and gift-type exchanges on a regular basis, with the primary function of further integrating members and

Table 1.1 Types and dimensions of family corruption

<i>Family corruption type</i>	<i>Family members' position</i>	<i>Actors' motivation</i>	<i>Coordination mechanisms</i>	<i>Level at which to study the phenomenon</i>
Family for corruption	Agent side	Material gain	Price	Micro
Corruption for family	Agent and client sides	Social cohesion	Family norms	Micro
Corruption for survival through family	Agent and client sides	Survive in dysfunctional formal institutions	Universal and family norms	Micro and macro
Corruption for the family firm	Client side	Material gain for the family firm	Power & organizational culture	Mezzo
Dynastic state capture	In political and economic macro-structures	Dynasty building	Hierarchy and patrimonialism	Macro

subgroups. However, some of these exchanges cross the line into corruption when formal organizational resources, not just private ones, are involved in such exchanges. Here, we can find family members of both the agent and the client side of the transaction. The third type, *corruption for survival through family*, is embedded in macro-level informal institutions, serving as a survival or coping mechanism within a defective formal system. In these cases, family norms facilitate society-wide social norms, and family members can be found on both the agent and client sides of the transaction. In the case of *corruption for the family firm*, relatives are affiliated with the same family-owned company that is on the client side of a corrupt transaction. Here, the formal organization is the primary beneficiary of a corrupt transaction, yet the family also benefits from the firm's success. Finally, in the case of *dynastic state capture*, a family becomes so powerful that it can control political institutions, manipulate the law-making process, and channel vast amounts of resources to companies owned by members or quasi-members of the same family.

These family corruption types are also more effectively studied at a particular level of analysis due to their nature and their embeddedness in social life. Family for corruption and corruption for family are micro-level phenomena involving members of a particular family and their corrupt “business” partners. Corruption for survival through family is also a family-level occurrence, but to fully understand it, we also need to study the macro-level informal institutions facilitated by the family unit. Corruption for the family firm is a mezzo-level phenomenon, where the internal dynamics of a family-owned company are the most relevant factors for analysis. In dynastic state capture, families infiltrate the highest levels of government bureaucracies and private companies within a country, making it a phenomenon best analyzed from a macro-level perspective.

It is crucial to understand that family corruption can be seen as part of a larger category of *social bribe*, social-bond-based corruption, because it shares structural similarities with other illegal transactions rooted in social networks of loyalty and reciprocity—such as those formed by friends, classmates, neighbors, or community members (Jancics, 2019). In each case, actors depend on trust and personal obligation to bypass formal rules, reward those who are socially close to them, and secure mutual, sometimes non-material, benefits. This overlap helps explain why patterns of nepotism often resemble other forms of favoritism, patronage, clientelism, cronyism, or particularism. However, corruption involving family

remains distinct in several important ways. Family ties tend to be the most durable and all-encompassing: unlike friendships or neighborhood ties, kinship is lifelong, often inescapable, and reinforced through shared identity, daily interactions, and cultural expectations. Families also concentrate resources and opportunities intergenerationally, enabling the capture of wealth, power, and positions across decades in ways that looser networks cannot easily replicate. The moral imperative to protect and advance one's kin is often framed not only as a choice but as a duty, making family corruption harder to stigmatize socially and more challenging to regulate legally. Unlike friendships, family relationships are formally recognized and protected by law (e.g., marriage, inheritance, guardianship). The same logic extends to family firms, which often enjoy legitimacy as private enterprises but function as extensions of the family unit. All of these grant family members additional institutionalized mechanisms to hide corruption behind formal frameworks and reproduce influence beyond the lifespan of individual actors. Thus, while corruption through family resembles other trust-based networks in form, it is uniquely resilient and consequential because of the depth, permanence, and normative as well as legal force of kinship bonds.

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CHAPTER 2

Family, Corruption, and Family Corruption

This chapter provides a sociological analysis of the family as a fundamental social unit, examining its connection to corruption. Beginning with an overview of the concepts and functions of family, the chapter discusses how kinship ties—biological, affinal, adoptive, and fictive—form complex networks of intimacy, power, and economic exchange. Families are depicted not only as private spheres of love and identity formation but also as structured social organizations characterized by norms, hierarchies, and instrumental functions. The chapter then shifts to the concept of corruption, contrasting utilitarian and constructivist approaches before presenting a novel sociological framework used in this book. Corruption is defined here as the covert transfer of organizational resources for the benefit of particularistic actors, typically in violation of formal rules. Finally, the chapter explores the concept of *family corruption*—the convergence of family and corrupt practices—as an under-theorized yet globally pervasive phenomenon. Drawing on classical sociological dichotomies, the chapter critiques the conventional view that the incursion of family into public and organizational life inherently leads to corruption. Instead, it advocates for a more nuanced understanding of family corruption.

FAMILY

A family is defined as a group of people bound by kinship ties (Ball, 1972). Members of this group can be related in various ways: by blood (consanguine), marriage (affinal), or through other legal or informal ceremonies. Some family ties are purposefully created, while others are inherent to the members. Family is a fundamental element of social structure, comprising clusters of statuses that significantly shape human behavior (Martin, 2009, p. 5). Family connects individuals to collectivities at the micro level within the social system by transcending individuality. Being part of a family and working for a family is often viewed as life's true meaning (Campbell, 1964, p. 37). Although family is becoming a more fluid variable, encompassing a wide range of personal associations and identities, living arrangements, and gender roles, blood relations continue to hold significant legal, social, and symbolic relevance in the definition of family (Chambers & Gracia, 2022, pp. 1–3; Taylor, 2005). This is, for example, confirmed by the growing popularity of exploring the “self” through biological heritage with DNA testing (Chambers & Gracia, 2022, p. 21).

The literature distinguishes between multiple layers within family structures: immediate (or nuclear) family, extended family, kinship, lineage, clan, and tribe. This order also represents a scale of social distance between the members. The larger, more complex networks beyond the extended family have social structures that can be characterized as cohesive subgroups of a network. Connections within these subgroups are dense, and connections between subgroups are sparse (Fortes, 1953; Girvan & Newman, 2002; Levi-Strauss, 1969). Historically, societies have been organized around these larger groups, providing members with a complexly structured arrangement, information, intelligence, and informal norms, enabling but also limiting individual decisions (Campbell, 1964, p. 38; Ledeneva, 2018a, p. vii).

Immediate family typically consists of two parents and their children living together. Extended family includes relatives beyond this nuclear unit, such as grandparents, aunts, uncles, and cousins, often living together or maintaining close relationships. The subsequent collective, termed, kinship extends beyond the confines of immediate family. It encompasses the intricate network of relationships among individuals connected by blood (consanguinity), marriage (affinity), or adoption. The next category is lineage, a descent group that traces ancestry to a known common ancestor (usually through one line, patrilineal or matrilineal). A clan is an even

larger group that asserts descent from a common ancestor, which may be unknown or even mythical (Fortes, 1953; Levi-Strauss, 1969). Historically, lineage or clan groups were of shared, reciprocal loyalty and obligations to each other, reinforced by the common practice of marrying within the clan, often to cousins (Akbari et al., 2019; Edlund, 2018).

The most expansive category in this classification is a tribe, which constitutes a political and social entity larger than clans and lineages. In many traditional societies, tribes are based on kinship, which means that the people within a tribe are often related by blood or marriage across extended generations, comprising multiple clans or lineages. Tribes are typically characterized by common ancestry, a shared language, territory, and cultural practices.

Another way to interpret the meaning of family is to classify family membership by the nature of their kin relations (Murphy, 2008; Sprecher et al., 2021). *Primary kin*, whether consanguineal or affinal, includes spouses, biological or adopted adult children, along with their parents and siblings. Primary kin members often live in the same household. *Secondary kin*, who are blood-related or adopted relatives, include grandparents, grandchildren, aunts, uncles, cousins, nephews, and nieces, and *secondary affinal kin* are those related through marriage, including parents- and siblings-in-law. Stepparents, stepsiblings, and other step-relatives might be included in this category as well. However, some individuals might consider stepparents or stepsiblings whom they have known for much of their lives as a form of close primary kin (Sanner et al., 2020). The fourth category is fictive, chosen, voluntary, *pseudo or quasi kin*: individuals not related by blood or law but considered kin or relatives (Ball, 1972; Braithwaite et al., 2010). Examples include “othermothers” who help to raise the children of friends or neighbors (Davis-Sowers, 2012), godparents, former step-relatives and in-laws (Schmeeckle et al., 2006), and the “rainbow kinship” networks of gay people (Stacey, 2004). Quasi-family ties are documented in many cultures, which suggest that family-relatedness can be socially constructed (Chambers & Gracia, 2022, pp. 5–7). Many of these alternative memberships, including spiritual kinship or godparenthood, are primarily instrumental arrangements that link family members to outside groups (Campbell, 1964, pp. 217–219; Lomnitz, 1997; Nelson, 2013).

Although the existence of some form of family structure is a universal phenomenon, families appear very different across various parts of the world. They have also been in flux. Historical forces such as

industrialization, post-industrialization, urbanization, and rationalization have profoundly transformed family structures and functions (Inglehart & Welzel, 2005). Kin ties are increasingly elective and must be cultivated to be maintained, but they can also be easier to cut than in the past (Furstenberg & Cherlin, 1991). Despite the nuclear family continuing to serve as an essential unit in contemporary societies, the historical transformations engendered by modernization have led to a pronounced decrease in the influence of large family networks, including kinship, lineage, and clans. Most of these traditional configurations have become obsolete in urban environments. However, the extended family still has an enduring impact; for example, it can provide resources and opportunities, such as the grandparents' help in facilitating a grandchild's educational and socio-economic success (Barclay & Conley, 2024).

Due to new dynamics such as “blended” families—partners living with children from previous relationships—the number of half-siblings and stepchildren in the same household has been increasing. The number of cohabitating couples—unmarried people living together—with children is also on the rise worldwide, with an average of 42% of births occurring outside marriage, and rates particularly high in Mexico (70%), Costa Rica (73%), and Chile (75%) (OECD, 2022).

Family can also be viewed as a form of social organization that encompasses many consciously organized and coordinated activities with different functions. Social organization is a form of social order that differentiates structured interactions from random occurrences. The latter are unscripted, unpredictable, and/or non-repeating behaviors that are not directed by a shared social framework. In the following section, I will explore the multiple dimensions of activities that help capture the complexity of the family. While there are overlaps among these dimensions, discussing them separately for analytical purposes is valuable. Family structures and functions vary due to cultural, economic, and political forces alongside historical patterns. Consequently, the following dimensions may represent more or less essential features of families in different countries.

Reproduction

Family is the primary social unit through which biological human reproduction takes place. It provides the biological continuity of the human species. While not all families reproduce biologically (e.g., adoptive families or childless couples) and not all reproduction happens within a family

setting, the traditional nuclear family is the prime social unit through which this occurs. Within the family structure, sexual reproduction typically takes place between adult partners, often within the framework of marriage or long-term partnership, and it is within this setting that children are usually conceived, born, and raised. Beyond the act of reproduction itself, the family also provides the necessary environment for the care and early development of infants, ensuring their physical survival and well-being. While modern technologies and diverse family forms have expanded the possibilities for reproduction beyond traditional biological means, the family remains a central site for organizing and supporting the continuation of human life. In addition to biological reproduction, family also serves as an essential unit of social reproduction. This role will be discussed in the following sections.

Household

The terms “household” and “family” are closely related and often used interchangeably or synonymously; however, they are conceptually and empirically different. Households are groups of people bound to a place. They live together in residential proximity and perform domestic (thus social) functions related to food, shelter, resource sharing, and socialization (Ball, 1972). They are usually, but not always, family members. Family can also be a broader category than household since several other family members might live in different locations and multiple households. On the other hand, most co-residential groups—people living together in the same dwelling or compound, such as roommates, boarders, inmates, soldiers, or refugees—do not perform all domestic functions that households typically do.

Intimacy

The family unit has long been acknowledged as the principal entity of intimate relationships within society, functioning as the foundational framework through which individuals engage in emotional closeness, support, and trust. Through close relationships, emotional bonds, and a sense of security, the family helps shape the personalities of its members (Burgess & Locke, 1945, p. 718). Moreover, families are also platforms for the practice of altruism and the acquisition of emotional intelligence. In the view of the eminent functionalist sociologist Talcott Parsons (1955),

family serves as a “warm bath” that helps relieve the pressures of the outside world, providing emotional support and stability to its members, allowing individuals to relax and de-stress after a day at work—a place where individuals can find comfort and rejuvenation. Intimacy is even more important today because, due to the loosening grip of tradition, contemporary families increasingly prioritize intimate relationships based on pure love—emotional, sexual, cross-cultural, and often non-heterosexual—over traditional roles (Giddends, 1992). Today, intimate relationships are likely more egalitarian, fluid, and temporary, yet also more intense (Chambers & Gracia, 2022, pp. 1–3).

Reciprocating emotional support is a key mechanism through which families maintain long-distance relationships.

Norms

Family is the smallest micro-level unit of society’s normative systems. It facilitates societal-level norms but also creates its own unique set of particularistic norms, effectively guiding how its members are supposed to behave. Despite the contemporary trend indicating that people expect more personal autonomy, family remains a system of restrictions in many societies.

To begin with, families are subject to formal regulations. Historically, there has been a prolonged “state penetration” process into family life, particularly evidenced by the government’s formal oversight of certain household operations. That includes child abuse regulations and school attendance mandates (Collins, 2011). Universal norms—often codified into law and enforced by legal systems—also govern sexual behavior within the family, such as the prohibition of incest or rules on exogamy and endogamy (Levi-Strauss, 1969, pp. 12–29). Similarly, influential religions can have a substantial external impact on shaping family and marriage practices (Gamella & Nuñez-Negrillo, 2018; Goody, 1983, p. 56).

Society-wide informal norms describe expected behaviors, such as certain domestic housework reserved for women (Davis & Greenstein, 2009). There are also region-specific macro-level informal norms. For example, a prevalent anti-government aphorism in many so-called socialist Central European societies before 1989 claimed that “those who do not steal from the state steal from their families,” which provided socially justified permission for corruption (Misangyi et al., 2008).

Although general ideas of reciprocity and moral obligations exist in many societies, families develop their own unique versions. The norm of reciprocity means lending resources to someone in the present and demanding (or at least hoping for) a return in the future (Peebles, 2010). This norm is a powerful driver of exchanging favors and gifts in the family context (Graycar & Jancsics, 2017). In-group favoritism is a normal element of family relationships (Akbari et al., 2019). For example, the obligation to ensure the survival and well-being of relatives is deeply embedded in almost every family's social code. This also entails prioritizing the protection of family members' interests against the competition posed by outsiders. Similar norms such as solidarity, fidelity, and self-sacrifice in favor of kin, tribe, and clan are often praised as virtues (Akbari et al., 2019). In certain societies, these particularistic family norms are so strong that formal laws exert a much weaker influence over the private lives of kin members (Schweitzer, 2004).

Power

Families can be understood as fundamental power structures. In many cultures, there is a family hierarchy based on the authority of the eldest, who is often male (Kibria, 1990; Litwak, 1960; Soman, 2009). If a family belongs to an orthodox form of religion, there are even more formal rules of marriage, organized around the authority of husbands and the subservience of women. Within familial units, resources are seldom distributed equally, impacting the relative opportunities available to different members. Furthermore, several structuring factors within families, including birth order, sibling dynamics, and cousin group size, contribute to establishing hierarchies and power imbalances (Kieron & Conley, 2024).

Gender

The family unit is inherently gendered, often reflecting a structure rooted in male authority that is prevalent even in many contemporary societies. This institutionalized male dominance leads to a clear demarcation of masculine and feminine roles, creating a hierarchical dynamic between male and female family members that extends to siblings as well. Such structures are also intertwined with societal norms and power regarding inheritance and lineage. For example, the father-son relationship has been historically recognized as a prioritized social construct. Daughters are

more likely to face disadvantages in acquiring skills and social capital during their formative years and are less likely to be recognized as legitimate heirs than their brothers (Bessière & Gollac, 2023). Many domestic activities, such as emotional work and caregiving to elderly parents, are also gendered, requiring more unpaid work from women than men (Bielby, 1999). Despite visible trends toward the democratization of family roles that favor more equal gender relationships, traditional expectations still exist, with the wife often seen as the homemaker and the husband as a “provider” or the main breadwinner (Chambers & Gracia, 2022, pp. 5–7). Consequently, most caregiving responsibilities within families continue to disproportionately burden women.

Social Status

The family functions not only as a private unit of social organization but also as a key mechanism in the reproduction of social status and class structure. As Joseph Schumpeter (1951, p. 148) highlighting the family’s critical role in status inheritance, he asserted, “The family, not the physical person, is the true unit of class and class theory.” Instead of individuals ascending or descending social strata based solely on skills and merit, family affiliation frequently mediates social standing. As an essential element of their reproductive function, families serve as vehicles of social, cultural, and economic capital accumulation, conversion, and passing through to the next generation (Beckert & Stamm, 2025; Bourdieu, 1984, 1986). Engels (1884) claimed that a family’s primary function is privatizing wealth and human relationships, preventing individuals from forming free, honest, and passionate relationships. While economic development and social change may reshape family structures, the role of the family in maintaining social hierarchies remains prevalent in many cultures, adapting rather than vanishing.

Reputation is an essential element in the family’s reproduction of status. Families engage in a horizontal comparison of virtue—measured in terms of reputation—among similarly situated families (Wolf & Silverman, 2001). “Keeping up with the Joneses” is a phrase that describes the social pressure to match the lifestyle, material possessions, or status of one’s peers or neighbors in order to maintain perceived social parity. This behavior often results in conspicuous consumption, where individuals purchase goods not merely for utility but to signal wealth or success. The phrase originated in the United States and is widely believed to have come from

a comic strip titled “Keeping Up with the Joneses,” created by cartoonist Arthur R. “Pop” Momand in 1913. The strip featured the fictional McGinis family, who constantly struggled to maintain their social standing in comparison to their elusive neighbors, the Joneses—who were never actually shown. The comic captured the growing anxieties of the American middle class during a period of expanding consumerism and suburban development.

In many cultural contexts, a family’s reputation becomes a form of symbolic capital, defining an individual’s social creditworthiness. Yet this reputation is relational: the behavior of one member can enhance or tarnish the standing of the entire family. Personal identity thus becomes inseparable from familial reputation, shaping both social evaluations and interpersonal relations.

Internal family dynamics play a crucial role in shaping the transmission of social status. When members of the same immediate family achieve vastly different socioeconomic or educational outcomes, it can lead to a deterioration of emotional and relational ties (Bossard & Boll, 1946). For instance, consider a child from working-class immigrant parents who becomes the first in their family to enroll in an elite university and subsequently secure a prestigious job such as a lawyer, doctor, or tech executive. In contrast, her siblings may remain within the community, engaging in blue-collar occupations and/or opting not to pursue higher education. The accomplished sibling may struggle with the emotional burden of “abandoning” her origins and experience feelings of guilt, while another family member might perceive this individual as “arrogant” or “disconnected.” Status differences among family members can induce tension or estrangement; conversely, they can also foster solidarity or be woven into the family’s narrative of collective achievement. In numerous instances, the success of one family member becomes a source of pride and inspiration, reinforcing familial bonds and motivating others to follow this individual as a model of what is achievable. These internal discrepancies highlight the complexities inherent in family status maintenance, suggesting that family ties can act as both a source of cohesion and a potential cause for disintegration.

Marriage serves a vital role in status aspirations. It is often seen as a strategic alliance between two kin groups, where the prestige of the groups can be a crucial factor in determining the perceived quality of the family. In many societies, marriage serves as a formal mechanism through which families consolidate or elevate their social standing. The selection of a

marriage partner can be highly influenced by considerations of reputation, wealth, education level, occupation, or even the size of the other family. As Campbell (1964, p. 39) notes, “Nobody takes account of a man without kinsmen.” The networks merged through marriage provide social legitimacy and possible practical support, including labor, protection, and material resources.

Network

An essential feature of families is that they are networked structures (Girvan & Newman, 2002). As explained below, the network provides a safe and low-cost infrastructure for exchanging resources, information, materials, symbolic capital, and other services and favors. In fact, reciprocal support exchange has traditionally been seen as a crucial mechanism for social integration and solidarity, as it helps tightly knit social groups stay connected through a network of interdependencies (Adloff & Mau, 2006; Viry & Herz, 2025). The nature of family bonds changes over time, which can affect these exchanges among members. For example, a continued absence from family gatherings and rituals may weaken the connections of specific individuals (Lomnitz, 1997). Additionally, the social status of more distant relatives can affect the willingness of others to engage with them socially. Moreover, relatives who have breached family norms may be overlooked. As a result, these individuals might no longer receive invitations to family reunions and could be excluded from resource exchanges, causing them to disappear from the kinship map.

Immediate family units within a broader kinship network may also become more or less connected due to geographic and cultural separations. For example, a family that recently immigrated may try to reconnect with previously forgotten family members in their new country to get help settling down. Reciprocity in emotional support with family members remaining in the home country can be maintained over distance through telecommunications and occasional visits (Viry & Herz, 2025). Yet, newly immigrated family members might even sever ties with relatives in their country of origin to get help in assimilating into their new home’s culture.

The occurrence of divorces and remarriages involving multiple parents and stepparents can lead to complex, interconnected households, broaden social networks, and require intricate decisions about inclusion and exclusion in family gatherings (Furstenberg, 2020). Additionally, the dissolution of primary partnerships typically results in a contraction and

reorganization of social networks. Individuals frequently decrease their interactions with the relatives, friends, and associates of their former spouses (Sprecher et al., 2021; Wrzus et al., 2013). Historically, middle-class families have been less affected by geographic separation than working-class families, whose kinship networks often depend on close physical proximity (Litwak, 1960; Willmott & Young, 1960).

We can also distinguish between sentimental (social) and instrumental forms of reciprocity associated with different social ties in families (Karhunen et al., 2018; Ledeneva, 2018a). These forms represent two different motivations or functions among members within a network. A relationship is categorized as instrumental when founded on self-interest, often financial, and serves practical or utilitarian objectives. In contrast, sentimental or social ties are characterized by the enjoyment derived from others' company for its own sake. Such relationships are valued for their emotional connections, companionship, or shared enjoyment. The former is about the use of a relationship, while the latter refers to the relationship itself (Ledeneva, 2018b).

However, drawing a definitive line between these two categories remains challenging, as many family relationships manifest both sentimental/social and instrumental elements at the same time. Furthermore, when moving from immediate to extended family or even broader kinship networks, the social distance among members increases, prompting a shift from societal/sentimental towards more instrumental connections.

Economic Activities

While family is often seen as a primary unit for intimacy, it also serves as a site for economic transactions involving the consumption, production, and distribution of goods and services, and this dual role often gives rise to controversy (Zelizer, 2005, p. 13). For example, a family provides a wide range of services that would be riskier or more expensive to purchase from the market. By their very nature, family members in the same household encompass diverse, caring interactions and labor services. Even food acquisition and preparation represent a clear yet frequently overlooked intersection of care and economic activity (Zelizer, 2005, p. 163). Members also support one another with health care, childcare, education, elderly care, information—for example, about job opportunities—and many other services. Fostering children from the same or another family is common in many poor countries and is often used to help children attend

a distant school (Cox & Fafchamps, 2007). Child fostering might occur in response to shocks, such as the death of one or both parents. Families also provide foundational educational services by teaching children basic skills like speaking, counting, and reading before they enter schooling. Additionally, families support formal education by encouraging school attendance, helping with homework, and setting expectations for academic success.

Another key economic activity is exchanging or allocating resources. This may take informal, formal, or hybrid forms, bridging personal relationships and economic functions. It occurs not only among individual members but also between interconnected extended family units, particularly those linked through marriage and broader social networks. According to Lomnitz (1997), one of a family's key functions is accumulating resources over time and distributing them informally based on the emergent needs of sub-groups or individual members. Such transactions can be exemplified through various everyday practices: a sibling purchasing a car from another, a salesman distributing free product samples to relatives, or parents providing loans to children for home purchases. Most are based on trust and informal agreements rather than impersonal market mechanisms and formal contracts.

However, resource allocation within families is not uniformly equitable. The theory of *parental solicitude* (Case et al., 1999) highlights patterns of discriminatory distribution of time, information, and money among children. Research shows that stepchildren generally receive fewer resources from stepparents than from biological parents—manifesting in lower food spending (Case et al., 1999), less participation in extracurricular activities (Thomson et al., 1994), or even complete withdrawal of resources and openly hostile behavior toward stepchildren (Anderson, 2012). Similarly, studies reveal that homosexual male children often receive less emotional support from their biological fathers compared to their heterosexual counterparts (Floyd, 2001). These findings indicate that relational dynamics, social norms, and perceived kinship profoundly shape familial resource allocation.

In some cases, hybrid informal-formal exchanges extend into organizational contexts, particularly within direct-selling companies. Firms such as Amway, AVON, Herbalife, and Mary Kay operate by leveraging intimate social networks rather than conventional professional marketing channels (Zelizer, 2005, p. 45). These organizations often rely on close kin—spouses, parents, siblings, and cousins—as sponsors and recruits, blending

economic activity with familial support. In fact, direct selling is often portrayed as a strategy to strengthen familial and marital bonds, highlighting the overlap between economic behavior and personal relationships. Another example of such hybrid forms occurs when a father acts as his daughter's manager in a family-owned store.

There is also a formal, often legally defined, dimension of resource transfers within families. High-stakes divorce settlements and inheritance disputes are examples of where the law enforces the reallocation of resources among family members (Zelizer, 2005, p. 284). These legal cases highlight the phenomenon when state regulations penetrate private life.

Recent economic literature on kinship has extensively examined risk sharing within families. Extended families and kinship networks serve as crucial sources of insurance and protection against uncertain external circumstances. In lower-income nations, families heavily rely on such relationships for their economic sustenance and survival (Cox & Fafchamps, 2007). Migrants often provide shelter and support to newly arrived relatives in host countries, facilitating tightly woven networks that connect their village of origin to their destination.

In various cultures, relatives commonly pool their resources to assist family members who experience job loss; working relatives often contribute to living expenses or debt repayments.

Within rural communities, individuals often prefer cooperation among kinship members rooted in mutual trust. A sense of security, frequently lacking outside the family network, discourages dishonorable behaviors such as stealing from a family member's livestock, monetary deceit, seducing relatives, or sharing personal information (Campbell, 1964, p. 41).

Legal Entity

Although we typically view family as a primary social unit of informality, it is deeply extended to the formal realm. Or we can see it from another perspective: the state has a constraining presence in the family through the law (Collins, 2011). There is even a specific body of doctrine called family law that makes distinctions among people based on their family status. Family-related events such as birth, death, marriage, divorce, and inheritance are administered and kept in official records. The law recognizes that parents have power over minors. Prenups and divorce agreements are written contracts entered by a couple before or after marriage. There are

also legally defined family support duties, as well as resource transfers as a form of tax. Parties to intimate relations typically resort to the law only when they cannot settle disputes over rights and obligations with the means available in their settings (Ewick & Silbey, 1998).

Conflict and Violence

Families do not always act as cohesive units with common goals and agendas. Disputes and conflicts are also natural parts of family life. While marriage supposedly unites two distinct kinship groups, underlying tension often exists between them. A potential conflict between those in wedlock (a new family unit based on affinal relationship) and their respective in-laws often stems from blood-based kin solidarity (Lomnitz, 1997). In this scenario, each spouse is required to continuously meet their obligations to their own parents and siblings in addition to their new responsibilities to the parents and siblings of their spouse. The couple is the center of a competition between their two families that involves ritual celebrations, festivities, birthdays, and/or religious events. Spouses in this situation are caught between two groups (which may have contradictory value systems), so they cannot easily fulfill their conflicting obligations (Stovel & Shaw, 2012); e.g., they can hardly manage to spend Christmas at both houses. Even if these families are friendly to each other, some level of hidden rivalry almost always exists. Children may also perceive their mother's and father's relatives as "very different kinds of people." The sources of such personal antipathy can be varied and may include differences in religion, economic status, career paths, or education level (Bossard & Boll, 1946). Sometimes, the economically and socially more advantaged family side can exert a stronger pull over their newly married children than the other family.

As another source of conflict, both divorce and death may raise the question of inheritance and property reallocation. Newly created families comprised of divorced and widowed members further complicate such situations, increasing the chances of conflict based on strong emotions and clashing interests. Historical evidence indicates that even large and influential families frequently encounter internal conflicts and factional rivalries (Armandola, 2024).

Home is even physically unsafe for many individuals because they are victims of family violence. Intimate partner violence exemplifies how gendered power imbalances and patriarchal norms turn domestic space into a site of coercion and harm (Dobash et al., 1992). Similarly, adolescent

family violence involves a young person abusing a family member at home, often siblings, parents, or grandparents (Ralph et al., 2025). These forms of intra-family violence highlight that the family unit, far from always being nurturing, can sustain power abuses and even lead to violence, challenging its image as a safe haven (Duffy & Momirov, 1997).

CORRUPTION

My approach to understanding corruption is primarily sociological, focusing on local configurations of relations and relational patterns (Jancsics, 2024a). This sociology of corruption stands apart from both the previously mentioned utilitarian approach, mentioned earlier, and the constructivist approach. The utilitarian perspective generally employs rational choice theory—in most cases, the principal-agent dilemma—to interpret corruption, perceiving all corrupt transactions as a quid pro quo between two parties: an agent who illegally relinquishes her authority to make official decisions in exchange for payment from an external client (Banfield, 1975; Rose-Ackerman, 1975; Shleifer & Vishny, 1993). This predominant perspective, endorsed by many economists and political scientists, argues that corruption is disembedded from society and history (Garrido et al., 2024). Those involved in it are isolated or “undersocialized” actors, minimally influenced by social relationships (Granovetter, 1985; Jancsics, 2024a). Their primary motivation is self-interest. According to this viewpoint, corruption is not only ethically wrong but also severely detrimental to society, as it undermines the functionality of state institutions, squanders taxpayer money, curtails investment, hinders economic growth, degrades service quality, and diminishes trust in the public sector.

Utilitarian Perspective

Corruption research has long been dominated by economic and political perspectives that frame misconduct as the rational pursuit of private gain within weak institutional environments. Yet such models overlook the deeply social and relational foundations of corrupt behavior. Among these, family corruption—when the illicit use of public authority or organizational resources overlaps with kinship—remains a particularly neglected dimension.

The primary approach to understanding corruption from this utilitarian perspective is to view it as a specific instance of the broader principal-agent

problem. In this context, an agent refers to a public officer or private employee who, bound by her employment contract, is expected to act in the best interest of her principal as though it were her own. The principal could be an executive, a senior manager, a political leader, or even the general public. To fulfill the principal's interests, the agent must use some discretion in her decision-making and activities, but the priorities of the principal and agent may not always align, and can diverge over time. When an agent knowingly prioritizes her own self-interest by accepting bribes, she undermines the general interests of her principal or organization, betraying its trust and engaging in corrupt behavior (Banfield, 1975; Rose-Ackerman, 1975; Shleifer & Vishny, 1993). Also, it can be challenging or costly for the principal to oversee the agent's actions (Eisenhardt, 1989; Jensen & Meckling, 1976). To address the issue of corrupt agents, principal-agent models primarily concentrate on the actors' behavior on the agent's organizational side while only superficially considering the corrupt transaction on the side of the briber-giver client. This utilitarian framework was adopted and heavily used by influential international institutions, notably the World Bank, the IMF, the OECD, and the UN (Garrido et al., 2024).

Constructivist Perspective

In contrast to a contextless utilitarian perspective, the constructivist approach—predominantly advocated by anthropologists—views corruption as a socially and culturally constructed phenomenon. Context is the key to this framework, which says that corruption should be analyzed through the lens of local community perspectives rather than through established scientific paradigms (Torsello & Venard, 2016). Such research frequently emphasizes the discourse about corruption, positing that its meanings and definitions are contingent upon cultural and historical contexts (de Sardan, 1999; Gupta, 2012; Parry, 2000; Smith, 2008).

The constructivist approach claims that corruption can also be understood as a means through which individuals interpret politics and the state (Torsello, 2016, p. 9). This cultural relativist view suggests that moral diversity about corruption depends on the context. Practices deemed corrupt in one region may be perceived as acceptable or even as moral imperatives in other cultural settings (Hasty, 2005). This view holds that corruption is not a universal phenomenon observable in every country which also implies that corruption is not inherently negative; it may serve

as a survival tool for marginalized groups (Shore & Haller, 2005). Furthermore, an additional consideration stemming from this anthropological perspective is that elite members can delineate and interpret the boundaries of the law, thereby labeling specific actions as corrupt while allowing others (Pardo, 2004, p. 6; Anders & Nuijten, 2008). In conclusion, according to this framework, the concept of “corruption”—frequently presented within quotation marks—lacks universal applicability across cultures.

I argue the utilitarian approach fails to address the complex social dynamics associated with corruption, whereas the constructivist approach tends to overly relativize the phenomenon. My position is between these two approaches. I view corruption as a socially complex phenomenon embedded in micro-level relationships, bureaucratic hierarchies, and broader social structures, but always with room for human agency. Although influenced by social factors, individuals can make choices about corruption. And one of these social factors is family, the main topic of this book. Although participants may perceive their actions as non-corrupt or morally defensible based on their cultural context, the transfer of resources among them is real and empirically observable, allowing us to analyze the dynamics of such exchanges. The concept of family corruption in this book offers a sociological middle ground: it reveals how actors engage in illicit resource transfers while navigating between the conflicting normative orders and rationalized bureaucratic environments. Here, corruption is neither solely a self-interested act nor entirely a culturally determined practice, but a morally ambiguous one rooted in knotty family relations. Despite the multifaceted nature of this phenomenon, general patterns of corrupt exchange within family contexts can be identified across cultures. This book focuses on conceptualizing these patterns.

Corruption Concept of the Book

In defining corruption, I rely on a fundamental aspect of our social life outlined by Simmel (1906[1950], p. 387), who claims that “all contacts among men [people] rest on the schema of giving and returning the equivalence.” Following such an approach, this book views corruption as a transfer and counter-transfer of money and other goods—albeit a secret and illegal one—between different actors. Resource transfer is a general social form that also facilitates corruption. For Simmel, society is a dynamic web of crystallized interactions. However, as Martin (2009, p. 3) noted,

there comes a point in this social process when such an arrangement takes on a life of its own and establishes more stable structures that themselves channel and mediate interactions. But since those structures emerge from interactions, they are not monolithic; they constantly change.

Besides its resource-transfer nature, corruption also manifests as an organizational phenomenon. This is primarily because the corruptly transferred resources typically originate from a formal organization from at least one party involved (Graycar & Jancics, 2017). In purely informal exchanges, however, the participants' organizational affiliation is irrelevant; the initiator of the transaction and the individual who ultimately reciprocates each contribute resources drawn from their own social group. Here is an example of two socially connected individuals informally exchanging their own or their family's resources: Jamie borrows his dad's car and helps his cousin Shawn move furniture into a new apartment on Saturday. A few weeks later, Shawn returns the favor by helping Jamie paint his living room. In contrast, in corrupt deals, the transfer or counter-transfer "does not come from one's own pocket" but from public or private organizational resources (Ledeneva, 2014, p. 21). Therefore, one of the main constituting elements of corrupt transactions is the organizational context itself. A corrupt version of this story would be if Jamie secretly "borrowed" his company's fully fueled truck, in defiance of the organization's policy, and used it to help his cousin move.

Corruption is heavily reliant on secrecy, since partners need to conceal their activities from interested observers (Gibson, 2014). Simmel (1906[1950]), one of the first scholars to address the concept of secrecy within sociology, suggested that secrets are formed through asymmetrical relations between at least two parties wherein one party possesses specific information while the other does not, yet has a reasonable expectation of possessing it. To maintain the concealment, secret keepers must intentionally implement strategies to preserve the information's confidentiality. This often involves strict control over information dissemination, ensuring that external parties remain uninformed about the true nature of the activities of secret societies (Rilinger, 2019; Van De Bunt, 2010). Additionally, Simmel (1906[1950]) asserts that it is crucial for members of a secret society to establish a foundation of trust among themselves to prevent any betrayal of the group's secrets to outsiders.

When studying corruption through a sociological lens, we must consider power, as actors' positions within social and organizational hierarchies impact their access to resources. This access significantly affects their

ability to socially maneuver (Wolf & Silverman, 2001). Individuals in higher organizational roles have greater chances to engage in corrupt exchanges that involve substantial resources while also being able to evade detection. Thus, corruption is intertwined with the broader power relations within society, which are shaped by structural features (Anders & Nuijten, 2008). In addition to factors related to resource access, actors can leverage various forms of organizational power—such as expertise, local interdependencies, structural secrecy, coalitions, and formal authority—to facilitate and hide corruption (Mechanic, 1962).

Finally, like family, corruption can also be understood as a distinctive form of social order. Given the high uncertainties inherent to corruption, the parties involved purposefully organize their activities to enhance predictability while also minimizing the risks of detection and subsequent punishment (Jancsics, 2024b). Even the most ad-hoc, short-term, and impersonal instances of corruption between two strangers—for example, when a driver bribes a traffic police officer to turn a blind eye to speeding—are somewhat arranged, as the participants engage in communication, sensemaking, and negotiation to initiate and complete a corrupt transaction successfully. Highly sophisticated forms of corruption, particularly those orchestrated by powerful economic and political elites, tend to be more consciously and systematically organized, as participants are motivated to sustain these corrupt practices over the long term.

Based on the aforementioned elements, my definition is as follows: Corruption is a complex social activity in which money, goods, or other resources that belong to an organization are exchanged or transferred covertly—by actors with access to such resources and/or discretionary power over them—in a way that benefits other, particularistic actors instead of the organization as a whole or the general public.

FAMILY CORRUPTION

Family corruption is a relatively understudied and under-theorized concept, but it is worth exploring further and establishing it as a distinct analytical category. The primary explanations of the phenomenon suggest that family corruption occurs when the boundaries between private and public spheres are blurred (De Sousa, 2008; Fukuyama, 2018; Smith, 2001). The idea behind this theory is that the economic and personal spheres in contemporary societies should be clearly distinguished because they operate according to fundamentally opposing principles (Parsons,

1978, p. 15; Zelizer, 2005, p. 43). While most studies on family corruption do not explicitly reference this body of literature, they can be linked to a more abstract dichotomy identified by foundational scholars, which focuses on the distinction between modern and pre-modern societies (Giordano, 2018). They suggest that the family, as an organizing principle, has roots in pre-modern times, and its presence in contemporary impersonal bureaucracies is not normal and inevitably results in corruption. Suppose people are treated according to their family standards instead of receiving a uniform treatment that applies to everyone, regardless of the family to which they belong. In that case, the rule of law would not exist (Mungiu-Pippidi 2007). Several prominent sociologists, including Tönnies, Durkheim, and Weber, have emphasized such distinction between modern and pre-modern. Although the concepts formulated by these scholars differ slightly, notable similarities can be identified among them (Jenks, 1998).

Ferdinand Tönnies' (1912) differentiation between *Gemeinschaft* (community) and *Gesellschaft* (society) elucidates two fundamentally contrasting forms of social organization. *Gemeinschaft* is characterized by close-knit, intimate relationships typically observed in traditional contexts such as families or rural communities. These interactions are rooted in strong emotional bonds, shared cultural values, and a profound sense of belonging. Conversely, *Gesellschaft* delineates the more impersonal, formal, and goal-oriented relationships prevalent in modern, urban, and industrial societies. In this latter framework, individuals engage primarily for personal gain, with interactions governed by contracts, institutional mechanisms, and rational calculations, rather than emotional connections.

Émile Durkheim (1893[1997]) presented another similar foundational sociological distinction between mechanical and organic solidarity. He explains that mechanical solidarity emerges in environments of close proximity, where individuals form strong, personalized relationships within relatively small communities featuring minimal division of labor. As a result, mechanical solidarity is characterized by similarity and is generally found in small groups such as families, kinship networks, and tribes in pre-modern societies. In these close-knit groups, the collective identity often takes precedence over individual interests. On the other hand, organic solidarity develops in industrialized societies, often in urban settings characterized by significant social differentiation. This results in a complex division of labor that creates various social roles and a high level of

specialization. Thus, organic solidarity is founded on the certainty of reciprocal dependence among individuals who hold specific functions or engage in particular activities. These societies rely on regulating relations between different groups and persons through the use of contracts and laws instead of uniform rules.

The most influential dichotomy was developed by Weber (1968[1922]), who distinguished between patrimonial and modern bureaucratic organizations. According to this theory, societies were previously organized around patrimonial households, where authority was deeply rooted in tradition and personal loyalty to the family's patriarch. Economic production occurred within the household or on property controlled by it. This organizational form was characterized by a lack of formal rules, where administrative roles were filled based on kinship, loyalty, or favoritism rather than merit or competence. Weber contrasted the patrimonial system with the ideal type of rational-legal bureaucracy, usually defined as involving a written set of regulations, nonhereditary positions, a clear chain of command, and impersonal rules.

The shift from patrimonialism to bureaucracy was an organizational transformation that profoundly shaped the transition from medieval to modern societies (Collins, 2011). Such changes also contributed to the emergence of non-corrupt modern states (Rothstein & Teorell, 2015). Modern bureaucracies operate on the basis of clearly defined rules and hierarchical structures, where authority is derived from the office, not the individual. Positions are filled through technical qualifications and merit, promoting impersonality, consistency, and objectivity in decision-making. The Weberian perspective also emphasizes the separation of households from workplaces by creating special-purpose buildings—such as offices, factories, stores, and barracks—where office incumbents are separated from their families. However, many scholars believe that this shift has never been completely successful, and aspects of patrimonialism have endured, even in the most industrialized nations (Lachmann, 2011). This phenomenon is also called neopatrimonialism. The presence of familial and personal networks within contemporary rational-legal systems is often considered a form of corruption (Charrad & Adams, 2011; Collins, 2011).

Another foundational dichotomy distinguishes the family from the economic system and capital, reflecting intellectual traditions of managerialism—inspired by Weberian rational-bureaucratic thought—and modernization theory advanced by Talcott Parsons. As Beckert and Stamm (2025) explain, mid-twentieth-century theories portrayed capitalism as a

domain governed by rational, impersonal market forces, while the family was cast as a private sphere of emotional intimacy and personal relationships. Managerialism advanced the notion that modern corporations had separated ownership from control—making salaried managers, rather than family owners, the key actors of capitalism. Likewise, influential mid-twentieth-century sociologists reinforced a strict division between the family and the economy, conceptualizing them as distinct social systems with fundamentally different functions: the economy oriented toward profit, and the “modern” nuclear family relegated to emotional support and socialization (Burgess & Locke, 1945; Parsons & Smelser, 1956).

Parsons (1951) also focused on a broader normative shift in modernity—a significant change in societal values from particularism, rooted in local personal ties, to universalism. In traditional societies, particularism reflected value orientations grounded in personal relationships, loyalties, and in-group solidarity within family, kinship, and community networks. In contrast, universalism focuses on evaluating individuals and situations through general, impersonal, and objective criteria such as laws, merit, or qualifications that apply impartially, regardless of specific connections or characteristics. Parsons asserted that industrial societies move from particularistic to universalistic values as an essential adaptation to the complexities of the social system. As societies evolve, they necessitate more abstract, consistent, and codified regulations to guarantee fair treatment and effective functioning amid increasingly diverse and mobile populations.

According to this line of thought, religion may also explain such variations between societies. Scholars differentiate between corporation-based societies in Western Europe and clan-based societies, which are common in regions such as China and the Middle East. This differentiation is linked to enduring religious doctrines affecting family and marriage. In Europe, the influence of Christianity fostered ethical obligations towards non-kin, emphasizing individualism over familial ties. Consequently, as kinship-based structures diminished, a nuclear family model alongside an individualistic culture emerged during the late medieval period, thereby underpinning the ascendance of corporations (Goody, 1983; Greif, 2006). Conversely, societies in China and the Middle East have historically been characterized by clan structures. Within China, Confucianism and post-Song Chinese Buddhism highlighted moral responsibilities towards kin. In addition, clan-based entities, such as extended families and tribes, as well as a notable preference for cousin marriages, continue to significantly

influence familial structures in Middle Eastern societies to this day (Bittles, 2012; Courbage & Todd, 2014; Greif, 2006). It is important to recognize that, even though China and much of the Middle East modernized later than Europe, they are now industrialized capitalist societies, partly because Western powers influenced this process.

The modern versus premodern or universal versus particularistic approach to family corruption stems from the idea that contemporary societies are founded on formal, universal, and legally established norms and that widespread informal or particularistic behavior undermines these principles (Mungiu-Pippidi 2007). According to this approach, when individuals or groups bypass formal rules in favor of family relationships and selective treatment, generalized trust in society is eroded, the rule of law is weakened, and inequality is fostered. When people observe that opportunities and decisions are influenced by personal connections rather than fair, transparent, and merit-based processes, they begin to doubt that others will act honestly or that institutions will treat everyone equally. This perspective claims such antagonism is even more relevant in a formal organizational context, since organizations are consciously built on standardized procedures, formal rules, and policies to ensure consistency and effectiveness and reduce conflicts in decision-making and goal-achievement processes. These structures should provide clear, impersonal guidelines for behavior, roles, and responsibilities, helping coordinate efforts and minimize ambiguity and deviation, all going against the very idea of the informality of family.

This book argues that although the universalism-particularism contrast has some merit, it is an ideal type that cannot fully capture the complexity and nuance of corrupt cases involving family members. The simplified and abstract binary model suggests that when family stays in its own territory, the private sphere, it has a positive role; it functions as the essential fabric, the building block of society. However, when it enters the public sphere or formal organizations, it undermines the rule of law and is essentially equivalent to corruption. I believe relying on such a strict dichotomy as a primary explanation for family corruption limits our understanding of the phenomenon. Real-life situations are highly dynamic and embedded in multiple layers of social structure. Private and public spheres are intertwined in many ways. As mentioned earlier, family is a crucial site for economic transactions—activities that many scholars overlook or simplify because they do not fit into the realm of “pure” market transactions. Furthermore, the concept of completely isolating families from formal

organizations, such as government and business entities, due to their reliance on informal rules, emotional connections, and non-market objectives, which are inherently incompatible with the organizations' contractual and impersonal framework, is unfeasible. The reality that approximately two-thirds of companies globally are family-owned or controlled challenges the very notion of such a rigid separation (European Commission, 2008; Song et al., 2021). It is not unusual for world political leaders to appoint family members to government positions. In the United States, President John F. Kennedy's 1961 appointment of his brother, Robert F. Kennedy, as Attorney General sparked controversy. Despite this, President Donald Trump appointed his daughter Ivanka Trump and son-in-law Jared Kushner as senior advisors (Waxman, 2016). In the United Kingdom, former Prime Minister Boris Johnson faced criticism for appointing his brother, Jo Johnson, to ministerial roles and later to the House of Lords (Landler, 2020). Similarly, in France, President Nicolas Sarkozy's 23-year-old son, Jean Sarkozy, was poised to lead a central public agency despite lacking relevant experience, leading to public outcry (Gauthier-Villars, 2009). The phenomenon of children, spouses, or other close relatives of influential politicians being elected to significant positions is also common, even in so-called Western democracies. As of June 2024, eleven democracies worldwide had leaders whose fathers or husbands previously occupied similar roles (Loxton, 2024). The list spans the globe and includes Canada, Estonia, Greece, Guatemala, Honduras, Mauritius, Nauru, the Philippines, Samoa, São Tomé and Príncipe, and Uruguay.

DISCUSSION

Family is a complex and multifaceted form of social organization that operates simultaneously as a private emotional domain and a unit that provides key social functions. Through an interdisciplinary approach grounded in sociology, this chapter emphasized that family is far more than a domestic or sentimental entity—it is a foundational arrangement that shapes norms, power relations, status transmission, and resource flows within and across generations. Families reproduce social class, mediate access to opportunities, and organize economic activities through informal mechanisms that are both complementary to and in tension with formal institutions. These informal dynamics become particularly significant when considering the relationship between family and corruption.

Corruption, like family, is rarely an isolated act but an organized social activity embedded in situations, local networks, formal hierarchies, and larger social structures. In contrast to the predominant utilitarian approach and constructivist views, corruption here is defined as a socially organized form of resource transfer—often shaped by kinship ties—where at least one party is a member of a formal organization from which resources are extracted. The chapter introduced the concept of family corruption as an underexplored but pervasive phenomenon that emerges when family and corruption overlap. Traditional sociological dichotomies—such as *Gemeinschaft* vs. *Gesellschaft* (Tönnies), mechanical vs. organic solidarity (Durkheim), and patrimonialism vs. bureaucracy (Weber)—suggest that the incursion of family into modern, rational-legal systems inevitably results in dysfunction. However, this chapter challenged such binary thinking by showing that the boundaries between private and public, family and organization, informal and formal are often fluid and overlapping. Rather than assuming that family involvement in public or bureaucratic settings is inherently corrupt, a more nuanced, empirical analysis is required to understand the conditions under which such interactions either reinforce or undermine institutional integrity.

As the examples mentioned in this chapter suggest, the informal realm of family and the formal spheres of business and politics intersect more frequently than we might expect. Although potentially ethically questionable, not all of these instances imply family corruption. So, when does family corruption actually happen? What are the potential configurations of the overlaps between the two forms of social organization, family and corruption? What interests and benefits do corrupt actors gain from including their family members in such transactions? What is it for a family to get involved in corruption? I answer these questions in the following chapters of the book.

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CHAPTER 3

Family for Corruption

This chapter explores *family for corruption*, a pattern where family ties are strategically used to reduce the transaction costs of corrupt exchanges, primarily for financial gain. Through case studies involving law enforcement and border officers, it demonstrates how trust inherent in family relationships facilitates illicit activity, offering a reliable safeguard against opportunism in high-risk, non-contractual dealings. Family members act on the agent side of corruption, helping conceal identities and ensure the success of the illicit deal. Drawing on transaction cost economics, the chapter argues that family provides an efficient informal governance structure where formal mechanisms such as legally enforceable contracts are inaccessible. The chapter calls for further research into underexplored areas such as gender roles and kinship structures within corrupt family arrangements, highlighting their implications for understanding the micro dynamics of this kind of corruption.

TRANSACTION COSTS IN CORRUPTION

Harminder Phagura, a former police officer in Yuba City, California, received an 18-month federal prison sentence after pleading guilty to one count of bribery related to federal prison programs in a drug trafficking sting operation (U.S. Attorney's Office, Eastern District of California, [2016](#), [2017](#)). Phagura confessed to misusing his authority by trading sensitive

law enforcement information for money. His cousin, Gursharan Phagura, acted as the intermediary, linking him to a government informant pretending to be a cocaine trafficker. From July 2014 to March 2015, Gursharan, unknowingly, worked with the undercover informant to gather information about police activities in specific regions, with Harminder providing insights through his official access, for their clients to evade detection. On numerous occasions, agents witnessed their meetings—sometimes in a police vehicle—while Gursharan communicated via coded texts with the informant. In a recorded incident, agents triggered an alert through the Yuba City Police dispatch system, and shortly thereafter the informant got confirmation from Gursharan about police activity in the area. Throughout various undercover operations, the informant paid a total of \$6000 for this information. Gursharan was essential in facilitating these exchanges and relaying intelligence, effectively keeping Harminder from direct interaction with the informant and hiding his cousin's identity. Both men were indicted in 2015; Harminder was released on a \$100,000 bond, whereas Gursharan remained in custody without bail due to being regarded as a flight risk and a community danger. In 2017, Harminder was sentenced to 18 months in federal prison for the bribery conviction; however, no accessible updates indicate a final sentencing for Gursharan. The investigation was a collaborative effort by Homeland Security Investigations, the FBI, and the Yuba City Police Department.

As this Yuba City example suggests, actors in family for corruption cases are typically financially motivated, leveraging familial ties to minimize the risks and uncertainty associated with corrupt transactions. Family for corruption is predominantly an instrumental and interest-based use of the family. Nonetheless, there is a certain ambivalence and interplay between the sociability and instrumentality aspects of utilizing these relationships (Ledeneva, 2018, p. 9). As the cases in this chapter suggest, although these family associations are sociable, typically involving immediate or extended family members, such pre-existing intimate ties are used to obtain financial benefits. This is in contrast to corruption for family patterns, discussed in the following chapter, when corruption is not mainly driven by personal profit; instead, it serves as a means to reinforce family ties.

Participants in family for corruption often act like they run a mini-informal family enterprise. Unfortunately, it is hard to find empirical details about how the money is typically shared among family members. Below, I borrow concepts and ideas from new institutional economics

(Lambsdorff et al., 2005). According to transaction cost economics, a subfield of institutional economics, corruption involves the transfer of a service between the bribe-giving client and the bribe-taking agent (Husted, 1994). Corruption can be seen as a high-risk contractual situation, where uncertainties are considerably greater than in legal market exchanges. This approach is useful for this chapter because it explains why and how trust-based relationships, such as family ties, reduce corruption's transaction costs.

Rational actors in any transaction tend to be opportunistic, often cheating their partners whenever the opportunity presents itself as the most profitable alternative. To protect against such opportunism, parties must rely on contractual safeguards rather than mere promises (Husted, 1994). Transaction costs in legal business relations encompass searching for partners, establishing contract terms, drafting a contract, monitoring partner behavior to guard against opportunism, and ensuring the agreement is enforced by authorities (Lambsdorff et al., 2005). These costs can be significantly higher in the context of corruption, where legally enforceable contracts are absent. Corrupt actors must expend additional time and resources to keep their activities hidden, such as partner searches, negotiations, behavior monitoring, and deal enforcement (Lambsdorff et al., 2005).

Corrupt arrangements place partners at the mercy of one another, as both parties are aware of the other's illegal practices (Lambsdorff & Teksoz, 2005). Even after a deal is struck, they often remain in binding relationships characterized by mutual dependence. Consequently, there is a natural inclination among corrupt actors to cultivate an environment conducive to securely exchanging their corrupt favors, and family provides a viable solution (Lambsdorff et al., 2005). The organized arrangement of the family, with all its built-in advantages, offers a safe vehicle for the corrupt exchange, including group enforcement mechanisms (Lambsdorff & Teksoz, 2005). These relationships are typically long-term and resistant to change and usually outlive the duration of a particular transaction. Family members can also act as brokers by providing relatives access to third-party corrupt agents and offering a guarantee against the opportunistic behavior of either party.

FAMILY FOR CORRUPTION FORMS

The cases discussed below suggest that family ties may play different roles in financially motivated corrupt transactions. The typical pattern here is that one or more family members join the corrupt agent, whose job provides the means for the illegal use of the employer's resources or the discretion linked to their position. There are multiple ways the pre-existing family structure could be used for corruption. As we saw in the first case, members can help each other on the corrupt agent side using division of labor. The examples of Harminder Phagura and our second case below show that a family member can also act as a broker or a guarantor facilitating the transaction between two parties. The third example presents more complex and networked family corruption. In that case, all family members had official positions at an airport, allowing them to conspire and create a more sophisticated corruption ring. This suggests that there can be a hierarchical division of labor between family members in corrupt situations, with some members playing a more prominent and central role in organizing corruption. The common feature of these cases is that although family members are involved, the primary motivation is to obtain financial benefits. The family was predominantly used as a trust-based arrangement to reduce the transaction costs related to illegal deals.

Family Member Helping on the Agent Side

The story of David Cruz, a U.S. Border Patrol agent, was documented and published by journalists who were even able to interview him (Cobler, 2006). Cruz became involved in corruption out of a pressing need to finance an expensive legal battle to reclaim his wife's son from the boy's father in Mexico. He recounted to the journalist who interviewed him, "His father had taken him to Mexico and was hiding him from her [Cruz's then-wife], and we were in a legal battle to get him back. That was very costly."

This resonates with other scholarship highlighting how significant tipping points in their lives can compel individuals to seek additional resources illegally. Empirical research has confirmed that negative life events such as debts, supporting sick family members, business crises, or sudden cash shortages were important recruiting factors in organized crime for people who had been otherwise law-abiding citizens (UNODC, 2020, pp. 27–28). As Cruz noted in the interview: "There were a lot of things going on, but

I think a person who does something like what I did must have the perfect storm in their life at the time they decide to do it.”

Cruz and his wife, Susana Lopez-Portillo de Cruz, collaborated on a scheme to assist undocumented immigrants seeking entry into the United States. He interviewed individuals after they were apprehended to identify who fit the profile of a smuggler known for treating his clients with care. Cruz then reached out to this smuggler to establish a partnership that would facilitate the safe passage of undocumented immigrants through inland border checkpoints using northbound buses. Once the immigrants crossed from Mexico into Laredo, Texas, they would stay in a safe house until they were ready to board a commercial bus to their final destinations.

The couple created a small, albeit illegal, enterprise to generate income. They constituted the agent side of the repeating corrupt transactions, while the smuggler was the client. Cruz and his wife created a division of labor in which Cruz’s wife would inform him of the bus numbers, locations, and times at which undocumented immigrants were arriving at the Laredo checkpoint. Cruz would then ensure that he was the Customs and Border Patrol (CPB) agent assigned to inspect the bus when it reached the checkpoint, an experience he described as stressful. His wife provided an important trust-based service in this scheme, which would have been extremely risky and/or costly to obtain from a stranger—a serious transaction-cost-reducing element in these corrupt exchanges. Working with a family member could also significantly reduce the high-level stress caused by the illegal nature and uncertainty of this kind of business.

Even after they had raised enough money to fund the legal battle for the child, the allure of easy cash proved too tempting, leading the couple to continue their corrupt activities. They even ventured into business, opening a restaurant in Laredo that they named the Burger Patrol. Unknown to Cruz, investigators began secretly monitoring communications between Cruz, his wife, and the smugglers in 2007. During three instances of smuggling, special agents were aboard the bus recording audio and video of Cruz failing to check passengers’ IDs appropriately, according to court documents. Cruz was 32 at the time of his arrest in 2008 and pleaded guilty to transporting and harboring illegal aliens for the purpose of financial gain. He and his wife were each sentenced to more than 4 years in prison. They eventually divorced.

Family Member as a Broker

Just like Gursharan Phagura, in our next case Ana Marie (“Baby Doll”) Hernandez, the wife of CBP officer Daniel Ledezma, acted as a corruption broker in a drug smuggling scheme (Cobler, 2006). In general, brokerage refers to a flow of valued resources from one actor to another via an intermediary (Gould & Fernandez, 1989; Stovel & Shaw, 2012). A corruption broker is a third party who acts as a middleperson in introducing corrupt partners to each other, facilitating or even carrying out the whole corrupt exchange (Jancics, 2015). Brokers can also act as guarantors to ensure that either side plays along with the corrupt deal (Lambsdorff et al., 2005).

Between June and October 2005, Ledezma became involved in drug trafficking, partly due to his wife’s connections with a Juárez, Mexico, drug cartel. Ledezma coordinated with drug traffickers and helped organize the timing and logistics of cocaine-laden vehicles passing through the Paso de Norte Port of Entry, between Juarez and El Paso, while he was on duty. Court documents reveal that Ledezma would use coded language to alert his wife when he was prepared for a cocaine load to pass through an inspection lane. She also collected and managed the bribe payments from traffickers, ensuring that Ledezma received his share. Then the smuggled cocaine was transported to other cities such as Chicago and St. Louis. For their assistance, Hernandez and Ledezma took in more than \$100,000 USD. Witnesses informed authorities that the couple participated in the smuggling of eight significant cocaine shipments, each containing between 300 and 500 kilograms of cocaine.

Hernandez earned the nickname “La Muñeca,” which means “Baby Doll,” because of her Barbie-doll-like appearance and her reputation for embracing a lavish, high-fashion lifestyle. She often indulged in designer clothing, luxurious travel, and extravagant home renovations. For example, in 2008 Hernández visited Las Vegas, where her considerable spending on fashion, accommodations, and gambling garnered significant attention. Additionally, she made a notable cash payment of \$30,000 for the construction of a swimming pool at her home in El Paso (Goudie, 2015).

In June 2010, both Ledezma and Hernandez pleaded guilty to charges of conspiracy to import a controlled substance and aiding and abetting the bribery of a public official. Ledezma was sentenced in January 2011 to 110 months (approximately 9 years and 2 months) in federal prison along with a \$100,000 fine. Hernandez fled before her sentencing, was captured

in Mexico in 2015, extradited back to the United States in October 2018, and subsequently sentenced to 132 months (11 years) in federal prison in December 2018 (U.S. Attorney's Office, Western District of Texas., 2018).

In general, there are two distinct mechanisms through which brokers facilitate resource flows (Stovel et al., 2011). The first mechanism, known as catalyst brokerage, involves the broker connecting the client with the agent by introducing them to one another, after which the broker steps aside. In contrast, the second mechanism, referred to as middleperson brokerage, involves the broker maintaining control over the transaction throughout, serving as the sole link between otherwise unconnected parties.

Brokerage can be also classified based on the broker's group membership. A gatekeeper broker is a person who belongs to a group that comprises one of the involved parties, controls incoming information/resources to his/her group, and makes decisions about whether or not the unconnected actors in the group should have access to information or resources (Gould & Fernandez, 1989). In our starting example, Gursharan Phagura was a gatekeeper broker who tried to hide the identity of his cousin, Harminder Phagura, from a corrupt client. This was also a middleperson brokerage, because Gursharan did not introduce the two parties to each other, instead remaining the sole link between them.

The Ledezma-Hernandez case suggests a different form of mediation, a multiple insider brokerage, in which a broker is simultaneously a member of the groups on both sides of the transaction, linking them. Hernandez was a family member of Ledezma's, his wife, but at the same time, she was also affiliated with the Juárez drug cartel. Multiple insider brokerage is often a fragile and strained relationship, because members other than the broker are suspicious that their group member (broker) may not be adequately representing their side's interests. This can also be an uncomfortable situation for the broker (Simmel, 1906[1950], p. 142; Vedres & Stark, 2010; Stovel et al., 2011). While specific details regarding the relationship between Ledezma and Hernandez remain unclear, reports indicate that they later divorced, suggesting that their marriage could not withstand the pressures associated with unstable multiple insider brokerage structures.

Corrupt Family Network

In the mid-2000s, an even more complex family-networked corruption case unfolded at Fort Lauderdale-Hollywood (Florida) International Airport involving CBP officer Elizabeth Moran-Toala, her husband, Transportation Security Administration (TSA) supervisor Jose Sanchez, and Moran-Toala's sister Cindy Moran-Sanchez, who was also a CBP officer (U.S. Attorney's Office, Southern District of Florida, 2010; Rodriguez, 2010). Their illicit activities centered on organizing the smuggling of narcotics from the Dominican Republic into the United States. In 2006, Moran-Toala, Moran-Sanchez, and Sanchez traveled to the Dominican Republic, where they conspired with Juan Baez, a U.S.-deported felon, to establish a drug smuggling operation. The plan entailed Baez re-entering the United States using a false identity and recruiting couriers to transport heroin and cocaine into the country.

The case demonstrates a sophisticated level of coordination and division of labor among family members and other participants involved in the corrupt scheme. The trio planned to exploit their official positions to help the couriers avoid detection. Moran-Toala and Moran-Sanchez took advantage of their positions with CBP to access the Treasury Enforcement Communications System (TECS), a comprehensive database containing extensive travel and law enforcement information. They provided sensitive data to Baez that facilitated the selection of couriers and the timing of smuggling operations. They checked TECS for any red flags or law enforcement interest in specific couriers before they arrived, ensuring specific flights carrying couriers weren't subjected to extra scrutiny. While Cindy Moran-Sanchez and Elizabeth Moran-Toala helped smugglers enter the United States, Jose Sanchez's role was to ensure that drug-laden suitcases passed through security checkpoints without inspection, allowing couriers to safely board domestic flights in the United States and reach their final destinations. A covert operation in February 2009 resulted in the arrest of the three family members when they helped an undercover agent pass a suitcase through a TSA terminal checkpoint and then load it onto a US Airways flight to New York. The use of wiretaps and surveillance cameras helped confirm the corrupt actors' roles in the smuggling scheme.

This narrative highlights that in instances where a family is implicated in corruption, the roles of individual members can range from less to more central within the scheme. Investigations uncovered that Cindy

Moran-Sanchez was identified as “the driving force” behind the conspiracy and perceived as the “boss” of her accomplices. Court evidence indicated that she was a “longstanding drug partner” of Baez and maintained extensive communication with him, having spoken on the phone 621 times, in contrast to her sister and husband who communicated with him only 13 and 11 times, respectively (United States v. Moran-Sanchez, 2015). The government contended that Moran-Sanchez corrupted her sister and her husband, subsequently utilizing their positions as US officers to corrupt and circumvent the system. The investigation found that while serving as a CBP Officer, Moran-Sanchez had facilitated the illegal reentry of at least two aggravated felons.

DISCUSSION

Despite being family members, the actors involved in the corruption cases discussed in this chapter were driven primarily by financial motivations. In all these examples, monetary profit was an essential element of the transaction. This suggests that the instrumental aspects of these relationships likely outweigh the sociability components (Ledeneva, 2018, p. 9). It does not mean that these partners were not emotionally connected; instead, those strong social ties, including emotional ones, served as a safe vehicle for the exchanges, reducing the risks and uncertainties inherent in corruption. The idea that rational actors in these schemes actively weigh the costs, risks, and rewards of corruption indicates that the “price” is a crucial coordination mechanism. If they can create a setup where transaction costs are low enough, involving family members, and the potential benefits are high enough, they will engage in corruption.

According to institutional economists, even in legal transactions rational actors tend to be opportunistic and may deceive their business partners whenever an opportunity arises, as it is often the most profitable option. To guard against such self-interest-driven calculations, parties must rely on contractual safeguards and related enforcement mechanisms rather than just promises (Husted, 1994; Lamsdorff et al., 2005). Another solution to combat opportunism—especially when contracts are incomplete or difficult to enforce—is to shift transactions from markets to hierarchies, as firms offer more efficient structures for internal behavior monitoring and control (Williamson, 1973, 1979). The core idea here is that actors are boundedly rational in highly uncertain situations and seek to minimize transaction costs. Thus, in legal enterprises, firms emerge not

just to produce goods and provide services but to govern complex relationships more effectively than markets can.

Corruption is even riskier than regular business, and thus, actors are especially interested in reducing such risks. Even in the most ad-hoc and impersonal type of corruption, a driver bribing traffic police, the two strangers who are making a one-time corrupt deal use communication as an effective tool to reduce the uncertainty and risk surrounding the situation (Jancsics, 2024).

Hierarchy can also be used to reduce the transaction costs of corruption, but that solution is not available for everyone. Participants, particularly those at lower organizational levels, often lack access to key elements of the formal hierarchy, which can hinder their ability to manage corruption effectively (Jancsics, 2024). More powerful actors have greater chances to hide the corrupt nature of their actions behind formal structures. In grand corruption schemes, elites can rely on dense contractual schemes, inter-organizational networks and even sets of shell companies to make corruption less detectable (Jancsics & Costa, 2024). As we will see in the ensuing chapter, family members in dynastic state capture also use “legal corruption,” in which law-making is tailored to benefit particularistic groups and conceal the corrupt nature of the contracts. However, less powerful actors at lower and middle levels of bureaucracies must rely on informal arrangements instead of formal structures. Here, trust is the most effective solution to reduce transaction costs, and the social organization of the family serves as a highly reliable, trust-based infrastructure for organizing corruption.

Several unknown aspects of the family for corruption phenomenon may need further investigation. An interesting area to explore would be the gender dimension of this type of corruption. The limited existing empirical research suggests a rather marginal female role, less profit, and less proactive behavior than their male co-conspirators in white-collar crime cases (Steffensmeier et al., 2013). Also, when women are involved, they are more likely to be closely connected to their male counterparts, such as spouses. The two cases in this chapter involving spouses also show the secondary role of wives in corrupt transactions; the husband was the primary agent of the transactions, controlling the profitable organizational resources. However, in the corrupt family network case, Cindy Moran-Sanchez, the wife and sister, was the most dominant actor in the scheme. Such varying patterns of gender roles warrant additional empirical investigation.

Finally, future research on family for corruption should move beyond the prevailing focus on kinship norms, loyalty, and cultural obligations and investigate how rational calculation shapes actors' choices when using family strategically as a low-risk, low-transaction-cost infrastructure for illicit deals. The rational calculus, which treats the family as an optimal institution for corruption, implies that loyalty is maintained as long as the cost-benefit calculus incentivizes silence. If external pressures alter that calculus—for example, a family member is offered a plea bargain or immunity to testify—self-interest may override kinship norms, leading to betrayal despite deep-rooted loyalties. In two border corruption cases discussed in this chapter, married couples who engaged in corruption together divorced after being caught by the authorities, highlighting the possible fragile nature of such alliances.

Key factors where such rational actions can override familial loyalty include legal incentives (such as leniency for whistleblowers), changes in risk (strict enforcement raising the personal cost of remaining loyal), blaming the other party for exposure, disputes over illicit resource shares, or internal power struggles—all of which can lead a relative to conclude that cooperating with authorities, abandoning a corrupt deal, or cutting family ties offers greater benefits than protecting the family. This gap in the literature matters for both theory and practice. Without integrating such rational-choice insight, we risk viewing family corruption as a monolithic “culture,” overlooking how the calculated, instrumental use of kinship facilitates corruption. Future studies could explore how these logics interact—whether loyalty reinforces rational calculation by stabilizing corrupt exchanges or whether self-interest ultimately overrides family obligations when incentives shift.

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CHAPTER 4

Corruption for Family

This chapter explores the concept of *corruption for family*, in which individuals exploit their formal positions and organizational resources to benefit relatives, driven primarily by family norms and kinship obligations rather than personal gain. Drawing on cases from law enforcement, border control, and global bureaucracies, the chapter argues that such corruption is socially integrative, reinforcing family intimacy, reputation, and obligations. These actions often stem from deeply embedded family norms that override formal organizational rules and legal codes, reflecting a tension between universal values and particularistic loyalties. The chapter situates this phenomenon within a functionalist framework rooted in classical sociology and anthropology, showing how family corruption can serve latent social functions such as cohesion, solidarity, and symbolic capital. Ultimately, the analysis underscores how corruption for family blurs moral boundaries, presenting a powerful yet overlooked form of everyday corruption with deep social roots.

WHEN FAMILY NORMS OVERRIDE FORMAL POLICIES

The 2011 New York Police Department (NYPD) ticket-fixing scandal involved over a hundred NYPD officers accused of unlawfully “fixing” traffic citations for family members, friends, and fellow officers (Baker et al., 2011). The fraudulent scheme came to light accidentally during a

wiretap investigation that was initially focused on police corruption linked to drug dealing. While monitoring a police officer suspected of selling drugs from his barbershop, investigators intercepted calls from individuals inquiring whether he could help them with their tickets, according to prosecutors. These conversations prompted further wiretaps that uncovered similar exchanges involving many other officers from various precincts, primarily in the Bronx but also in other boroughs. The officers exploited their connections to have tickets dismissed before reaching the courts. They employed three techniques for fixing citations: having a ranking official void them, ripping up the ticket before it reached court, or failing to appear on the day of the summons. Many officers defended this practice as a longstanding unofficial courtesy rather than an act of corruption. Patrick Lynch, president of the Patrolmen's Benevolent Association, the largest NYPD police union, stated, "Taking care of your family is not a crime," and added, "To take a courtesy and turn it into a crime is wrong" (Long & Hays, 2011).

His statement could serve as the motto for this chapter, which focuses on corrupt exchange that serves integrative functions within a family. Corruption for family, just like several other forms of corruption, is a mixture of instrumentality and sociability, but with a stronger emphasis on the social element. While this corruption may benefit the material interests of individual family members or even the entire family, its more significant function is to unite people into a shared system of family affairs, which subsequently regulates their behavior and interactions. This is a different pattern from family for corruption discussed in the previous chapter, where the financial dimension dominated corruption and both actors worked on the agent's side of the deal, with one family member facilitating corruption and reducing the risk for another family member.

In corruption for family scenarios, the family operates on the client side, with one of its members acting as an agent, positioned in a formal role that enables them to allocate organizational resources to relatives or make decisions positively affecting family members. While these situations bear some resemblance to the survival networks discussed in the next chapter, the primary driving force here is a desire for family cohesion, rather than addressing broader institutional dysfunctions via family corruption as a survival strategy. Furthermore, the primary coordination mechanism facilitating these interactions is based on specific family norms rather than general external normative constraints. Family obligations pressure a corrupt agent to take actions that benefit one or more relatives,

but at the same time, this action can also cement his/her position in the family. In these “clashing moral values” situations, there is a conflict between particularistic values and norms governing the behavior of family members and more universal values related to one’s official role (de Graaf, 2007). Individuals’ moral responsibilities to their families take precedence over their duties as employees, leading them to illegally divert organizational resources to family members. Therefore, formal policies governing bureaucracies are rendered illegitimate and subject to manipulation by an agent (Polese et al., 2018; Schweitzer, 2005).

In Chap. 2 several cases involving Customs and Border Protection (CBP) were discussed, highlighting how border agents leveraged family ties to reduce the high transaction costs associated with illegal exchanges with strangers. In the following example of corruption for family, the CBP agent’s motives were more societal than instrumental, using his official position just to help his family. In 2012, Thomas P. Silva, upon confirming that his brother-in-law was still a fugitive—he had been convicted of human smuggling and had subsequently escaped from a federal halfway house—failed to enter the necessary personal information into the CBP database when his brother-in-law presented himself for inspection at the San Ysidro (California) Port of Entry (FBI San Diego, 2012). Moreover, Silva knowingly recorded the license plate number of his brother-in-law’s vehicle in the CBP computer system inaccurately, further enabling his relative’s evasion of law enforcement. By that time, 33-year-old Silva had already gained 10 years of experience with the agency.

FUNCTIONALIST EXPLANATIONS OF CORRUPTION FOR FAMILY

The general theoretical foundation I use here to explain corruption for family goes back to the classic functionalist argument in sociology and anthropology based on the notion of social equilibrium, which refers to a state of balance in society where all parts function together harmoniously (Turner & Maryanski, 1979, p. 5). This condition is characterized by a high degree of “social integration” or “social cohesion” within members of social groups. Many twentieth-century scholars analyzed social groups by using this perspective. For instance, in an early anthropological work, Malinowski (1922) examined the role of the Kula exchange within family and clan networks among the Trobriand Islanders of Papua New Guinea. In this ceremonial system, participants travel long distances to exchange shell necklaces and armbands in a circular network that fosters social

bonds, prestige, and mutual obligations. Malinowski's work highlighted how such exchanges reinforce social bonds and maintain relationships within and between kin-based clans.

In his well-known study on the gift, anthropologist, Mauss (2002[1925]), along with the relational approach developed from his work, also argues that reciprocity is not just a result of self-interest or moral obligation, but a way of creating, maintaining, and renewing social bonds (Adloff & Mau, 2006). The acts of giving, receiving, and returning favors are crucial for sustaining and reinforcing group cohesion, trust, and shared belonging, beyond individual interests or moral considerations.

Another prominent anthropologist, Radcliffe-Brown (1922), emphasized the social function of ceremonial practices, particularly the peace-making ceremony, in his study of Andaman Islanders. He argued that such rituals served to restore and maintain social harmony within the clan, producing a positive change in the adverse feelings of the parties toward one another and acting as mechanisms for reinforcing social cohesion and solidarity.

The sociologist Merton (1968) distinguished between “manifest” and “latent” functions, suggesting that social actors may recognize or be unaware of the functional consequences of their actions. Manifest functions are the intended and recognized consequences of an action or social event. In contrast, latent functions have unintended and often unrecognized consequences. Merton's example suggests that the obvious manifest purpose of a Hopi rain dance ceremony is to bring rain magically during times of drought. The ritual—while not directly causing rain—also has a latent function of reinforcing solidarity and group identity among the Hopi people, especially in times of hardship.

In a micro-sociological analysis, Collins (2004) developed the concept of interaction rituals, which refer to the everyday social interactions that, through shared focus and emotional energy, strengthen group solidarity, the feeling of membership, and group morality. In a family context, such rituals are powerful mechanisms for building emotional bonds and a sense of belonging. For example, exchange rituals—such as giving favors, gifts, or money—carry deep symbolic and emotional significance, thereby contributing to social cohesion within the family unit.

In the context of corruption for family, individual family members may personally benefit from certain transactions; however, a key element here is the corrupt association's impact on the very essence of the family's social fabric, which I believe encompasses three dimensions: intimacy,

reputation, and particularistic norms. This fabric is intricately woven with countless threads that connect family members either within the immediate family or to the wider kinship network. It is important to note that family members engage in numerous informal exchanges on a daily basis, and at times, when one crosses the line into corruption—drawing on resources from an organization rather than one’s own private “pocket”—the participants may not even recognize the corrupt nature of their exchange.

Intimacy

The atmosphere of home is comprised of numerous small acts and gestures that convey affection, mutual interest, subtle preferences, and even minor grievances, all of which form the foundation of intimacy. Activities such as shared family meals, celebrations, gift-giving rituals, collective sports, and various other family gatherings and outings can enhance intimacy among family members. Many of these activities could intersect with corruption for family. For instance, consider a scenario where a mother takes a company car, filled with gas, to enjoy a family vacation without her employer’s knowledge. The list of similar instances of misusing organizational resources for family benefit—effectively strengthening family bonds—could be extensive, from minor to more serious cases. Many of these cases are borderline corruption, depending on the company’s actual policies that ban, permit, or informally tolerate them. Examples include having company staff run personal errands for family members (like picking up kids or cleaning personal vehicles); assigning employees to conduct home renovations or repairs; claiming travel reimbursements for trips that included family members; taking office supplies (such as paper, ink, laptops, etc.) for children’s school projects; using a company credit card for family expenses; permitting family members to stay in employer-paid accommodations; hosting a birthday party or a family wedding at an employer-owned facility; or building infrastructure (e.g., roads, parks, public transport access, commercial zones) close to the family home.

An illustrative case of blurred moral boundaries in the use of official resources for family benefit is that of Mailis Reps, former Minister of Education and Research in Estonia. Reps was convicted of serious misconduct for misusing public funds to support private and family activities. In September 2024, the Harju County Court found her guilty of embezzlement and fraud (Turovski, 2021; Whyte, 2021).

According to the court, Reps exploited her ministerial position and resources for personal benefit. She arranged a private birthday celebration at the ministry's premises and hosted a second birthday event at the upscale Tallinn restaurant Mon Repos, using the ministry's budget. Over an extended period, she also used a ministry vehicle to transport her children to and from school, as well as on a family holiday to Croatia. In addition, plane tickets for her children were purchased using ministry funds, and ministry employees were assigned to provide childcare and chauffeur services.

On appeal, the Tallinn Circuit Court largely upheld the convictions, though it modified some civil claims. While the court accepted that one birthday event could be classified as a morale-boosting function and thus acquitted Reps of that specific charge, it maintained her guilt for other misappropriations, including the restaurant expenses and misuse of official vehicles. Reps received a sentence of 1 year and 5 months' imprisonment, suspended under a two-year probation period. The court also ordered partial restitution: she was required to repay approximately €6070 plus interest, while larger claims exceeding €100,000 were dismissed due to evidentiary uncertainty.

Another notable instance of such behavior occurred in 2005 involving Ann Reid, a councilor in York, England (The York Press, 2006). She orchestrated the switching of all traffic lights to green along the route of her daughter Hannah's wedding procession, allowing the five-car convoy to navigate the city center without interruption. This action ignited controversy and drew widespread criticism as an abuse of public resources for personal (family) benefit.

Reputation

The family always serves as the epitome of virtue and its public manifestation, even when kinship ties are diffuse. As family encompasses the "whole" individual, a person's identity is not viewed independently but as part of a familial unit (Wolf & Silverman, 2001). Individual members' reputations affect the family as a whole; Therefore, praise or criticism directed at one member is often seen as praise or criticism of the entire family. In some cultural contexts, the family's reputation within the local community or larger society can be highly influenced by the social status, the prestige of jobs of particular family members and by the monetary value of their possessions, including clothes, cars, and other products, as well as the size and

location of their homes. For example, giving up a family house due to financial constraints may represent serious disgrace and downward mobility. It might give the feeling to the impacted family members of publicly losing the whole family's "membership card" in certain social strata (Zelizer, 2005, p. 229). A key aspect of such virtue pertains to safeguarding a family's reputation in relation to that of socially comparable families. This is about maintaining the family "name," but the criteria for evaluating reputations vary across cultures (Wolf & Silverman, 2001).

On the other hand, a person's affiliation with a family can define her/his social "credit rating" (Wolf & Silverman, 2001). The family's status, reputation, and perceived honor or disgrace significantly influence how society evaluates individuals.

Thus, not surprisingly, using corruption to enhance or uphold their reputation in the eyes of many families is a viable means for many families. Covering up scandals involving one member to protect the family name is one key element of this pattern. This is particularly evident when someone holds a formal position within a government agency, which may allow her/him to suppress investigations or erase allegations or penalties related to the misconduct of a relative. This could range from minor issues such as traffic violations, as mentioned earlier in this chapter, to more serious charges, including harassment or fraud. On the other hand, awarding or recognizing academic achievements to relatives could be a way to enhance a family's reputation. Examples include corrupt agents manipulating the admissions process for relatives at prestigious schools or bestowing honorary degrees, board positions, or awards upon family members. It could even be the family's aspiration to put a member in a formal position from which this kind of corruption would be possible.

Obligations

The final and probably most essential dimension of corruption for family is the influential norm of "taking care of your family." That often includes unconditional solidarity with relatives. Here, internal norms dictate expected behaviors among family members (Lomnitz, 1997). Each member adapts to the expectations of their relatives while anticipating reciprocal support. Core family obligations include providing economic assistance, participating in family rituals, and acknowledging each other socially. Additionally, members are expected to actively contribute to the maintenance or enhancement of the family's status. This is a social obligation

prioritizing the welfare of others in the family over the individual's or non-family members' interests (Smith, 2007, p. 24). Not all of these obligations imply corruption, but occasionally they may involve using corruption for the family. Just like any social norm, such obligations also comprise a range of enforcement mechanisms, from social disapproval to more direct, even physical threats (Sundström, 2016). Sometimes this requires minimal organizational resources. For instance, a public official may be under family pressure to provide services to relatives without collecting official fees (Smith, 2007, p. 61). Akhil Gupta (1995, p. 397) found such social expectations in postcolonial India: "For example, a highly placed official who fails to help a close relative or a fellow villager obtain a government position is often roundly criticized by people for not fulfilling his obligations to his kinsmen and village brothers. On the other hand, the same people often roundly condemn any official of another caste or village who has done precisely that as being 'corrupt' and as guilty of 'nepotism.'"

Based on research in Nigeria, Smith, 2007, p. 63) claims that "few events bring more excitement to a family and community than the news that one of its own has been appointed to an important government position," as this could provide access to the most lucrative form of that country's infamous corruption: government contracts. Smith (2007, pp. 66–67) also provides examples of how such contracts work. Here is one of those. In 1996, Emeka Okpara, a 57-year-old father, lived in Ubakala, Nigeria, with his wife, Charity, and their six children. The couple operated a modest market stall selling everyday goods, while Charity also worked as a secretary for the local government. Eventually, Emeka secured a government contract to construct a school fence, despite lacking any masonry experience. Local community members believed that Charity influenced the deal through her boss, with some whispers even implying a potential sexual exchange. The proceeds from the contract enabled the family to begin building their own house and cover university tuition for their daughter, marking the first time anyone in the family attended university. Neighbors showed admiration for the couple for successfully accessing government resources, but some of them engaged in gossip, particularly regarding the rumored methods employed by Charity.

NEPOTISM

Many cases of corruption for family fall in the category of nepotism, a specific category of corruption when preference is given by one family member to another in a work context because of a kinship tie rather than merit (Schilpzand et al., 2024). This may include practices related to recruitment, hiring, career advancement and promotion, compensation and benefits, development opportunities, and task allocation. Similar to other forms of corruption, nepotism requires the individual to possess a degree of discretion over decisions and resources or to be able to influence the decisions of others in order to give preference to family members. Consequently, these individuals typically hold a relatively high hierarchical status (Schilpzand et al., 2024).

A survey conducted among 23,000 civil servants across 10 developing countries in Africa, Asia, Eastern Europe, and Latin America revealed that nepotism is a globally widespread phenomenon (Meyer-Sahling et al., 2018). According to these data, on average, 41% of civil servants secured their first job through personal connections, while 34% reported that such connections aided their promotions, and 22% indicated that they played a role in salary increases. Other quantitative empirical studies have focused on the impacts of nepotism across different countries. A study conducted among civil servants in Colombia discovered that from 2011 to 2017, 38% of them had a relative employed in public administration, while 18% had a familial connection to a manager or supervisor in the public sector (Riaño, 2021). Additionally, 11% were employed alongside a family member within the same agency. This research also revealed that a public sector worker is 40% more likely to achieve a hierarchical promotion and receive a salary increase of 2% to 5% when connected to a top bureaucrat through family ties. Furthermore, these advantages tend to be concentrated within extended family networks, which can be more challenging for regulatory agencies to identify.

Another study, using a large dataset from the Philippines collected between the 2007 and 2010 municipal elections, revealed robust evidence that relatives of current officeholders were more likely to secure higher-ranked and better-paying positions (Fafchamps & Labonne, 2017). Specifically, having family connections increased the probability of being hired for managerial roles by 19%. However, the researchers also found a gender disparity, as the impact of familial ties on obtaining a managerial position was 45% lower for women compared to men. Also, a connection

to a mayor had the most significant influence on occupational outcomes, surpassing the effects of ties to a vice mayor or local councilor.

Certain areas and occupations, both in the public and private sectors, are particularly prone to nepotism due to the opportunity for discretionary hiring practices. While judicial organizations generally maintain independence from political influence, nepotism among judges is prevalent in many countries. They frequently have the authority to appoint individuals to various roles within their courts, including crucial positions such as judicial clerk. A report estimated that 51% of federal judges in Mexico have at least one relative employed within the federal judiciary and a remarkable 93% of these relatives were not selected based on merit (Ríos-Figueroa, 2018). Furthermore, an analysis of 458 cases within Mexico's federal judiciary found a statistically significant relationship between the arrival of a judge at a circuit and the concurrence of that judge's relatives among the staff of the corresponding judicial organization (Brassiolo et al., 2021). As a result of such high-level nepotism, Mexico recently decided to shift the judiciary from an appointment-based system to one where voters will choose their judges, making it the only country that elects all its judges (Mega, 2025).

Nepotism also exists in so-called highly developed democratic countries. A report by the U.S. Merit Systems Protection Board (2013) found that 30% of federal employees perceived favoritism toward agency officials' relatives. Recent cases from the United States uncovered by a Reuters investigation reveal a similar trend involving thousands of judges who have violated laws or oaths yet retained their positions (Berens & Shiffman, 2020). Among the numerous incidents, Judge Kim Chaney's case stands out. The judge from the Cullman County (Alabama) District Court remained in office for 3 years after being accused of violating nepotism rules that he was responsible for enforcing on the oversight commission. Court records indicate that between 2015 and 2017, Judge Chaney assigned his own son as a court-appointed defense attorney for indigent clients in at least 200 cases. As a result, his son earned a minimum of \$105,000 in fees over this two-year period. In February, following repeated inquiries from Reuters to both Chaney and the state judicial commission regarding these cases, he retired from the bench as part of an agreement with state authorities to conclude the investigation. Notably, despite these circumstances, the Cullman County Bar Association expressed its support for Judge Chaney by passing a resolution that highlighted his years of dedicated service and contributions to the community

(Bullard, 2020). Furthermore, the Cullman County Commission unanimously approved renaming the local facility for juvenile offenders as the “Honorable Kim J. Chaney Juvenile Detention Center” (Bullard, 2024).

The world of sports is another area where nepotism is rampant. An analysis in 2021 revealed that among the 792 coaches in the U.S. employed by NFL teams, 111 were related either biologically or through marriage to current or former NFL coaches, which represents approximately 14% of all coaches (Kahler, 2022). A notable example is the case of Bill Belichick, head coach of the New England Patriots. Both of Bill Belichick’s sons transitioned directly from college to positions on their father’s coaching staff, with Steve serving as a coaching assistant and Brian taking on the role of scouting assistant. Neither of them coached at the high school or college levels before becoming NFL position coaches, unlike most people in these positions. Both played lacrosse, Brian at Trinity College and Steve at Rutgers University.

In 2023 another notable case of nepotism in sports emerged in Somalia (Close & Yeung, 2023). Nasra Abukar Ali, a 20-year-old runner without formal training, participated in the women’s 100-meter race at the World University Games in Chengdu, China. She finished last, with a massively substandard time of 21.81 seconds, significantly behind the Brazilian winner Gabriela Silva who crossed the finish line a full 10 seconds ahead of her. The situation escalated when it was revealed that Ali was the niece of Khadija Aden Dahir, the Chairwoman of the Somali Athletics Federation. Dahir had posted on social media a photo of Ali celebrating her graduation, which intensified scrutiny and led to allegations of nepotism. Consequently, in August 2023 the Somali Ministry of Youth and Sports suspended Khadija Aden Dahir.

CORRUPTION FOR FAMILY AS A BURDEN

In certain societies, the heavy social obligation to engage in corruption for the benefit of one’s family can put significant weight on individuals. Those who manage to escape these expectations are often envied but might also be looked down upon for failing to meet the responsibilities that their families impose on them. As Jean-Francois Bayart (1993, p. 233) notes in his book on post-colonial African politics, “A man who succeeds in ‘making good’ without ensuring that his network partakes in his prosperity brings shame upon himself and earns the reputation of ‘eating’ others in the invisible world.” Smith (2007, p. 164) also explains in his study on

everyday corruption in Nigeria that individuals with the opportunity to engage in corruption openly disregard their obligations to their extended family and are often “accused” of kidnapping and murdering innocent children with whom they have no connections.

Blundo and de Sardan (2006, pp. 115–116) quote a statement from a Senegalese doctor regarding how individuals try to escape social pressure from their families: “Just to show how difficult it is, I told my family that I no longer have a stamp, I lost my stamp [for validating medical certificates]. Simply to avoid having to stamp whatever...They make me sign everything; if I refuse, there are problems. My aunt will come or my sister will say that ‘you refuse things although it is nothing, you refuse, but your colleague will do it,’ etc. Honestly, I have so many problems that I said I had lost my stamp and now I am left in peace; I have the stamp at the bottom of my drawer.”

DISCUSSION

In the case of corruption for family, agents participate in corruption for the benefit of their family. This suggests that the sociability elements in these relationships likely outweigh the instrumental aspect of economic self-interest (Ledeneva, 2018, p. 9). People exploit their formal positions and their organization’s resources to maintain and/or strengthen bonds and deepen intimacy within the family or to preserve and enhance the family’s reputation. They provide relatives “gifts” and favors that do not come from one’s own pocket but from an organization (Graycar & Jancics, 2017). Misusing organizational resources, such as “borrowing” company cars for family vacations or hiring unqualified relatives, is a common practice worldwide.

Since these transactions are usually based on reciprocity, the agent can expect something in return from the family. While in family for corruption cases the participants benefit financially, when an agent commits corruption for her/his family the counter-transfer is often not material. It does not even need to be an object with physical properties (Larsen & Watson, 2001). It may take different forms of labor—for example, cooking for a parent or caring for children (Carrier, 1991; Graycar & Jancics, 2017; Murcott, 1983). Moreover, the counter-gifts for serving the family through corruption do not always come from the original giftee or even any particular relative but from the entire family. These family rewards often manifest as symbolic capital, such as recognition, honor, prestige, or

an elevation in status within the kinship network (Bourdieu, 1997). A latent function and often unrecognized consequence of these transactions is enhanced social cohesion among family members.

The literature suggests that individuals do not acquire their understanding of legal rules and policies solely by reading formal texts; rather, their knowledge is often shaped by their beliefs about what the law ought to be (Kim, 1999; Sanderson & Darley, 2002). Therefore, social norms derived from outside the organization significantly impact employees' decisions on how to behave in situations presenting a high potential opportunity for corruption (Köbis et al., 2025). Corruption for family is typically coordinated by particularistic family norms that defeat the formal policies, laws, or even society-wide moral codes that are supposed to regulate the agent's behavior. Sometimes this local informal network mechanism is called "clan control" in the literature (Ouchi, 1980). A Hungarian interviewee who participated in corruption explained how strong the obligation to support family could be (Jancsics, 2024, p. 54): "There is this economic part of the story [of corruption], so you may hesitate to get involved merely to get some benefits. But there is another thing, which overrides any moral inhibition. When it is about your family. I would do anything ... anything to help them."

This chapter suggests that corruption may have social functions beyond immediate financial benefits. It can serve as a means of social cohesion within the family. Of course, there are countless family customs, rituals, and informal exchanges that promote social integration, and it can be difficult to recognize when some of them cross the line into corruption. Family members may not even realize the corrupt nature of their act because they "just want to help a family member." The particularistic norms facilitating their behavior blur the corrupt nature of their activity or make it morally justifiable. However, the resource exchange is real, and it always comes from a formal organization of a corrupt agent.

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CHAPTER 5

Corruption for Survival through Family

This chapter explores how corruption through family networks operates as a survival tool in contexts where formal institutions are weak or dysfunctional. Using ethnographic examples from Hungary, post-Soviet states, and China, it highlights how societal-level informal institutions—socially shared but unofficial norms—emerge in response to scarcity, bureaucratic rigidity, or systemic inefficiencies. These institutions frequently operate through kinship networks that facilitate access to essential resources, such as jobs, healthcare, or housing. Practices like *blat* in Russia and *guanxi* in China demonstrate how family-based corruption becomes normalized and morally justified under the pretext of systemic failure. The chapter argues that families serve as primary agents of socialization, transmitting macro-level informal norms and strategies that allow individuals to “beat the system” when legitimate paths are blocked. Ultimately, it reveals the convergence of corruption, informality, and family as intertwined social arrangements that both reflect and reproduce the broader informal institutions governing everyday life in many societies.

INFORMALITY

A Hungarian woman applied for a position in 2010 at an international chain newsstand that required a high school diploma for all applicants. Despite having years of experience, she was deemed unqualified because

she only held an elementary education. There were a few other similar job options available due to the near-monopoly of the chain in Budapest. As a single mom, attending school for several years while unemployed was not an option, so she chose to buy a fake high school diploma to maintain the same type of job. She did not know anyone who could acquire one, but her sister did. When interviewed, she explained how her family member brokered the transaction: “So finally, my sister’s acquaintance got it for me. I did not meet with the guy who actually sold it. I gave my sister’s friend my personal data and the money. I trusted him because she [the sister] vouched for him. So, I meet with the guy, my sister’s friend. He did not ask for extra money. Probably his share was already in the price, but I do not know....The guy 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.... And I got the job [smiles]” (Jancsics, 2024, p. 67).

The example above illustrates that individuals may resort to family networks when social forces are so powerful that corruption becomes the only means of survival. In this chapter, I examine various informal institutions to uncover their links to family and corruption, highlighting how these three different social arrangements act as bridges between macro- and micro-level social structures in dysfunctional formal settings. Like many other post-communist societies, Hungary exhibits a pronounced network sensitivity, suggesting that informal networks predominantly govern everyday life, enabling individuals to access various resources (Sík, 2010). In other words, network sensitivity refers to the tendency of individuals or social groups to operate and make decisions based on their embeddedness in informal personal networks, rather than through formal, legal, or institutional channels. During the communist era, this predominance of informal networks resulted from strategies employed by individuals navigating scarcity, a fundamental characteristic of the system. Even large-scale economic actors engaged in bartering via informal networks as a form of protection against diverse crises such as shortages of raw materials or tools in factories, as well as gas and spare parts for machinery within agricultural cooperatives (Czakó & Sík, 1995; Héthy & Makó, 1972). Additionally, ordinary citizens leveraged these networks to address consumer product shortages and secure scarce goods and services including medical treatment, university admissions, meat, and “Western luxury” items like jeans, color television sets, and Commodore 64 home

computers (Sik, 2010). Network sensitivity and informal institutions are closely related social phenomena.

DYSFUNCTIONAL FORMAL INSTITUTIONS

Informal networks are the vehicle through which informal institutions operate. Any social system must possess adaptive mechanisms to endure significant threats. When these threats arise from the formal structures, adaptation may emerge from the informal spheres of society. When family corruption is embedded in such informal institutions, it serves as a survival or coping mechanism within a defective formal system. These institutions are “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels” (Helmke & Levitsky, 2004, p. 727). They often emerge in areas that are not formally regulated or replace allegedly ineffective or damaging formal policies (Polese et al., 2018). Macro-level informal institutions are particularly significant because they influence the overarching framework within which a whole social system functions. They are often supplementary or parallel structures in complex societies (Wolf & Silverman, 2001).

Informal Institutions as a Response

Informal institutions are prevalent in many countries, exhibit similarities across cultures while also reflecting some distinct local characteristics. They often determine access to key resources such as government services, consumer goods, employment, contracts, and/or bureaucratic approval (Lomnitz, 1997). In addition to well-known examples like guanxi in China, blat in Russia, or compadrazgo in various Latin American countries, similar macro-level systems have emerged in many other cultures. They play a significant role in societies with low levels of trust in government and business, where the intersection between formal pressures and informal behaviors gives rise to them. Although shaped by historical and cultural factors, informal institutions are typically responses to the rigidity or inadequacy of the political or economic subsystems (Ledeneva, 2008). Often referred to as “everyday forms of resistance,” “weapons of the weak,” “beating the system,” or “a safety net,” these strategies channel ordinary people’s frustration with existing constraints (Ledeneva, 2018a). This pressure also fosters narratives that aim to justify the often-illegal nature of these transactions by claiming, “The system made me do it”

(Karklins, 2005). As Eric Wolf and his co-author (Wolf & Silverman, 2001, p. 167) stated, “Sometimes such informal groupings cling to the formal structure like barnacles to a rusty ship,” and added, “We discover that the formal table of organization is elegant indeed but fails to work unless informal mechanisms are found for its direct contravention.”

Since these informal institutions spread through social networks, they are fundamentally social things; they also fulfill an instrumental role in gaining influence or accessing limited resources (Ledeneva, 2018a). Consequently, they serve dual functions, intertwining the societal or emotional-affective aspects of life with rational-instrumental elements driven by interests (Karhunen et al., 2018). The boundaries between sociability and instrumentality are often blurred. It can be viewed as a spectrum where some informal institutions and their associated relationships lie closer to the societal end of the scale, while others serve more instrumental purposes.

Although such networks are not inherently corrupt or exclusively family-based, they often create a trustworthy infrastructure for corruption and are frequently rooted in extended kinship ties. In most societies, informal institutions and family networks are deeply interwoven, with families functioning as key intermediaries that transmit, embody, and reproduce societal norms and values (Karhunen et al., 2018). Individuals internalize these norms through the family environment, which operates as the primary arena of socialization and moral formation. Thus, family arrangements and informal institutions mutually reinforce each other, like in the case of kinship-based *blat* in the South Caucasus discussed below (Aliyev, 2013). When introducing corruption into this equation, we arrive at the convergence of three distinct social arrangements. In this scenario, following the rules of an informal institution, individuals utilize family networks to acquire resources through corrupt means. This type of corruption is at least partially coordinated by an external societal normative system that operates through family networks. In essence, the family serves as a conduit for the functioning of a macro-level collective understanding. In other words, both family and corruption serve only as instruments for an informal institution to fulfill its macro-level role in society by meeting people’s needs when the official system no longer functions.

The defective formal systems mentioned above may have multiple forms and reasons. They could result from failings in the state distribution system, which creates dysfunctional economic institutions, producing shortages and allocation problems (Ledeneva, 2008; Makovicky & Henig,

2018). This was especially common in socialist command economies but remained an issue in many countries after the collapse of the communist system. Blat in Russia, guanxi in China, and Kombinacja in Poland fall into this category. As mentioned earlier in the book, there was a widespread notion among ordinary people that communist dictatorships in CEE were unjust and harsh social systems, and therefore, strong macro-level informal norms permitted corruption for the whole population: “Those who do not steal from the state steal from their families” (Misangyi et al., 2008).

Additionally, other informal institutions such as *compadrazgo*—a system of reciprocity observed throughout Latin America—function as social strategies to navigate the bureaucratic obstacles within the government system. Below, I explore some informal institutions to illustrate their connections to family and corruption, noting that such examples are abundant. These institutions manifest in various scales and forms across virtually every society. For a more thorough review of these phenomena, I recommend consulting the three volumes of the *Global Encyclopaedia of Informality*, edited by Ledeneva (2018a, 2024).

RESPONSES TO SHORTAGES, ALLOCATION PROBLEMS, AND BUREAUCRATIC RIGIDITY

Blat

In post-Soviet regions, the term “blat” colloquially refers to the practice of accomplishing tasks through personal connections, often involving the use of relationships, influence, and the exchange of favors (Ledeneva, 2018b). Originating from criminal slang in Russia in the pre-revolutionary (1917) period, the word initially described minor illicit activities such as petty theft (Karhunen et al., 2018). However, during the socialist era, it acquired a new significance, becoming a vital strategy for navigating the persistent shortages of that time (Lovell, 2005). For many people, that was the only way to get access to goods and services. For instance, a family member employed at a store or warehouse might reserve sought-after or rare items (such as meat, electronics, or imported products) for relatives, guaranteeing they could obtain these items before they were available to the general public. When the state was the official owner of all property, everything belonged to everyone, but since scarcity ruled the day, it could also be said that nothing belonged to everyone. Either way, this blurred

the boundaries between the public and private, which are routinely crossed by people (Ledeneva, 2018b). Blat also functioned as mutual protection for Communist Party insiders (Ayios, 2004). Although not exclusively family-based, blat relations in kinship-centered networks were especially strong, exclusive, and elitist (Aliyev, 2013). Military service was mandatory, lengthy (up to 3 years), and often harsh in most Soviet-aligned Central and Eastern European (CEE) countries during the Cold War era. Thus, a relative in the military or government could help a family member avoid dangerous assignments, secure a post in a prestigious or close-to-home unit, or even evade conscription altogether.

Despite the collapse of communism, the dysfunctions within formal institutions persisted, and the “economies of favor” remain deeply embedded in the social fabric, practices, and moral values of populations throughout the post-socialist region (Makovicky & Henig, 2018). Informal exchanges and personal networks continue to play a vital role in providing access to food, consumer goods, credit, property, and opportunities for employment, education, and healthcare across the region (Bridger & Pine, 1998; Morris & Polese, 2013; Rivkin-Fish, 2005; Sik & Wellman, 1999). During the Soviet time, apartments were allocated by the state, so having a family member on a housing committee or in municipal office meant better chances of receiving a desirable living space. Yet housing problems survived the socialist system. For instance, in post-socialist Russia the inaccessibility of the housing market and the decline in available accommodations for students and workers have led to kinship-based blat networks becoming the primary means of facilitating the migration of young professionals from rural areas to urban centers for employment (Walker, 2010).

In many post-socialist societies, government services such as healthcare remained of extremely low quality or even inaccessible to many people, keeping family networks crucial for supplementing such public functions. Qualitative research in the post-Soviet Ukrainian health services sector in 2009 revealed widespread family-based blat activities (Williams & Onoshchenko, 2015). Here are some quotations from participants in the study:

If you personally know the chief physician, you will get absolutely different treatment. I always go to the doctors pulling strings. Once I recommended a good doctor to my sister but without introducing her to him. She visited this doctor without being patronised first and did not receive proper quality and care from him as I did.

A hospital doctor asserted:

When our relatives need health treatment or a consultation, we always help them with our connections; we refer them to good doctors we know, help them to avoid queuing. In return, we can always ask for help as well. For example, we often ask my father's cousin, who is retired, to do small odd jobs. I once tried to give her 20 hryvnias for the favour, but she refused. But we always help their family and their children and grandchildren and they help us and our parents. We never pay for this help.

And a woman aged 26–35 years old stated:

Money is important today but connections are still in use. I lived in Kyiv and came back to my native city especially to give birth because my parents are doctors and have big connections here. In spite of a small official payment of 200 hryvnias [rather than the usual 2000 hryvnias due to her connections] to the hospital cash office and 20 hryvnias cash-in-hand to the nurse, I obtained very good treatment. And these people are not our close friends, just colleagues.

Guanxi

Guanxi has a longer history than blat. It emerged as a crucial mechanism for families and businesses to navigate the unpredictability and arbitrariness of emperors and their officials in ancient China. Guanxi refers to kinship relationships governed by a specific set of ethical codes intertwined with sentiments and obligations (Bian, 2006). After the 1949 communist revolution, guanxi networks significantly expanded as a form of “capitalism without contracts” to at least partially counter the adverse effects of the rigid socialist command economy and government system (Karhunen et al., 2018).

In China, people face severe social constraints created by the socialist bureaucracy. For example, the hukou, China's household registration system, is a government policy that binds individuals to a specific place of residence and classifies them as either rural or urban residents. Hukou significantly restricts people's mobility—especially rural-to-urban migration—and access to public services (Lu, 2010). When a nuclear family in a rural area needs hospital treatment for their child in a better urban facility, they often utilize the guanxi network of their extended family, such as in-laws or uncles who are local officials, to call in favors from contacts in the hospital administration to secure a spot.

Blat vs Guanxi

While the term *blat* originates from criminal jargon and has a rather negative connotation, *guanxi* is deeply rooted in the Confucian ethical guidelines and political system, initially centered around the family or the clan, which emphasizes respect and harmony (Ledeneva, 2008). While the strongest sense of obligation and affection stemmed from kinship, individuals outside of one's family could also become pseudo-kin through the practice of *guanxi* gift exchange (Bian, 2006). This possibility of being welcomed as "one of us" is reflected in the etymology of the term *guanxi* in Chinese, where *guan* means gate and *xi* signifies the special connections formed among those who pass through the gate (Gao et al., 2012). In this context, the rules governing the family were extended to society at large (He, 2011). Russian *blat* operates as a closed and more insular system, shaped by deep-seated distrust toward individuals, groups, and political institutions outside one's close-knit personal network, a legacy of enduring sociohistorical conditions (Ayios, 2004, p. 14; Karhunen et al., 2018).

While kinship and friendship ties are central to both *blat* and *guanxi* networks, the latter allows for trust to be established through shared interests and regular interactions, and thus *guanxi* is more open to expansion via trusted intermediaries (Karhunen et al., 2018). This means that *guanxi* is a vast web of interconnected networks facilitated by brokers, compared to relatively small-scale, more insulated *blat* networks. Furthermore, the informal norms that govern *blat* are often more ambiguous and variable and less clearly defined than those within *guanxi* networks (Ledeneva, 2008). Again, *guanxi* and *blat* networks are not inherently corrupt, serving as platforms for informally exchanging private resources that do not belong to a formal organization, yet they also provide a highly effective trust-based infrastructure for transactions that utilize one's formal position (Schramm & Taube, 2005).

DISCUSSION

Imagine that a retired factory worker learns that the local office miscalculated her pension payout, and the appeal system is highly complicated, slow, and biased, often providing negative outcomes even in relatively straightforward cases. Thus, she reaches out to her nephew, a clerk at the local social insurance bureau, who quietly intervenes and corrects the record. She later helps him with a property matter in return. As an older

and respected member of the local community, she leverages her reputation to mediate a dispute between her nephew and his neighbors over property boundaries, noise, or shared land.

This example suggests the interplay between multiple-level social forces in *corruption for survival through family* cases. *Corruption for family* discussed in the previous chapter had an essential social function: enhancing family cohesion and keeping families together at the micro-level. Family corruption used as a survival kit has a social function, too. It attempts to address macro-level institutional deficiencies, including weak or transforming institutional environments, shortages, allocation problems, or overly rigid bureaucratic structures, by utilizing micro-level family corruption (Oppen, 2005).

Families generally play an essential role in fostering societal norms by acting as the primary agents of socialization. Although it occurs throughout one's lifetime, it is vital during a child's early years. The transmission of cultural values manifests through daily interactions; families instill foundational beliefs, behaviors, and expectations. Although many of these are related to local and particularistic family norms—as discussed in the previous chapter—many others align with broader societal norms. For instance, conventions regarding gender roles, respect for authority, work ethic, and interpersonal behavior are often initially learned within the home and subsequently reinforced by other institutions such as schools, peer groups, and media. This familial retransmission serves to reproduce and sustain social order across generations by embedding societal expectations into personal identity and behavior (Parsons & Bales, 1955). Such a socialization process is subtle and sophisticated, happening through household rituals, stories, and sanctions enacted around kitchen tables, ensuring that succeeding generations internalize and reproduce the normative frameworks that hold complex societies together. Thus, the family functions as a microcosm of society, shaping individuals who adhere to and perpetuate established social structures. If society generates norms that permit or encourage corruption, then many families also transmit those norms into their everyday micro-practices.

Macro-level informal institutions, such as *blat* in post-Soviet societies and *guanxi* in China, represent networks of personal connections leveraged to access scarce resources or opportunities. The informal norms associated with these actions are often initially learned within the family, and family members are frequently central actors in such networks. Family also helps cultivate vital social capital—family connections that can be

leveraged when necessary. Through routine observations and participation in family interactions, family members internalize the unwritten rules governing these systems: determining whom to approach for favors, understanding the expectations of reciprocity, and recognizing when to strategically invoke relationships. Families serve as incubators for trust-based exchanges wherein the logic of mutual obligation is cultivated long before it is applied in broader social or economic contexts. For example, Chinese parents may subtly acquaint their children with *guanxi* practices by including them in gift-giving rituals during festivals or guiding them on how to navigate social hierarchies within educational or occupational settings. Likewise, children in Soviet-era households witnessed their parents managing *blat* networks through the exchange of favors or the utilization of familial contacts to procure goods, thereby understanding that survival often hinged on one's connections. In both instances, families play a crucial role in transmitting the practical skills and cultural competencies essential for navigating the complexities of informal systems that function outside formal institutional regulations (Ledeneva, 1998).

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CHAPTER 6

Corruption for the Family Firm

This chapter explores corruption in family firms, emphasizing how their hybrid structure—blending formal business systems with informal family dynamics—may contribute to higher corruption risks. While family firms can naturally reduce agency-based corruption by aligning ownership and management goals, it may also enable corruption that benefits the entire firm. Through the lens of corporate crime theories, the chapter examines how centralized authority and the informal cultural norms of the family coordinate corrupt practices within the firm. It highlights the concept of a corrupt organization, where firms pursue illicit strategies not for personal gain but for the organization’s interests, which in this case align with the family’s interests. The Korean chaebol system serves as a central case study of the chapter, illustrating how inheritance conflicts, weak internal controls, and political collusion can lead to a form of family corruption, called corporate state capture, that goes beyond a corrupt organization. Despite their economic significance and ethical aspirations, family firms are especially vulnerable to corruption due to their structure, governance patterns, and familial loyalty, challenging the Weberian ideal of rational-legal corporate order.

THE FAMILY FIRM

In early 2025, federal prosecutors in California charged David Sanson, chief executive of the Concord-based development firm DeNova Homes, and his son Trent Sanson, the company's vice president, with conspiracy and bribery (U.S. Attorney's Office Northern District of California, 2025). According to the indictment, the two allegedly sought to secure favorable treatment from a city council member in exchange for financial inducements linked to one of their residential projects. DeNova Homes has been a prominent developer in the East Bay region, including the Aviano project—a multi-phase, 533-unit residential development in Antioch. Federal authorities reported that the firm had encountered regulatory obstacles when the city's Engineering and Development Services Division determined that required public infrastructure improvements had not been completed, resulting in the withholding of bond approvals. To address these challenges, prosecutors allege that Trent Sanson initiated private communications with a city council member to seek assistance in resolving issues related to the project's pending approvals.

This case highlights features common to many family-run enterprises: overlapping roles of owners and managers, close kinship ties, and a concern for continuity and reputation. Although most of these firms are not corrupt, their hybrid organizational structure might increase the likelihood of corruption. Family firms represent not only a historically significant social form of economic activity but also the prevailing way of conducting business today. The Weberian ideal-type emphasizes a clear separation in “modern” societies between family or household—characterized as a unit of personal, emotional, and private relationships—and business, regarded as a rational, impersonal, and publicly visible profit-driven system. Yet, there is an apparent contradiction between Weber's model and the empirical prevalence of family-run companies that often blur these boundaries. A family firm, a profit-oriented, family-based business partnership, is a unique hybrid arrangement of legally approved formal and informal elements. Historically, this was the most important form of business organization in Europe. In the Middle Ages, most trading houses had the character of family businesses (Fleischer, 2023). This happened first in the cities of northern Italy, where the so-called *compagnia* emerged in the fourteenth century. They were organized primarily by banking families, such as the Medici, Bardi, or Peruzzi.

There have also been family firm-type units in non-Western societies, where anthropologists have long examined the phenomenon of the corporate kin group. Although this term does not refer to a private business in the contemporary sense, it designates a social unit that functions as a cohesive entity over time—an enduring group that manages shared responsibilities, property rights, and identity. As self-sufficient units, these groups are deeply engaged in various economic activities, including agriculture, animal husbandry, fishing, trade, property management, labor organization, and producing goods such as pottery and textiles (Wolf & Silverman, 2001). Such corporate kin groups also had a political dimension, since they had the function of enforcing rules, settling disputes, and maintaining traditions, sometimes acting as governing bodies in which members would invariably act together (Campbell, 1964, p. 37).

A contemporary family firm is defined as a private organization owned, managed, and governed by one or more generations of family members. These companies often uphold a strong connection to their founders' values, vision, and mission (Anderson & Reeb, 2003; Erdem & Gül Baser, 2010). Family-owned businesses are actually the most common type of business around the world (Astrachan & Shanker, 2003; La Porta et al., 1999; O'Brien et al., 2018). These organizations represent more than two-thirds of all enterprises worldwide, contributing an estimated 70% to global GDP yearly (Song et al., 2021). Within the European Union, family businesses constitute 60% of all companies and are responsible for 40–50% of jobs in the private sector (European Commission, 2008). Firms in which the founding family has a considerable or controlling interest constitute over one-third of the Fortune 500 and S&P 500 (Anderson & Reeb, 2003).

Family firms possess a distinct identity, integrating elements from both family and business systems, which intersect to varying degrees (Sundaramurthy & Kreiner, 2008). This characteristic distinguishes these firms from other private organizations because it incorporates various factors, such as non-financial objectives aimed at safeguarding family interests, a tendency towards fewer formal rules, and the prevalence of undocumented and informal practices (Adams et al., 1996; Berrone et al., 2010; Gomez-Mejia et al., 2007). This dynamic suggests a dual and often conflicting structure of interests, as decision-makers within these firms, along with instrumental corporate goals, may face pressure from family members—such as parents, children, siblings, or spouses—who are often not even formal members of the organization (Mitchell et al., 2011).

Generally, these non-financial influences are understood through the concept of *socioemotional wealth*, which family firms tend to prioritize over purely financial objectives. The idea manifests in various ways, including the need for emotional bonds and intimacy among members, the infusion of family values into business practices, and the preservation of the family's reputation and social status (Gomez-Mejia et al., 2007). Therefore, the ethical decisions of family firms are shaped by both rational and emotional goals, which in turn lead some families to behave ethically while others behave unethically (Vazquez, 2018).

Given their concern for family reputation, these firms are likely to steer clear of illegal activities (Eddleston & Mulki, 2021; Vazquez, 2018). Empirical studies have demonstrated that family firms often maintain a more positive ethical climate compared to their non-family counterparts and tend to place a higher emphasis on integrity and honesty (Blodgett et al., 2011; He et al., 2012; Payne et al., 2011).

Dark Sides of Family Firms

However, several scholars have pointed out potential dark sides associated with family firms (Graafland, 2020; Le Breton-Miller & Miller, 2024; Mendez & Maciel, 2021; Minichilli et al., 2010; Zientara, 2017). Beyond minor unethical practices, family firms also have unique traits when it comes to illegal activities. Auditors often perceive family firms as having a greater risk of fraud and tax evasion than other enterprises (Krishnan & Peytcheva, 2019). These external audit professionals view these companies as the least desirable clients because they believe family members may act opportunistically to extract rents and potentially divert the firm's resources illegally. In conflict situations where the family's control and influence over a company are threatened by other non-family shareholders, the family may resort to illicit means to reclaim their dominance (Ho & Kang, 2013; Kellermanns et al., 2012). These tactics can include insider trading, forgery, blackmail, share dilution, manipulation of financial statements, and/or illegal buybacks. Conflict between family members within firms is also a constant and prominent characteristic of these organizations (Eddleston & Kellermanns, 2007; Mendez & Maciel, 2021). Such tensions often stem from sibling rivalry over succession or marital discord, which can lead individuals to engage in questionable practices such as stealing trade secrets, forging signatures, backdating documents, or transferring assets to secret accounts. Affluent families that build large

corporations frequently create foundations funded by their business profits. These non-profit entities enable them to “give back” to society while also providing reputational and tax advantages. Additionally, they can employ family members or finance lavish lifestyles under the guise of “charitable activities” such as extravagant galas and luxury travel.

The common practice of hiring or promoting relatives creates an inherent system of “legalized nepotism” within these businesses. There is even an academic term for the asymmetric treatment of family members over non-family employees in family firms: bifurcation bias (Madison et al., 2018). This concept is narrower than nepotism, as it specifically focuses on family businesses, while nepotism can occur in both family-owned and non-family-owned organizations.

While it may seem paradoxical, one form of corruption, nepotism, can actually contribute to reducing another form of corruption associated with the agency problem (Anderson & Reeb, 2003). As discussed in previous chapters, the principal-agent dilemma or agency problem is a common framework for understanding corruption in an organizational context. This dilemma occurs when an agent (a public official, corporate manager, or lower-level employee) entrusted by a principal (a government, shareholders, owner, or executive) does not act in the organization’s best interest but instead seeks personal gain. Thus, there is a gap between the principal’s interests (e.g., organizational integrity and efficiency) and the agent’s self-interest (e.g., individual profit). Agents can exploit their positions by illegally “selling” organizational resources or their discretion to outsider clients in return for bribes—their actions are often difficult for the principal to fully monitor and control or even just to collect accurate information about. However, *alignment theory* suggests that the conflicting interests between owners and managers tend to lessen in family firms with nepotistic hiring practices (Anderson & Reeb, 2003; Demsetz & Lehn, 1985; Wang, 2006). The cohesion and trust among relatives inside the firm foster an alignment between family and business objectives, thereby diminishing the separation of ownership and control. As a result, the motivation for agents to act in their self-interest diminishes.

CORRUPTION FOR THE FAMILY FIRM

Generally, ethical issues in family firms are under-researched, and the more specific problem of corruption within family firms has received even less attention (De Hadjielias et al. 2022; Lafleur et al., 2025; Vazquez, 2018).

As the previous section suggests, people in these organizations may engage in various unethical, illicit, or even corrupt practices, such as nepotism. Yet, there is also a distinct form of corruption that applies to the firm as a whole. While the previously mentioned high cohesion among family members may mitigate agency problems, it could also foster corruption for the firm. A relevant concept for understanding this phenomenon is borrowed from management science, namely the idea of the corrupt organization, where an entire formal private entity is both the client and the primary beneficiary of a corrupt transaction (Jancics, 2019; Pinto et al., 2008). This issue is also referred to in the literature as corporate crime (Albanese, 1988), collective corruption (Greve et al., 2010), corporate corruption (Castro et al., 2020), or firm-level corruption (de Jong & van Ees, 2014). Such corruption is motivated by the pursuit of an organizational advantage rather than individual gain. Unlike government entities, firms frequently encounter competitive pressures to maximize profits, which heighten the likelihood of this form of corruption (Castro et al., 2020).

A typical form of corrupt organization is when private companies provide kickbacks in return for government contracts. Yet the advantages gained can go beyond simple monetary benefits. For instance, those organizations with political connections often seek and receive improved access to government-subsidized financing (Cull & Xu, 2003; Johnson & Mitton, 2003), reduced equity costs (Boubakri et al., 2012), greater chances of receiving bailouts during financial crises (Faccio, 2006), and favorable conditions for securing contracts compared to competitors (Amore & Bennedsen, 2013; Goldman et al., 2013). The counter-benefits given by private entities can be financial, including kickbacks, political campaign contributions, or subsidized stock options; however, these benefits can also manifest in non-financial ways. Examples are lavish dinners, “conference trips” to appealing destinations, positive media exposure, premium seating at sporting events, or tickets to top-drawing concerts.

Additionally, this kind of corruption can exist solely within the private sector, where employees from one company might bribe other businesses to secure advantages, such as paying a well-known retail chain to showcase their products prominently (Jancics, 2024, p. 79) or swaying a bank to favorably process a loan application (Castro et al., 2020).

In its more advanced form, a corrupt family firm can extend beyond a simple quid pro quo and evolve into state capture, where private firms can significantly influence the state’s policy-making process to create a

favorable environment for themselves. This unique form is exemplified by Korean chaebol—large, family-controlled conglomerates that dominate the country’s economy and are often involved in corruption. Later in this chapter, I will examine this interesting arrangement.

Coordination Mechanisms

Corrupt organization is a top-down phenomenon initiated or approved by organizational elites, but it also involves large numbers of employees and requires sophisticated internal coordination (Jávora & Jancsics, 2016; Palmer & Maher, 2006; Pinto et al., 2008). The two main coordination mechanisms mentioned in the literature are centralized power and a corrupt organizational culture, both of which are readily available in family firms (Jancsics, 2019). In these enterprises, owners and executives have significantly higher decision-making discretion than in non-family businesses (Le Breton-Miller & Miller, 2024). This nearly unlimited formal power allows them to eliminate or substantially weaken internal control mechanisms such as checks and balances, audits, compliance hotlines, and other reporting tools. Consequently, more outspoken, altruistic voices and ethical actors will be discouraged from going against corrupt behavior.

By serving as role models, leaders also function as powerful representatives of the family, thereby possessing the capacity to authorize corruption informally (Ashforth & Anand, 2003). Subordinates, who are often family members, are expected to carry out sanctioned orders without questioning them; the prevailing expectation to adhere to familial obligations typically supersedes professional and impersonal preferences linked to their organizational positions. Although not necessarily involving family, this phenomenon is exemplified in Milgram’s (1974) obedience experiments, which reveal that the ingrained reflex to obey authority figures is so deeply rooted and widespread that a majority of individuals struggle to openly defy directives they do not endorse.

Furthermore, in paternalistic family firms, the founders’ norms and values are often perpetuated due to their strong status or even a cult of personality, thereby fostering a culture of corruption that extends throughout both the family and the firm. When corrupt practices become ingrained in organizational routines, a deviant culture could arise that normalizes corruption. Family-member employees might abandon universal or official ethical norms for particularistic values that benefit their family (Aubert, 1952; LeVine & Campbell, 1972; Ryan & Bogart, 1997). Indeed, if a

social identity is chronically more important to the individual, particularism can metastasize into what Banfield (1958) calls “amoral familism,” that is, a tendency to display morality only as it regards one’s “family.” Always prioritizing the ingroup over outsiders clearly paves the way for corruption within the family firm.

Corporate State Capture by Family Firms

Certain family businesses can become so prominent that they are able to influence the government’s policy-making process, shaping a legal environment that serves their interests (Jancics & Costa, 2024). This phenomenon can be understood as a form of state capture where the processes through which laws and policies are developed can be manipulated by powerful actors to further their particularistic interests (Dávid-Barrett, 2023). State institutions can be captured either by economic (oligarchical or corporate state capture) or political (party or political state capture) actors (Innes, 2014). A family-owned firm capturing the state for the company’s benefits falls in the category of corporate state capture. A distinct variation arises when an entire family exerts influence over most macro-level economic and political institutions, effectively manipulating the legislative process. This scenario illustrates a state not merely seized by powerful actors but instead dominated by a single family. I refer to this phenomenon as dynastic state capture, which I will explore in the next chapter.

CHAEBOL

Korean chaebols are notable examples of *corruption for the family firm* with a strong element of state capture. The extensive system of these companies, while essential to South Korea’s meteoric rise as an industrial power, has also been a breeding ground for entrenched corruption, excessive family control, and collusive ties with political elites. These large conglomerates—family-run, diversified, and vertically integrated—have developed institutional, cultural, and political mechanisms that shield them from accountability while reinforcing authoritarian management styles and shady business practices. Collusion between chaebols and the state has been a historical constant since the mid-twentieth century, dating back to the authoritarian developmental regimes of Park Chung-hee and Chun Doo-hwan, and continuing into contemporary administrations.

The 1988 National Assembly hearings revealed how Hyundai's founder Chung Ju-young contributed money to the Chun Doo-hwan regime through the Federation of Korean Industries (FKI), justifying the payments with the phrase, "I contributed money to live comfortably according to the trend" (Seoul Finance, 2023). This underscores how chaebols have long internalized the practice of paying political protection money.

Deeply influenced by Confucian values, these organizations emphasize obedience, seniority, and familial duty, often prioritizing family interests over corporate objectives. Leadership is typically concentrated in the hands of a founding family, fostering dynastic succession practices that prioritize bloodline over merit. This has resulted in challenges to long-term strategic vision and systemic issues such as a lack of transparency and resistance to internal and external oversight, leading to vulnerability to corruption. While some chaebols have attempted reforms, the entrenched culture of deference to authority and top-down management continues to shape their internal dynamics and external reputation.

The 2016 scandal involving then-President Park Geun-hye and her confidante Choi Soon-sil exemplified corporate state capture by a family firm. Samsung executive, Lee Jae-yong's succession at Samsung involved a calculated series of mergers and financial maneuvers: manipulating market valuations and colluding with state officials to secure approval (Pressian, 2023). Lee Jae-yong was convicted of bribery after providing tens of billions of won in support to foundations controlled by Choi in exchange for government support the merger (Hankook, 2021).

Pressured by the Blue House—referring to the former presidential residence and office complex—the National Pension Service (NPS) approved the merger even though it would negatively impact NPS members. Samsung's influence also led to other legislation favoring its interests. After courts ordered disclosure of hazardous work environment data, Samsung pushed for and won changes to the Industrial Technology Protection Act, classifying this data as "national core technology" and thus confidential—even when workers' lives were at stake (Kyunghyang, 2018).

Internal and External Controls

In chaebol firms, internal control mechanisms are often significantly weakened or fully deactivated. Efforts like Samsung's Compliance Monitoring Committee have been criticized as merely cosmetic. Courts ruled the

committee ineffective in preventing white-collar crime, rejecting it as a basis for leniency in sentencing former Samsung executives (Hankook, 2021). Such internal tools often exist for optics rather than substantive control; in this case, the Committee “failed” to create a meaningful compliance mechanism and lacked authority to oversee Samsung’s central decision-making, according to the court’s opinion.

Despite repeated scandals, meaningful macro-level reform remains elusive. Chaebols maintain tight control over media, lawmakers, and bureaucrats. Thus, external audit institutions are also turned off for chaebols. Despite convictions by South Korean courts, chaebol leaders regularly receive presidential pardons. In 2022, President Yoon Suk-yeol pardoned Samsung’s Lee and Lotte’s Shin Dong-bin, justifying the move as a measure to “boost economic recovery” (HanKyuRe, 2023). Critics saw this as yet another reinforcement of the belief that chaebol elites are “too big to jail,” a play on words regarding the US bank bailouts in the late 2000s—“too big to fail.” Convicted chaebol leaders are infamous for the “3–5 rule,” a lenient sentencing practice granting them three-year sentences with five-year suspensions, allowing them to avoid prison while publicly appearing punished. Many company executives were beneficiaries of this informal “chaebol privilege” (Yonhap News, 2015).

Family Logic in Leadership Transitions

Unlike public corporations governed by boards and shareholders, chaebols are family empires. Leadership transitions often prioritize bloodlines, particularly those of male heirs, over managerial competency. The so-called primogeniture principle, when the eldest son inherits leadership, persists in conglomerates like LG and Hanwha. In contrast, others such as Samsung and Hyundai have chosen younger or more compliant sons over the eldest, often leading to legal disputes and succession wars (Money, 2023). Courts also recognized the above-mentioned Lee Jae-yong’s succession strategy as systemic corruption designed to concentrate ownership within the Lee family (Pressian, 2023).

Succession has repeatedly led to damaging feuds: LG’s inheritance dispute in 2023, Lotte’s Shin brothers’ battle, and the Kumho family’s near-collapse after failed illicit coordination during an acquisition crisis (HanKyuRe, 2023). These internal power struggles reveal the fragility of governance and the prevalence of “imperial management” practices,

where personal loyalty and internal politics outweigh the Weberian concept of business rationality.

Though Korea's broader society has seen progress in gender equality, chaebol leadership remains almost exclusively male. While women like Lee Boo-jin (Hotel Shilla) and Lee Mi-kyung (CJ Group) hold influential roles, they operate in satellite businesses or foundation arms—not at the helm of the core business empire. No major chaebol group has ever appointed a woman as its overall leader (Money, 2023). This is not merely a glass ceiling—it is a structural exclusion rooted in patriarchal inheritance systems, despite the increasing presence of capable women in executive roles.

DISCUSSION

The predominant perspective on contemporary corporations reflects Weber's (1922[1968]) concept of bureaucracy as the most advanced form of rational organization. He believed that firms exemplified “rational-legal authority,” where legitimacy is grounded in law, formal rules, and efficiency rather than tradition or personal charisma. Weber argued that impersonal relationships are essential to achieving efficiency and fairness within these organizations. In a bureaucratic system, decisions are made based on established rules and objective criteria, not personal feelings, favoritism, or social connections. Despite the popularity of this view among scholars, most businesses around the world do not fall into this category; they are typically family-owned, combining rational-formal operations with the family's informal arrangements. Kinship connections between leaders and employees hold significant importance, but family members who are not formal members of the organization can also exert pressure on official processes.

Such a hybrid structure reveals that family businesses are inherently nepotistic entities, favoring relatives over outsiders in hiring, decision-making, promotion, and other resource allocation processes. Surprisingly, this type of nepotism may even inhibit the form of corruption described by the agency problem. When an agent can easily conceal his/her self-interest-driven corrupt activities from supervisors, stealing the company's resources and selling them to outsiders may represent the agent's most profitable choice. However, the strong cohesion and trust among family members within the firm enhance the alignment of family and business goals. Consequently, if the firm is functioning as intended, the incentive

for agents to pursue their own corrupt interests vanishes. However, due to stronger emotional ties, frequent interactions, and unresolved past issues, people who are close to each other—such as family members or romantic partners—can experience more intense or serious conflicts than strangers. As the above-mentioned chaebol examples suggest, disputes between siblings can give rise to forms of corruption particular to family firms.

Although the intention to preserve family reputation may foster ethical behavior in family firms, securing a corrupt contract can be attractive for companies facing intense competitive pressures to generate profits or merely to survive (Castro et al., 2020). Certain special features of family firms also provide more effective mechanisms for corruption that benefit the entire organization. The phenomenon of corrupt organizations often involves numerous employees and necessitates sophisticated internal coordination, which can therefore be viewed as a form of collective corruption (Palmer & Maher, 2006). It is essential to note that the above-discussed Chaebols are only one prominent example of this phenomenon, which is also found worldwide.

A known mechanism for such coordination is the simple exercise of power, whereby executives pressure their subordinates to obey authority, engage in corruption on behalf of the company, or cover it up (Jancsics, 2024, pp. 82–83; Needleman & Needleman, 1979; Palmer & Maher, 2006; Scheff, 1988; Trevino, 1986). The highly centralized structure and the founder's or CEO's often unlimited power can make the coordination of corruption in family firms easier, as family members naturally submit to the authority of the family head, who may also be the top executive of the firm. Organizational culture—informal norm systems that regulate the employees' behavior—is another way to facilitate corruption among members (Ashforth & Anand, 2003; de Graaf, 2007). Due to close-knit emotional family ties, the organizational culture in family firms can be especially strong and cohesive, which may make a corrupt organizational culture in those companies even more constraining.

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CHAPTER 7

Dynastic State Capture

In this chapter, I explore the concept of *dynastic state capture*—a form of grand corruption in which a single family comes to dominate state institutions, converting political power into private wealth. Drawing on the case of Hungary under Prime Minister Viktor Orbán, I examine how familial networks mobilize formal authority, manipulate legal systems, and rely on both official channels and informal ties to divert public resources for their own benefit. Unlike more conventional forms of state capture driven by corporate or political elites, dynastic state capture intertwines personal loyalty, patrimonial practices, and long-term wealth accumulation across generations. It blends the appearance of rational-legal bureaucracy with the underlying logic of neopatrimonial governance. Ultimately, this phenomenon distorts the state's redistributive function, undermines democratic institutions, and entrenches enduring family empires that operate simultaneously within public and private realms.

STATE CAPTURE

The presidency of Zine al-Abidine Ben Ali, who led Tunisia from 1987 until his ousting during the Tunisian Revolution in 2011, was characterized not only by authoritarianism and corruption but also by significant enrichment and empowerment of his family and in-laws. In particular, his second wife Leïla Trabelsi and her extended family became infamous for

accumulating wealth and influence. The so-called Trabelsi clan members took over the most lucrative sectors of the Tunisian economy, using granted monopolies by the state and winning favorable contracts through their political connections. They also frequently seized private businesses under dubious pretenses. Although not as publicly scrutinized as the Trabelsis, Ben Ali's own close relatives also benefited from his power. At the height of his empire, at least 662 firms were identified as owned by the Ben Ali family, all of which were subsequently confiscated in the aftermath of the "Jasmine Revolution" (Rijkers et al., 2017). The state also had a significant role in supporting these enterprises. The introduction of stringent regulations restricted investment, thereby stifling competition and favoring specific actors within the most lucrative economic sectors, including telecommunications, real estate, construction, and air transport. It is not surprising then that approximately 88% of the net profit generated by firms associated with Ben Ali came from these industries.

The regime of Zine al-Abidine Ben Ali is widely considered a textbook case of *state capture*, particularly in its later years. State capture refers to a type of grand corruption in which powerful interest groups gain control over state institutions and manipulate the processes through which laws and policies are formed and resources allocated, all to serve their own particularistic interests (Dávid-Barrett, 2023). By altering laws and institutions, state capture shapes the rules of the game under which the entire society operates. Consequently, its social impact is broad and lasting. State capture occurs during the formulation of laws and policies (the input side) rather than through the execution of established policies (the output side), which is typical of other forms of corruption (Hellman & Kaufmann, 2001). State capture manifests in two distinct forms: oligarchical or corporate state capture and political or party state capture (Innes, 2014; Martin, 2020). In oligarchical state capture, powerful business figures (clients) co-opt state institutions (agents) and manipulate policies to extract public resources for personal gain. In political state capture, political actors take control of the state to establish a political monopoly, even determining the fate of oligarchs. In state capture, corruption is written in laws and policies.

The situation involving the Ben Ali family illustrates not only a state captured by economic or political elites but also one controlled by an informal network centered on a single ruling family. I refer to this phenomenon as *dynastic state capture*—a form of corruption in which familial power infiltrates and subordinates both public institutions and private enterprises. In such cases, the family's informal authority transcends

formal governance structures, ultimately consolidating control over the state itself. Scholars agree that there is a pressing need for both theoretical and empirical research to develop a clearer understanding of the variations in state capture (Carpenter & Moss, 2013; Dávid-Barrett, 2023). By integrating the concept of family into this framework, we may gain deeper insights into this complex issue. This form of *family corruption* manifests at the central authority in society and involves the extraction of vast amounts of resources. This phenomenon indicates the re-emergence (or continued existence) of the patrimonial organization within contemporary bureaucracies, with a special focus on dynasty-building (Collins, 2011).

The primary means of coordinating actors' behavior in captured systems is through hierarchy. Corruption is concealed within formal institutions, thus hierarchy—just like in a usual bureaucracy—coordinates these activities effectively (Powell, 1990). Therefore, on paper, this corruption is legal, meaning that the actors adhere to the formal rules, so they are not violating the law, although, of course, in this grand corruption scheme, the laws have already been tailored to their needs (Kaufmann & Vicente, 2011; Fazekas & István-János, 2016). When we focus only on the surface, the fundamental processes through which captured states are organized may remind us of a modern bureaucracy. As we will see later in this chapter, in the Hungarian case of Viktor Orbán's family, such a scenario can occur even in an advanced, so-called democracy, one that is part of the European Union. However, beneath this Potemkin-village structure, the captured system is organized informally through neopatrimonial mechanisms (Jancsics, 2024a).

The historical shift from patrimonialism to bureaucracy, first described by Weber (1922[1968]), was the most significant organizational transformation shaping the transition from medieval to industrial societies. Patrimonialism was the dominant form of social organization, based on private households and alliances among them. It even manifested as a macro-level phenomenon, where the ruler legally owned the state and treated it as personal property, with no clear distinction between public resources and family wealth. In Weber's framework, modern bureaucratic organizations stand in stark contrast to every characteristic of patrimonialism.

Historically, patrimonialism was regarded as a male-dominated form of organization based on interpersonal relations, unwritten rules, arbitrary discretion, memories, and informal norms. Power and authority were typically concentrated in the hands of a patriarch, whose personal influence

often extended into both the private and public spheres. A key feature of these relationships was the almost unconditional personal loyalty maintained by rituals and sentiment, as well as by material dependence.

PATRIMONIAL HOUSEHOLDS AND ALLIANCES

Although the model of personal power within this context is the family, a patrimonial household is typically comprised of more than mere kinship. It often encompasses broader arrangements that include numerous servants, armed guards, retainers, hostages, slaves, houseguests, or even household administrators or stewards. Randall Collins (2011) identified two forms of patrimonial organization: (1) patrimonial households and (2) patrimonial alliances, or pseudo-tribes. Patrimonial households grew internally by incorporating non-kin members and externally through personal alliances among heads of households. As a larger and more complex form of organization, patrimonial alliances can be illustrated through early ad-hoc warrior coalitions such as the Vikings, the Germanic tribes of the *Völkerwanderung*, and ancient Greek colonists of the circum-Mediterranean region, all of whom frequently cut ties with their ancestral homes in pursuit of wives in their new territories (Collins, 2011). These alliances used divorce, remarriage, and other quasi-kinship forms as strategic tools, discarding or creating kin networks to expand and strengthen their households compared to rival factions. Searle (1988) refers to this practice as “predatory kinship.” Creating new kinship enabled these ventures to gain greater flexibility and facilitated the emergence of new coalitions, leaders, and aristocracies.

Ritualistic bonds of loyalty were developed within these newly formed groups, often drawing upon the language and symbolism of kinship. Members frequently imagined a fictive ancestor, a mythical hero from whom they collectively claimed descent. This arrangement can be identified as feudalism if the overarching state structure consisted of such alliances among armed households, with legally recognized links between them and other landlords. Patrimonialism could then become the basis of the central authority in a state, a system of governance in which all administrative and political power is concentrated in the hands of the ruler, and the apparatus functions as the ruler’s personal household or estate.

RATIONAL-LEGAL BUREAUCRACY VS NEOPATRIMONIALISM

In contrast to patrimonialism, the emerging contemporary form of bureaucracy is characterized by an emphasis on written rules and comprehensive record-keeping, as described by Weber (1922[1968]). Loyalty, a key element of patrimonial relationships, was replaced by impersonal adherence to the abstract duties and goals, as well as one's position within it. In a bureaucracy employees are remunerated by salaries fixed by law, as opposed to patrimonial, informal exchanges of resources such as favors and gifts. The era of modern rational-legal bureaucracies physically separated the workplace from the household by establishing specialized buildings—offices, factories, stores, barracks, prisons—where individuals in formal roles were set apart from their families. The newly emerging state, with its bureaucratic apparatus, penetrated into households and reached individuals without the need for approval by the patriarch (Collins, 2011). Eventually, the state started to institute regulations on households including taxation, civil registration, and laws regarding living conditions, marital relations, property rights, and parents' obligations.

Although patrimonialism appeared to decline with the emergence of sovereign nation-states and capitalism, by the late twentieth century, a surprising resurgence was noted in various regions, including the Middle East, former socialist countries in Central and Eastern Europe, post-colonial Africa, Latin America, and even the United States (Lachmann, 2011). In response to this revival, scholars have introduced a new term to describe this old yet renewed phenomenon: *neopatrimonialism*. It is defined as hybrid political systems where the traditions and practices of patrimonialism co-exist with, and influence, rational-legal institutions (Ermakoff, 2011).

Neopatrimonial Features in the Contemporary U.S

Even most recent U.S. presidents have demonstrated neopatrimonial elements. During his tenure as vice president, President Joe Biden faced scrutiny for his son Hunter Biden's business dealings with the Ukrainian energy company Burisma and various interests in China (Aredy & Barber, 2024; Vogel, 2024). Critics argue that Hunter may have exploited his father's political connections to secure lucrative board memberships and business opportunities. Furthermore, President Biden granted a full and unconditional pardon to his son on December 1, 2024, which

encompassed all federal offenses committed by Hunter between January 1, 2014, and December 1, 2024, including convictions for tax evasion and federal gun charges (Shear & Kanno-Youngs, 2024).

During his first presidency between 2017 and 2021, President Donald Trump appointed his daughter Ivanka Trump and son-in-law Jared Kushner to formal advisory positions in the White House. Although the couple has distanced themselves from politics during Trump's second term, Jared founded a successful venture capital firm shortly after leaving the White House. In 2022 he secured a significant \$2 billion investment from a fund led by Saudi Arabia's Crown Prince Mohammed bin Salman (Kelly & Kirkpatrick, 2022). Additionally, Jared's father Charles Kushner—who pleaded guilty to 16 counts of tax evasion and was pardoned by Trump in 2020—was appointed as Ambassador to France by Trump in 2024 (Reich, 2024). During his second presidential campaign, Trump's sons Donald Trump Jr. and Eric Trump became prominent figures in his political operations, participating in rallies and strategy meetings alongside their father. Furthermore, in early 2024 the president's daughter-in-law Lara Trump was appointed as co-chair of the Republican National Committee (Gold, 2022). During both his first and second terms, Trump's family business has been highly profitable, doing business in multiple industries and pitching items such as bibles, watches, sneakers, and guitars with Trump's name on them. Just days before his second inauguration, Mr. Trump and his family directly entered the cryptocurrency business themselves for the first time, selling their own new crypto token—a deal that generated tens of millions of dollars in transaction fees and potentially billions of dollars for the family through future token sales. Trump is also known for prioritizing unconditional personal loyalty over expertise and objective opinions. For example, former FBI Director James Comey was dismissed in 2017, and Trump later stated it was related to the Russia investigation, which Comey refused to shut down—indicating a preference for loyalty over institutional independence (Schmidt, 2017; Shear & Apuzzo, 2017).

DYNASTY

A crucial aspect of patrimonial alliances was—and still is—strategic inheritance, which involves transferring authority and/or material wealth to the younger generation to establish, sustain, and expand a dynasty. Historians use the term “dynasty” to explain the structure of monarchical power and

its reproduction through familial succession and the self-representation of rulers (Afanasyev & Banerjee, 2022). This construct has often been used as something pre-modern or medieval, the opposite of the modern state and its institutions. The concept of a dynasty goes against the democratic approach to modern societies, in which merit, professional knowledge, innovation, as well as rational-legal legitimacy are regarded as bases of economic and political resource allocation. Dynasty often intertwines political and economic powers as a way to hold strategic alliances together politically and economically at the same time. It is focused not just on individual success but also on creating lasting legacies.

Dynastic rule has been a prominent feature in chiefdoms, principalities, kingdoms, monarchies, and empires throughout history (Duindam, 2019). However, it also applies to affluent families. Cultivating dynastic wealth generally refers to families that own, accumulate, and transfer significant assets within and over generations to reproduce socio-economic advantages across changing cultural and political landscapes (Higgins, 2022). While inheritance upon the death of the family head often plays a key role in this process, it may also encompass various methods of wealth transfer that occur during the individual's lifetime. Intergenerational wealth transfer is often not a discrete and finite transaction but an enduring familial practice. It may have a different face now, but the dynasty is alive and well. In fact, it is the primary means by which the concentration of wealth at the top occurs in modern affluent societies (Toft & Hansen, 2022). Today, this includes preserving multigenerational wealth through family practices, such as establishing and managing legal entities—corporations, trusts, and foundations—which are incorporated into bureaucratic practices, including meetings, training, and presentations (Shiffer-Sebba, 2025).

Dynastic State Capture

While neopatrimonialism and dynasty share certain similarities, the former in contemporary governments is often associated with personal loyalty, informal networks, and cliques that lack direct familial connections (Charrad, 2011). Therefore, I suggest introducing the term “dynastic state capture” to specifically highlight the family element and dynasty-building efforts in this grand corruption scheme. I use the case of Viktor Orbán, Hungary's long-time prime minister, and his family to show the corrupt intergenerational *capital conversion*—the concept originally used

by Pierre Bourdieu (1986)—in a fully captured government system (Jancsics, 2024b, pp. 120–123). While other corruption types are typically based on social exchange, a *quid pro quo* between an agent and a client, state capture is a redistributive form of corruption based on resource collection and allocation by a central administration controlled by corrupt actors (Jancsics, 2019; Polanyi, 2001, p. 52). In the context of dynastic state capture, one or more family members must be positioned at the highest echelon of government to facilitate corruption. Here, the clear separation of the corrupt agent and client is more difficult, since the beneficiaries of the particularistic redistribution and the redistributors are members or loyal servants of the same family.

Another difference between it and other *quid pro quo*-based corruption is that dynastic state capture represents a sophisticated, long-term transformation process unfolding in distinct phases at the macro level of formal state institutions. This process begins with the collection of resources from the population through taxation—in the case of Hungary, often through EU funds—and culminates in the redistribution to family members. How does this transformation occur? The driving force behind this well-designed and sophisticated process is the control exerted by the government's central authority, which oversees this redistribution. Through the example of Viktor Orbán's family, I will illustrate how his significant political capital has been transformed into economic capital for his family. As a result, the entire state apparatus is leveraged to support and advance his dynasty's economic ambitions. The intertwined dynamics of Orbán's family's economic development and his growing dominance within the Fidesz party, along with the party's overall supremacy in Hungary's political landscape, also suggest a profound departure from the more or less democratic practices of previous post-socialist governments in Hungary.

Orbán's family embodies a politically secured accumulation of private wealth. While Orbán strives to maintain a separation between family business interests and political affairs in the eyes of Hungarian citizens, numerous instances reveal not only relatives receiving vast public resources but also family members engaging in state-related business, often in informal or semi-formal capacities. A notable example is the ventures of his daughter and her husband in the Arab world (hvg.hu, 2016). There are also instances of strategic patrimonial alliance, arrangements that go beyond immediate family—for example, the quasi-family relationship between Lőrinc Mészáros, the richest Hungarian oligarch, and Orbán. Essentially,

what is happening in Hungary involves family coalitions exerting control over the state, all under the significant and nearly absolute power of Orbán and his party's continuous ability to amend the constitution due to their two-thirds majority in the Hungarian parliament.

Intergenerational Political Dynasties in Hungary

The 40-year reign of the socialist system between 1949 and 1989 in Hungary both undid old economic and political elites and helped create new ones, some of whom adapted remarkably well to post-socialist capitalism. In traditional capitalist societies in the West, a substantial concentration of wealth is retained by a small elite known as the “capitalist class,” comprised predominantly of old-money families (Carney & Nason, 2018; Zeitlin, 1974). In contrast, during Hungary's socialist regimes, private wealth was nationalized mainly. As a result, classical old-money families either vanished or were permitted to retain only a minor portion of their former assets, making it impossible to accumulate and pass down wealth through inheritance. However, some families managed to secure influential positions within the communist party bureaucracy.

Even under recent democratic elections, kinship continues to influence the composition of the political ruling class. Notable examples include the Kennedy, Bush, and Clinton families in the United States, the Le Pen family in France, the Trudeau family in Canada, the Papandreou family in Greece, and the Shinzō family in Japan (Geys & Smith, 2017). The emergence of a Soviet-style one-party state in Hungary, however, hindered the establishment of classical political dynasties. The regime portrayed itself as egalitarian and anti-aristocratic, rendering family-based power formally unacceptable. Nonetheless, a few families managed to accumulate power across generations and even political systems. The Apró family, for instance, stands out as one of Hungary's most significant political dynasties, with roots tracing back to the communist era and a lasting impact on modern democratic politics. Antal Apró, a prominent figure in the Hungarian Socialist Workers' Party, held several high-level government positions during the Kádár regime, including Deputy Prime Minister and Speaker of the National Assembly. His political legacy continued through his daughter, Piroska Apró, an influential businessperson known for her behind-the-scenes influence, and his granddaughter, Klára Dobrev, a prominent left-liberal politician and former Vice President of the European Parliament (Magyari, 2007). Klára Dobrev is also married to former socialist Prime

Minister Ferenc Gyurcsány, who began his career as an oligarch in the early 1990s (Mong, 2012a).

Dynastic State Capture in Hungary

Viktor Orbán’s dynastic state capture differs from the traditional intergenerational political dynasties mentioned above. Because the Hungarian constitution does not impose term limits, Orbán, the European Union’s longest-serving prime minister, is on track to complete his fifth term by 2026 and may be re-elected. His primary goal is not to pass on his political power to family members—though some of his relatives had informal political roles—but rather to establish a formidable economic empire, effectively converting his political power into economic capital for his family. In public, he maintains a relatively modest demeanor and lifestyle. According to his latest asset declaration, he has savings of 5.7 million HUF (approximately 13,400 USD) as of December 21, 2024 (Cseke, 2024). As he stated in the Hungarian parliament in 2016, “The situation seems to be that I have been a member of parliament since 1990. I have never been a wealthy person, I am not now, and I will never be” (Hungarian Parliament, 2016). However, investigative journalists have revealed that his family is, in fact, part of Hungary’s billionaire class.

THE ORBÁN FAMILY

Viktor Orbán clearly did not come from an affluent family. One of his grandfathers worked as a dockworker in Csepel, traditionally Budapest’s most industrial and working-class district. To fully understand the family’s rapid accumulation of economic capital over just one generation, we need to reflect on the early 1990s, following the downfall of the communist one-party system in Hungary. During this time, newly established democratic parties were granted high-value properties by the state at no cost, which served as headquarters and helped ensure the basic operation of these parties. However, these properties were not utilized as intended. In 1993, the party Fidesz (Alliance of Young Democrats) under the leadership of Viktor Orbán—one of the founding members of the party—sold its freshly acquired headquarters, known as Tiszti Kaszinó—Royal Hungarian Officers’ Casino, a significant architectural and historical landmark—which was co-owned with another newly formed party, Magyar

Demokrata Fórum, for 1.5 billion HUF. The profits from this sale were shared between the two parties, sparking significant public outcry.

At that time, Lajos Simicska, who would rise to prominence in the mid-2010s as one of the most influential Hungarian oligarchs, served as Fidesz's economic director and began to invest this revenue into various business ventures. Both Simicska and Orbán studied law at Eötvös Loránd University (ELTE) and were roommates in the dorms during their university years in Budapest in the 1980s. They were also among the founding members of Fidesz, established in 1988. Just prior to the headquarters deal, Viktor Orbán's father, Győző Orbán, became the owner (alongside several other employees) of the mining company Dolomit Kft., his former employer that had recently been privatized. This occurred through a privatization program that enabled employees to become owners of state-owned companies. Shortly thereafter, Quality Investment Rt., a company founded with money from the Fidesz headquarters sale and associated with Lajos Simicska, obtained a substantial stake in the mining firm but subsequently sold it to various owners, including Győző Orbán—this time the largest owner of the company—at a price significantly below its face value (Ószabó & Vajda, 1999). Orbán became a part-owner before the headquarters sale and significantly increased his share in the company afterward. That, briefly, is the “story of the first million” of the Orbán family, which already involved the improper use of taxpayers' money—a trend that has continued in the family's subsequent business ventures.

The Father's Business

In 1996, the Orbán family (Győző Orbán, his wife, and Győző Orbán Jr.) established a new company called Gánt-kő Kft. This company acquired the rights to exploit two new mines: a gravel mine located in Vársapúszta in the Zámoly region and a sand mine near Felcsút. These new ventures allowed the Orbán family's businesses to extract a full range of raw materials typically used in the construction industry. The family's first significant business deal took place in 1997 when the older company, Dolomit Kft., became the supplier for the state-owned Dunaferri Duna Vasmű. This occurred just 1 year prior to Viktor Orbán's commencement of his first term as prime minister, which lasted from 1998 to 2002. By the latter half of the 1990s, the Orbán family had successfully established a mining empire in Fejér County. However, the colossal growth of the Orbán family

business began after Viktor Orbán started his second term as Hungary's prime minister in 2010.

While the mining companies owned by Viktor Orbán's father and his two brothers paid 856 million HUF in dividends in the 10 years between 2004 and 2013, in the following decade, between 2014 and 2023, the family pocketed 10 billion HUF (about 28 million USD) (Jandó, 2024). Investigative journalists have uncovered that the companies' remarkable performance was significantly aided by involvement in various public works projects funded by the European Union, which ironically are frequently targeted by Orbán's rhetoric (Pethő & Zöldi, 2017). Notably, these companies did not win public tenders directly; instead, they served as subcontractors or suppliers for firms that were contracted by the state. This arrangement allows them to evade visibility in public tender databases, complicating efforts to gain a comprehensive understanding of their business activities. These companies also supplied building materials to firms associated with Lajos Simicska, a close ally of Orbán until 2015, as well as, more recently, to businesses linked to Lőrinc Mészáros, a childhood friend of Viktor Orbán and the wealthiest oligarch in Hungary. According to sources familiar with these transactions, the products were priced approximately 30 times higher than the standard industry rate (Pethő & Zöldi, 2017).

The Brothers

Energép Ltd. is an energy and construction firm engaged in plastic production and waste recycling operating on properties owned by Hahót Tőzeg Ltd., a joint venture of the prime minister's mother and father (Zöldi & Pethő, 2021). Two of the three owners of Energép have close connections to Viktor Orbán's younger brother, Győző Orbán Jr. One minority owner, Viktor Kovács, has direct familial ties to the Orbáns, as he is Győző Orbán Jr.'s son-in-law. The majority owner, Gábor Szentgyörgyi, is an entrepreneur whose IT group has secured government contracts totaling several million Euros since 2013 (Pethő, 2018). Szentgyörgyi and Orbán Jr. have been friends since childhood, bonded by their mutual interest in wrestling. In 2020 another company, Gamma Analcont Kft., which is partially owned by Győző Orbán Jr., won a significant public procurement, securing a net order of 268 million forints (approximately 730 thousand euros) for the remote monitoring of gas networks in the following years (Szőke, 2021).

Viktor Orbán's second brother, Áron Orbán, is also active in business. He established several international businesses: Circles of Angels and Devils d.o.o. in Croatia and Angels Circle s.r.o. in Slovakia. All these companies share a similar profile, focusing on dealings involving weapons. He also owns and operates a shooting range that lists several oligarch or state-owned companies as partners on its website, including Lőrinc Mészáros' ZÁÉV, László Szíjj's Duna-Asfalt, as well as the state-owned Mátra Power Plant and the Central Transdanubian Water Management Directorate (Katus, 2023).

The Wife

Anikó Lévai, the wife of Prime Minister Viktor Orbán, has substantially increased her real estate portfolio since the 1990s. In her most recent wealth declaration, published in 2010 during the period when the financial disclosures of politicians' family members were made public, she listed 38 properties (Vorák, 2016). Notably, Lévai amassed this wealth despite having minimal to no significant income during much of that time. The official homepage of Prime Minister Viktor Orbán highlights her charitable and volunteer work, yet she has never reported any income in her public wealth declarations.

Lévai initiated her investment portfolio in 1997 in the historically renowned Tokalj Hegyalja wine region by acquiring 50,000 square meters of land from the local municipality at an exceptionally low price. As of 2010 she had acquired nearly 100 acres in various locations, including a significant area in Viktor Orbán's hometown of Felcsút. Additionally, Lévai co-owned a grape farm in Olaszrizska with the Hungarian Ambassador to France at the time, Dezső Kéessy, and the president of Posta Bank, László Madarász.

Notably, there emerged a powerful business network from Lévai's hometown of Szolnok, gaining significant influence after 2010, which includes Zsolt Nyerges, a prominent oligarch (Mong, 2012b). Among various business ventures, Nyerges established a property management firm named A4B Management Ingatlankezelő Zrt. This limited liability company was founded with share capital of 100 million forints, with Nyerges as the sole owner. Intriguingly, the position of managing director was given to Márk Ádám Szeghalmi, the nephew of Anikó Lévai (hvg.hu, 2019). Imre Ökrös, Lévai's brother-in-law and a close friend of Nyerges, is also part of this circle. His wife is Gizella Lévai; they have two sons from

her first marriage: the aforementioned *Ádám*, and *Balázs Szeghalmi*, who managed the Hungarian-Turkish Trade Center during Hungary's Eastward opening policy to create closer economic, transport, and energy relations with the Turkic countries, namely, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, Turkmenistan, and Uzbekistan. The center was owned by *Andan Polat*, a Turkish businessman believed to be a friend of *Viktor Orbán* (*Barnóczki*, 2024).

The Daughter and Son-in-Law

Viktor Orbán's son-in-law *István Tiborcz* is a key figure in *Orbán's* dynasty-building project. In 2010, a company associated with *Lajos Simicska* became the majority owner of an energy firm known as *ES Holding*, where the then-24-year-old *István Tiborcz* served as co-owner and director (*Pethő*, 2017). At that time, he was dating *Ráhel Orbán*, the eldest daughter of *Viktor Orbán*. The couple married in 2013. *Tiborcz* continued to serve as a director of the energy company, conducting business activities under the oversight of *Simicska* and his associates.

Tiborcz's first major successful company, *Elios*, specialized in public lighting projects across entire towns and cities, funded through EU grants. They secured over 30 significant public tenders. The requirements for these tenders were so high that only *Elios* could fulfill them. Additionally, these calls had very tight deadlines, preventing other companies from preparing detailed proposals without insider knowledge before the tenders were announced. *Elios* clearly knew the details of tenders before they were even published. Also, the calls had very specific technological requirements, such as using certain brands and products that other competitors could not supply. In 2015, the European Anti-Fraud Office conducted a comprehensive investigation into these suspicious public lighting contracts, while the European Commission's Directorate General for Regional Policy also launched an audit into *Elios*. Probably due to the investigations, *Tiborcz* gave up his shares in the company and started a new business, *BDPST Group*, in 2015.

By 2025, *Tiborcz* had established a significant empire in luxury real estate, encompassing high-end hotels as well as financial and logistics firms, with *Ráhel Orbán* involved in managing various segments of this empire (*Pethő et al.*, 2025). In 2024, *Tiborcz* was ranked as the 19th richest individual in Hungary (*Haszán*, 2024). His ventures benefited from favorable state loans for many of his investments (*Szabó*, 2021).

Noteworthy aspects of Tiborcz's business portfolio include a considerable tax exemption of approximately 30 billion HUF that BDPST Group received in 2024, thanks to new regulations allowing companies focused on heritage buildings to significantly lower their tax base (Spirk & Vitéz, 2024). In the same year, the Hungarian government purchased office space from Tiborcz's firm across three locations in Budapest for 600 billion HUF (about 1.6 billion USD), with prices ranging from about 40% to 70% above market value (Bódis, 2024). These dealings remained under wraps until investigative journalists uncovered them. Additionally, Adnan Polat, the above-mentioned Turkish oligarch with close connections to Turkish President Recep Tayyip Erdoğan, was identified as a co-owner of businesses in partnership with BDPST Group (Szabó, 2021).

The Quasi-Family

While there are no blood ties between the Orbán and Mészáros families, scholars and experts often consider the Mészáros family to be an extended quasi-family of Viktor Orbán. Some even speculate that Mészáros acts as a stooge or strawman for Orbán and his wealth is in fact Orbán's wealth. A significant and close relationship has existed for decades between the two families. Lőrinc Mészáros, who began as a small-town gas fitter in Felcsút, rose to become Hungary's richest individual, boasting a net worth of \$5 billion by 2025 (Forbes, 2025). A childhood friend of Viktor Orbán, Mészáros began amassing his wealth rapidly after Orbán returned to power in 2010 and particularly after 2015, when Orbán publicly distanced himself from Lajos Simicska, then the most powerful oligarch. Consequently, Simicska's wealth was rapidly and significantly diminished. Mészáros's fortune primarily stemmed from winning state contracts and acquiring interests in key sectors, including construction, media, energy, and agriculture. Many of his companies have secured lucrative public tenders, often uncontested and significantly supported by EU subsidies.

Mészáros replaced Simicska as Orbán's right-hand oligarch on the national stage, but the families also strengthened their bonds locally. In 2015 the Orbán's family sold a nearly four-hectare plot of land in Felcsút to Lőrinc Mészáros and immediately entered into a 20-year lease to rent it back, allowing Győző Orbán and his son to continue sand mining on the property for years to come. In a separate transaction, Győző Orbán acquired the Hatvanpuszta manor house, situated between Felcsút and Alcsútdoboz, through a different company. Subsequently, Mészáros was

granted a 10-year lease on the 13-hectare complex (Magyar, 2015). As another evidence of the bond between the families, all other property around the Orban farm is owned by the Meszaros family. For a period of time, Mészáros and Tiborcz also co-owned a property investment holding, Appenninn Holding Nyrt., with a portfolio valued at billions of HUF (hvg.hu, 2020).

DISCUSSION

At the top of the corruption “food chain,” state capture represents the most consciously organized and sophisticated form of corruption (Jancsics, 2024b). Unlike other forms that rely on exchange arrangements, state capture represents a redistributive approach characterized by the collection and allocation of resources by a corrupt central authority (Jancsics, 2019; Polanyi, 2001, p. 52). State capture is often systemic, which means that corruption is the main guiding principle of governance. Typical methods for extracting resources from a captured system by specific interest groups in these major corruption schemes include large infrastructure projects, public procurement initiatives, extensive concession tenders, and ownership transfers through nationalization, privatization, or reprivatization (Jancsics, 2024b). It requires a level of power necessary to effectively control the process of redistributing state resources by manipulating law and policy-making processes. As a result, the state allocates resources in ways that benefit particularistic actors rather than the general public or the whole society. Dynastic state capture represents a subcategory of this corruption, when neither mere economic nor political actors but an entire family controls and consciously distorts the state’s redistributive functions. A captured state represents a hybrid structure of two forms of organization. Since this corruption is legal—at least on the surface—it seemingly functions as a modern bureaucracy coordinated by conventional formal hierarchical rules. However, behind the scenes it is organized informally as a neopatrimonial system and, particularly in cases of dynastic state capture, centered around one family.

Capital is what makes the games of society, not least the economic game, something other than simple games of chance. Following Bourdieu’s (1986) work, dynastic state capture can also be conceptualized as a form of capital conversion. Bourdieu acknowledges three primary types of capital: economic capital (money and property), cultural capital (cultural goods and services including educational credentials), and social capital

(acquaintances and networks). He also pays a good bit of attention to a fourth form of capital—symbolic capital (legitimation). Although Bourdieu (1991, p. 192) did not extensively study political capital, he treated it as a form of symbolic capital in the political field that enables agents to exercise power and recognition.

One form of capital can be converted into another, depending on the field—a structured social space with its own rules—and the legitimacy structures within it. This conversion is never automatic but requires strategic action and recognition by others in the field. For example, economic capital can be transformed into cultural capital through elite education, or into symbolic capital when wealth is seen as a mark of prestige. Another example is how celebrities from music or sports can turn their fame into business ventures and/or into political office. The transformation process is governed by field-specific logics, meaning that the value and convertibility of capital depend on the rules and power relations of each social arena. Thus, capital transformation is both a resource-based and symbolic process, continuous actions and reactions through which all social groups strive to maintain or improve their position in the social structure. In the case of dynastic state capture, family members gain enough formal power to define the rules of the game and convert their political capital into economic capital.

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CHAPTER 8

Policy Implications of Family Corruption

Family ties and corrupt exchanges often intertwine in ways that challenge conventional anti-corruption policies. In this book, I have identified multiple forms of *family corruption*—ranging from petty nepotism to full-blown dynastic state capture—that cut across micro, mezzo, and macro levels of society. This chapter synthesizes insights from the anti-corruption literature to examine how such measures can be tailored to the unique dynamics of family involvement. It discusses all five types of family corruption and analyzes the effectiveness of various policy responses (top-down vs. bottom-up, internal vs. external) against each. Findings indicate that one-size-fits-all strategies are often inadequate. Instead, anti-corruption interventions must account for kinship loyalties, social norms, organizational contexts, and macro-level social forces that enable family-facilitated corruption. The chapter concludes that incorporating an understanding of family networks into anti-corruption policy design is crucial for improving effectiveness.

ALIGNING POLICY WITH THE LOGIC OF KINSHIP

Many anti-corruption reforms have been ineffective because they apply *one-size-fits-all* solutions without considering the underlying type of corruption in a given context (Jancsics, 2019; Johnston, 2005; Torsello & Venard, 2016). For instance, strategies that work against opportunistic

bribe-taking by a lone bureaucrat may not work against systemic patronage networks, and vice versa. Aligning policy responses with actual forms of corruption is therefore critical. Given that this book views family corruption as a distinct type of corruption, it is worth exploring which anti-corruption strategies could effectively prevent it.

This chapter examines how various anti-corruption measures—such as legal sanctions, audits, transparency initiatives, whistleblower protections, and civic empowerment—fare against each category of family-related corruption. I assess which approaches are potentially effective, which are counterproductive, and what new strategies might be needed. The goal is to inform more nuanced anti-corruption policies that can contend with the powerful influence of family ties.

Before discussing policy responses, it is important to note three general observations that establish the context. First, family-based corruption often results from a conflict between formal rules and informal family norms (de Graaf, 2007). People rooted in strong kinship values may see helping family members as morally right, even if it breaks the law or organizational policy. In these cases, the legitimacy of formal anti-corruption laws is undermined on the ground: those who refuse to “help” their family can face significant social penalties from their community. As noted in previous chapters, in some countries, public officials experience intense pressure from relatives and friends to use their office for favors; those who resist can be ostracized or even threatened with violence by their extended network. This means that a purely legalistic approach to curbing kinship-related corruption may force officials into a conflict between personal/familial morals and professional duties.

Second, because family corruption often leverages trust and loyalty, it tends to be less visible and harder to detect than arm’s-length corruption. In most cases, resource transfer, even illicit ones, between family members follows the logic of gift giving (Graycar & Jancsics, 2017). Reciprocity, the primary force behind gift exchanges, is a universal norm across nearly all cultures. It involves lending resources now with the expectation of future return, though it doesn’t demand an immediate exchange (Peebles, 2010). The crucial point is that reciprocity operates on a deferred timeline; it does not have to occur immediately to remain meaningful or binding. A cash bribe between strangers might leave a paper trail or suspicious patterns, but corrupt family deals can often be concealed behind gift-type exchanges. The counter-transfers in such corruption can be delayed or implicit—e.g., an official does a favor today and is rewarded informally at a later time by

the family network, making it difficult to detect from law enforcement scrutiny.

Third, almost any item of value can be considered a gift. And a gift does not even have to be a physical object (Larsen & Watson, 2001). It can manifest in various forms of labor, such as cooking for another individual (Carrier, 1991; Murcott, 1983). Mutual favors, including acts of intimacy, may also function as gifts. Moreover, gifts or counter-gifts are not confined solely to individuals; they can also be initiated by communities or families in the form of symbolic capital, such as recognition, honor, prestige, or nobility (Bourdieu, 1997). The delayed counter transfer and the possible intangible nature of the exchanged resource obscure the corrupt nature of the deal, making these forms of family corruption harder to detect (Lawler & Hipp, 2010). These attributes demand that anti-corruption policies be not only targeted, but also thoughtful and sensitive to context. I now examine how various policy approaches can address each category of family corruption.

Anti-corruption Classification

Drawing on foundational works (Brunetti & Weder, 2003; Johnston, 2005; Klitgaard, 1988; Lambsdorff, 2008) anticorruption strategies can be usefully classified along **two axes**: (1) **top-down versus bottom-up** strategies: who initiates and implements the intervention, and through what channels; (2) **internal versus external** policies: whether the intervention operates within the focal organization/institution, or comes from outside actors/institutions. These two dimensions intersect to yield four broad types of anticorruption measures (Jancsics, 2024, p. 124).

Top-down strategies are those designed and enforced by formal authorities, including governments, public agencies, corporate or institutional leadership, industry associations, and supranational bodies. These usually depend on legal, bureaucratic, or formal institutional control channels. Bottom-up strategies begin with individuals, communities, civil society actors, and journalists. These grassroots efforts mainly rely on cultural, social, moral, or normative channels driven by non-state actors and citizen participation. Internal policies refer to anti-corruption measures within a specific organization or system. External policies are those created or shaped by actors outside the organization.

FAMILY CORRUPTION AND POLICY AT THE MICRO LEVEL

At the micro level, family corruption appears as either *family for corruption* or *corruption for family patterns*, including nepotism, favoritism, and familial trust networks involved in illicit informal exchanges. Another form of family corruption that manifests at the micro level but is influenced by macro-level social norms is *corruption for survival through family*. All these forms typically involve small or medium-scale illicit exchanges between individuals who are socially close to each other. The main challenge here is that traditional external or internal top-down enforcement—like rules, audits, and punishments—often has difficulty breaking through the shield of kinship trust and solidarity.

Top-down policies rely on formal structures, but family corruption often involves social ties that can undermine the credibility of the official system. When informal and formal rules conflict, it can make formal institutions more vulnerable to deception (Polese et al., 2018; Schweitzer, 2005). Violating family norms results in sanctions from one's kinship group. Rejecting such aid risks damaging one's status or popularity, but can also lead to severe social consequences, such as exclusion or even physical violence from network members (Sundström, 2016).

External Top-Down Measures Against Family for Corruption

Transaction cost economics indicates that corrupt actors often leverage family ties to lower the uncertainty and risks associated with their illicit activities. These cases are referred to as family for corruption in this book. Kinship fosters built-in trust and informal enforcement, serving as a low-transaction-cost infrastructure because family bonds reduce the danger of internal betrayal and lessen the need for “background checks” and safeguards (Lambsdorff & Teksoz, 2005). The option for delayed counter transfer can further blur the corrupt nature of the transaction. However, in these contexts, family ties can be more about practicality than unconditional loyalty; primarily, rational actors might prioritize self-interest over kinship norms when conflicts or difficulties come up. Furthermore, while corruption ties based on kinship gain stability through trust, these arrangements can still be unstable and susceptible to opportunism, cheating, and betrayal when opportunities arise (Zhao et al., 2021). The examples in Chap. 1 of wives and husbands together involved in corruption but

divorced after being caught by authorities also demonstrate the potential fragility of family ties in this corruption.

Family ties act as convenient, low-cost trust networks that facilitate corruption, but self-interest can ultimately override family loyalty. If circumstances change—such as when a perpetrator receives leniency for cooperating with authorities—a corrupt individual may betray even a family member involved to reduce their own punishment. In such cases, asymmetric punishment—prosecuting only one actor without making the partner legally less responsible—may undermine trust between partners (Lambsdorff & Nell, 2007; Rose-Ackerman, 1999, p. 53). This creates incentives for one party to report the crime and break collusion (Abbink et al., 2014). Therefore, in cases of family for corruption, asymmetric (top-down) penalties enforced by authorities may increase the likelihood of self-reporting or cooperation with authorities.

External Top-Down Measures Against Corruption for Family

One straightforward tool to explicitly outlaw nepotism, a major form of *corruption for family*, is to enforce meritocratic and transparent processes for hiring and promoting. Many countries have formal rules (e.g., anti-nepotism laws) that bar officials from hiring or supervising immediate relatives or that require competitive examinations for civil service jobs. However, their effectiveness varies widely. In some jurisdictions, nepotism has indeed been prosecuted as a form of corruption or misconduct in office. For instance, Australia addresses nepotism under the broad offense of “Misconduct in Public Office,” which allows independent anti-corruption commissions to investigate favoritism toward family members (Priyambodo & Wahyudi, 2025). This robust approach has led to public officials being held accountable for nepotistic behavior. By contrast, other countries have narrow or weak enforcement. Indonesia formally criminalized nepotism in a 1999 law, but the law’s definition is limited (only blatant cases causing material harm), and the enforcement was not entrusted to an independent body (Priyambodo & Wahyudi, 2025). The result is sporadic or token enforcement, with local elites often evading punishment through political influence. The two cases suggest that strong, independent oversight agencies must back anti-nepotism rules to have teeth. If enforcement is left to the very institutions captured by nepotistic networks, the rules will exist only on paper. Thus, policy design should include creating or empowering bodies (e.g., anti-corruption

commissions, ombudsmen, civil service boards) that can impartially investigate and sanction nepotistic appointments.

External top-down anti-nepotism rules can appear strong on paper, but their effectiveness is often undermined by micro-level dynamics—namely, trust, loyalty, and informal norms within family networks. Obligations are deeply ingrained within numerous societies, often surpassing the importance of formal rules or meritocratic principles. Consequently, public officials may perceive their actions as morally justified—or even socially compelled—to favor relatives despite explicit legal prohibitions. Moreover, the enforcement mechanisms associated with these rules are not always impartial. Supervisory authorities, oversight institutions, and auditors may themselves be entangled in kinship or friendship networks, or may follow political agendas, thus complicating impartial enforcement. In practice, disclosure systems often devolve into merely procedural formalities and the completion of forms with false information, so even the technocratic anti-corruption solutions are circumvented by informal practices rooted in kinship loyalty.

A promising way to maintain social connections outside government involves technological progress, although it may only be effective in certain areas. Suppose the process of obtaining a permit or license, issuing speeding tickets, or hiring someone is straightforward, rule-based, and managed through impersonal digital channels with restricted access. In that case, one cannot use an “uncle in the department” to intervene.

There are also possible unintended consequences of external top-down measures. Importantly, policymakers must be wary of *displacement effects*. A striking example comes from an Indonesian anti-corruption effort: when authorities increased external audits to prevent theft of funds in a village road project, local officials responded by giving jobs to their family members as an alternate way to extract benefits (Olken, 2005). In other words, stricter financial oversight closed one avenue of corruption but led to a rise in nepotism as a substitute form of graft. This suggests that anti-corruption measures should be holistic. If you tighten one loophole, consider others—in this case, pairing audits with rules against preferential hiring could have mitigated the shift to nepotism. Similarly, aggressive prosecution of cash-bribery might push officials to instead engage in less detectable family corruption patterns. Policies need to anticipate these adaptations. One way is to monitor corruption patterns and be ready to update regulations continuously.

*External Top-Down Measures Against Corruption for Survival
Through Family*

Political scientists, sociologists, and anthropologists have observed that when formal institutions fail to deliver basic needs, informal systems emerge as a makeshift safety net. In Russia and China, for example, the *blat* network of favors and the *guanxi* web of personal connections historically helped ordinary people obtain scarce goods or services and navigate capricious bureaucracies (Ledeneva, 2008). These informal practices provided a “*survival kit*” and “*safety net*” for citizens by offering protection and workarounds in the face of dysfunctional governance. Likewise, in Latin America, the tradition of *compadrazgo* (co-parenthood) allows people to secure jobs or bypass red tape through personal favors. Anthropologist Lomnitz (2008) notes that *compadrazgo* arose as an adaptation to scarcity, fostering mutual assistance among peers “*for you today, for me tomorrow,*” even if it undercuts fair, merit-based access for outsiders. Although shaped by macro-level forces, many of these transactions occur at the micro-level within families. They compensate for defects in formal rules and service delivery, acting as a parallel welfare mechanism when the state or market fails to meet expectations. However, this “safety net” of informal connections is a double-edged sword: it helps families survive, yet it also entrenches inequities and undermines the rule of law in the long run.

An effective anti-corruption policy in such contexts should focus on tackling the root causes of network emergence at macro levels, rather than only relying on strict law enforcement against individual actors. External authorities need to balance enforcement with compassion, following a “do no harm” principle. A heavy-handed crackdown on survival corruption without offering alternatives can backfire and harm vulnerable populations. For example, studies in global health governance acknowledge that such corruption is sometimes “*the only way for service providers to make ends meet or to make a dysfunctional system work for patients*” (The Lancet, 2020). If authorities outlaw these practices overnight, they risk depriving people of essential support before formal institutions are capable of replacing it. Punishing doctors, nurses, or clerks for accepting token “thank you” gifts or “gratitude money”—a common survival tactic in poorly funded systems—might drive them out of the profession or their country or make them less willing to go the extra mile for patients, ultimately reducing the quality of care. As noted in a United Nations (2008) report, individuals in poverty will go to great lengths to support themselves and

their families during shortages, even if it requires bending rules; thus, anti-corruption crusades must not ignore this reality. In short, reforms should focus on strengthening formal institutions to serve citizens, gradually replacing informal safety nets effectively. By addressing root causes, governments can reduce everyday family corruption without causing collateral damage to the very people these informal arrangements are meant to protect. Some social networks of informal exchanges are so entrenched that “*far-reaching social changes*” might be needed to eliminate them entirely (Jancsics, 2019). This speaks to long-term processes, such as reducing extreme poverty, expanding education, gradually instilling a culture of the rule of law, and reforming state institutions. The goal is to reach a point where *using* family networks for basic needs is no longer necessary. In summary, anti-corruption cannot be isolated from these broader development trajectories.

External Bottom-Up Measures Against Micro-Level Family Corruption

External bottom-up accountability mechanisms—from independent media to civil society activism—play a vital role in exposing nepotism and other forms of micro-level family corruption that often escape internal oversight. Investigative journalists frequently uncover nepotism tolerated by insiders. For example, as mentioned earlier in this book, a Reuters investigation revealed that a U.S. judge violated anti-nepotism rules by appointing his own son to over 200 indigent defense cases, resulting in more than \$100,000 in legal fees being funneled to his family (Berens & Shiffman, 2020). Authorities only acted—forcing the judge’s retirement—after reporters exposed this misconduct, highlighting how external scrutiny can break through the impunity that often shields such misconduct. Similarly, grassroots social movements and public watchdog groups pressure elites to reduce favoritism. In Nepal, youth-led protests in 2025—initially sparked by a social media ban—grew into a broader anti-corruption movement fueled by anger over political nepotism and the privileged status of officials’ children, ultimately forcing the prime minister to resign (Saaliq & Shrestha, 2025). Anti-corruption NGOs and watchdog groups also serve as vigilant monitors, often through advocacy campaigns and public pressure. Therefore, supporting these bottom-up efforts alongside enhanced institutional safeguards—such as requiring transparency (financial disclosures), conducting independent oversight audits, and

implementing strong protections for whistleblowers—could deter nepotism and other forms of micro-level family corruption.

Internal Top-Down Measures Against Micro-Level Family Corruption

Within organizations, top-down anti-corruption measures usually take the form of formal policies and controls—codes of conduct, anti-nepotism rules, conflict-of-interest declarations, internal audits, and disciplinary procedures. These are designed to align employees' actions with the company's formal goals rather than personal gain for friends or relatives. In theory, such measures should prevent an organizational actor from benefiting outside family members at the organization's expense. Yet, in practice, familial loyalty often undermines these internal controls. Micro-level family-driven corruption (family for corruption, corruption for family, and corruption for survival through family) can be hard to detect and deter from within, because it operates on trust and informal obligation that formal systems struggle to penetrate. For example, nepotistic appointments might be made secretly and then covered up to appear legitimate. Co-workers and even supervisors might hesitate to challenge or report these dealings, either out of loyalty, fear of reprisal, or as a favor in return for support for their own informal dealings (Jávör & Jancsics, 2016). The result is an erosion of organizational integrity: favoritism toward family creates internal conflicts and an atmosphere of mistrust among staff, which ultimately hurts performance and morale. Empirical research confirms that nepotism and favoritism in workplaces lead to resentment from other employees (who feel like second-class outsiders) and diminished trust in management's fairness (Keles et al., 2011).

Why do internal formal controls often fail against familial corruption? A core issue is that *informal social norms* can directly clash with official rules (de Graaf, 2007). In many cultures or organizational subcultures, people feel a strong moral duty to assist their relatives, especially when formal structures are dysfunctional—even if that means bending or ignoring formal policies. A broader cultural issue might also be involved: what a Western corporate code calls nepotism may be seen elsewhere as just taking care of one's own.

*Internal Bottom-Up Measures Against Micro-Level
Family Corruption*

However, the tension between a corrupt employee and other members of the organization could serve as a foundation for effective bottom-up anti-corruption efforts. Employees involved in family-related corruption at the micro-level—which applies to all three types of family corruption mentioned above—often find themselves caught between two social worlds with conflicting norms. On one side is their family, an informal external network that may pressure them to allocate organizational resources outward; on the other side are their coworkers within the organization (Jancsics, 2019). The latter is not necessarily directly connected to the organization’s formal top-down mechanisms, but rather is associated with informal group cohesion among employees. This dual group membership might create an identity conflict, as each group demands a different kind of loyalty and behavior (Simmel, 1906[1950], pp. 150–151). Sociological research on brokerage indicates that such “boundary spanners” experience intense role conflict, since they interact with groups that uphold different values (Stovel et al., 2011). Colleagues in the organization often come to view a corrupt individual with strong external family ties as “not one of us,” perceiving that person as conforming to outside values rather than internal norms. In network terms, the employee has a *weak bridging* tie between two *tight-knit groups*, a position that tends to be fragile and filled with distrust (Granovetter, 1995; Stovel et al., 2011). According to *balance theory*—originating in social psychology and later applied to social network analysis—in an “us” versus “them” world, groups are naturally not friendly toward each other, and a broker who is a member of both groups is in a structurally inconsistent position (Davis, 1963; Heider, 1946). Because unbalanced structures tend to evolve toward balance over time, both cohesive groups will put significant pressure on the broker to reduce this relational dissonance, split from the opposition group, and restore the structural balance of the network.

Paradoxically, this very tension can be harnessed as an internal anti-corruption mechanism. Once coworkers suspect that a colleague’s primary loyalty lies with an outside family network rather than with team norms, they are less inclined to cover up misdeeds. Instead, they may actively distance themselves and even report the suspicious behavior through internal channels (Jancsics, 2019). In other words, the breakdown of trust within the organization can trigger *whistleblowing*—a bottom-up enforcement

strategy sparked by peer suspicion. Organizations can reinforce this rather spontaneous effect by implementing formal policies that encourage and protect internal whistleblowers, ensuring that employees feel safe reporting instances of family corruption. Such measures leverage the natural peer enforcement that arises when group members perceive someone as serving an outside interest.

FAMILY CORRUPTION AND POLICY AT THE MEZZO-LEVEL

Corruption within family businesses or family-controlled organizations (generally *family firms*) sits at the intersection of private-sector malpractice and familial loyalty. These cases often involve a *mezzo-level* dynamic: a company (usually a private firm, sometimes even a nonprofit or other entity) dominated by one family engages in corrupt dealings that benefit both the organization and thus the family. The literature *on corrupt organizations* offers insight into how entire companies can become the primary beneficiaries of wrongdoing, and family firms can amplify some of these tendencies due to their unique structure (Albanese, 1988; Castro et al., 2020; Jancsics, 2019; Palmer & Maher, 2006; Pinto et al., 2008; Sherman, 1980). From a policy standpoint, addressing corruption in family enterprises involves multi-level safeguards: at the *family level*, establishing a family constitution or code of conduct; at the *firm level*, adopting formal controls and audits; and at the *institutional level*, complying with external regulations. Beyond governments' policies, industry associations could promote voluntary standards or certifications for family businesses that commit to ethical conduct (Le Breton-Miller & Miller, 2024).

External-Top-Down Measures Against Corrupt Family Firms

Against corrupt family firms, external top-down measures provide a range of anti-corruption tools. Many family firm corruption cases revolve around *related-party transactions*—dealings between the company and entities owned by family members, which can be used to siphon money or give unfair advantage (Bertrand et al., 2002). For instance, a family firm might subcontract work to another company owned by a cousin at inflated prices as a way to extract profit, or purchase useless services from a relative's firm. Regulators can tighten the rules on such transactions, requiring them to be disclosed and conducted at arm's length. Some countries' securities laws demand that significant related-party dealings by corporations

(especially if publicly listed) be reported and subject to shareholder approval. While family firms are often private, if they partake in public contracts or operate in regulated sectors, authorities can impose conditions: e.g., a family construction firm bidding on government projects must certify that it has no undisclosed conflicts of interest and that it will submit to external audits. Governments can also blacklist companies caught in corruption or price fixing, denying them future contracts—a strong incentive for family firms to keep things clean if they want to do business with the state.

An additional preventive measure could focus on the government side. That involves mandating the disclosure of familial relationships and potential conflicts of interest among public officials. For instance, officials could be compelled to recuse themselves from decisions that directly involve a relative's business, such as awarding contracts to family-owned enterprises. The system for declaring assets and interests can be expanded to include information about the business holdings and government employment of close family members. The goal here is to enhance transparency, thereby facilitating the identification and deterrence of nepotism. If a prime minister's son-in-law inexplicably secures a government contract, it should prompt heightened scrutiny and concern. Several nations maintain publicly accessible registries of officials' relatives who are employed by the state or benefit from state contracts, thereby enabling oversight organizations to detect patterns indicative of favoritism.

Independent *external audits* are crucial for verifying a company's accounts and potentially identifying irregularities in the flow of funds. Family firms sometimes avoid rigorous audits by hiring friendly auditors or keeping sloppy books, especially if not publicly traded. Unfortunately, external audit professionals consider family firms the least attractive clients because they see a much higher risk of tax evasion and other misconduct in these firms compared to non-family-owned businesses (Krishnan & Peytcheva, 2019). Strengthening audit standards and periodic inspections for tax compliance can unearth corrupt practices—which may show up as unexplained expenses or slush funds—or nepotistic diversion of resources. Tax authorities might also notice if a company's expenditure on “consulting services” suddenly spikes and trace it to a family member's shell company. Ensuring that enforcement agencies (tax and financial intelligence units) have the mandate and capability to follow such leads is essential.

Furthermore, transparency reforms related to beneficial ownership could help address this issue, as family members might conceal their

involvement through shell companies or proxies (Jancsics, 2018a). Requiring companies to disclose their ultimate beneficial owners—as some anti-money laundering regulations do—can reveal that, say, the CEO’s brother actually owns the company receiving large payments from a family firm. Data integration and intelligence platforms can uncover hidden patterns, relationships, and insights by connecting people, companies, transactions, phone records, property, and other data into a graph that investigators can explore. These kinds of techniques—although they raise several ethical and human-rights concerns—could identify family connections behind complex organizational and contractual structures.

One challenging aspect is the enforceability of external legal actions against privately held family businesses. If corruption is uncovered, who bears the liability—the individual managers or the company itself? Laws should ensure that both parties can be held accountable as necessary. Corporate liability for bribery is addressed under laws like the U.S. Foreign Corrupt Practices Act or the UK Bribery Act, which apply to companies involved in corruption, including privately held ones. Strengthening domestic anti-corruption laws to cover private-to-public bribery and holding businesses liable is a must. Moreover, there should be provisions to reach the *beneficiaries* of corruption, not just the frontmen or *stróman* (Jancsics, 2018b). In a family firm, the patriarch or matriarch might never directly give a bribe or sign a fraudulent invoice, but they might instigate it or knowingly benefit. Legal frameworks can incorporate offenses like “failure to prevent bribery” for company directors, or use asset forfeiture to seize ill-gotten gains even if the perpetrator is shielded. In some cases, mob-like structures emerge in corrupt family businesses, akin to organized crime families. Law enforcement might need to use techniques from organized crime prosecution—undercover stings, wiretaps, flipping insiders—to gather evidence, since familial loyalty can be as strong as mafia loyalty. For example, the family-controlled Brazilian conglomerate, Odebrecht developed an extremely complex network structure and maintained a clandestine “Division of Structured Operations” that functioned like a shadow crime syndicate within the company, with its own off-books communication systems, internal hierarchy, and dedicated funds for paying bribes (U.S. Attorney’s Office, 2016; Costa & Jancsics, 2024; Jancsics & Costa, 2024). This corruption came to light as part of the Operation Car Wash probe, which involved confidential surveillance and wiretaps by Brazilian authorities. The revelation was followed by a global investigation involving the U.S. Department of Justice and multiple Latin American

governments, culminating in plea deals, leaked internal records, and admissions of guilt by the company. Indeed, employees in a family firm operating similarly as an organized crime group might fear retaliation or ostracism if they break the code of silence, much like the *omertà* in mafia organizations, where loyalty to the family supersedes moral or legal obligations to outsiders. Offering whistleblower rewards or legal immunity might entice a non-family accountant or manager to come forward with information, though they would need protection.

In unchallenged industries dominated by family conglomerates, these firms can amass outsized economic power and have strong incentives to capture the state (i.e. to shape laws, regulations, and policies in their favor through illicit influence) (Hellman et al., 2003). Indeed, observers of post-communist transitions noted that initial fears of an overbearing state were soon replaced by concerns about powerful oligarchs manipulating politicians and shaping institutions to advance their own empires at the public's expense (Havrylyshyn, 2006). Robust antitrust enforcement and market opening are thus critical anti-corruption tools. Breaking up or regulating monopolies and oligopolies curtails the ability of any single family-controlled entity to dictate market conditions.

Of course, reducing a dominant family firm's grip on a sector is challenging, especially when that grip has been maintained through long-standing patronage networks. In countries where political and business elites are intertwined, aggressive anti-trust reforms can face resistance. East Asia offers telling examples: South Korea's *chaebol*—the giant family-run conglomerates like Samsung and Hyundai—long received government favoritism and grew so influential that they “dominate the economy and wield extraordinary influence over politics” (Albert, 2018). The above-mentioned Brazil's *Odebrecht* conglomerate also revealed how a family-owned giant could systematically bribe officials to secure over 100 infrastructure contracts across 12 countries, netting an estimated \$3.3 billion in ill-gotten gains (Basco, 2018).

Untangling such relationships requires persistent reforms. After high-profile corruption scandals, South Korea has attempted measures to increase corporate transparency and curb *chaebol* influence, though progress has been mixed. Similarly, historically in Japan, family-centered industrial conglomerates (the *zaibatsu*, later succeeded by corporate *keiretsu* groups) once dominated markets and were seen as having excessive sway over the political economy—a concentration the post-war government sought to dismantle. These cases illustrate that unchecked family

monopolies can become deeply embedded in social and political institutions, and reformers must combine antitrust policy with broader governance changes (such as campaign finance reform and transparency initiatives) to break the rule of monopolistic family conglomerates.

Institutional Environment Vs Corrupt Family Firms

The broader institutional environment—encompassing industry peers, business associations, professional bodies, prevailing norms, and informal networks—serves as a double-edged external force on corruption in family firms. Institutional theory suggests organizations seek legitimacy by conforming to the normative expectations of their environment (Di Maggio & Powell, 1983; Durand et al., 2019; Meyer & Rowan, 1977). Family businesses operate under conditions of institutional pluralism, facing multiple, often conflicting, pressures from regulators, industry norms, and network ties (Okhmatovskiy & David, 2012; Pache & Santos, 2010). Legitimacy-seeking behavior thus shapes whether a family firm complies with anti-corruption norms or resists them, as the firm must balance competing demands to maintain support from key stakeholders.

Institutional environments can normalize corruption. In sectors or regions where corruption is widespread, a family firm may feel compelled to align with those illicit norms to be accepted (Chizemaa & Pogrebnab, 2019; Jancsics et al., 2023). Over time, noncompliance can become “the way we do business” across an entire industry (Martinez-Moyano et al., 2014). For example, if leading companies gain an advantage through bribery, kickbacks, or bid-rigging, other firms—including family-controlled ones—follow suit, creating a contagion effect that institutionalizes corrupt practices. Construction industries worldwide illustrate this dynamic: collusive cartels rig bids and share contracts as a routine practice, reinforced by tacit understandings among firms (Reeves-Latour & Morselli, 2017; van Bergeijk, 2008). Professional complicity can further entrench such norms—auditors, lawyers, and bankers may turn a blind eye or actively facilitate illicit transactions to maintain lucrative family business clients. In corrupt institutional climates, even well-intended regulations can be undermined by collective resistance. Companies and industry lobbies might resist government anti-corruption measures by exploiting loopholes or decoupling formal compliance from actual practice. In a decoupling scenario, firms create myths and ceremonies of compliance (e.g., ethics codes, certifications) to appease regulators and the public,

while internally continuing business-as-usual (Meyer & Rowan, 1977). In this decoupling process, the organization only symbolically signals compliance with external rules, while in reality maintaining noncompliant structures; therefore, external rules are often unimplemented or routinely violated (Zhelyazkova et al., 2016).

At the same time, institutional environments can foster integrity and compliance. In contexts where normative pressures favor transparency, external institutions become allies in anti-corruption. Family firms crave legitimacy, so when ethical business conduct is the prevailing norm, firms will adopt anti-corruption measures to mirror their peers' expectations. The fear of reputational damage—to both the firm and the family—may motivate companies to set up ethics offices, compliance programs, and other integrity systems that demonstrate a commitment to ethical business practices (Dyer Jr. & Whetten, 2006). Notably, collective action within industries has emerged as a powerful tool against corruption. Coalitions of companies (sometimes alongside civil society and governments) jointly pledge to reject bribery and uphold fair competition, thereby reducing the first-mover disadvantage of acting with integrity. Such initiatives now span dozens of countries and sectors, from shipping and mining to local small businesses, with over 300 documented multi-stakeholder anti-corruption agreements worldwide (Binder et al., 2025). Industry associations and professional organizations can serve as watchdogs—setting codes of conduct, monitoring compliance, and sanctioning violators—thus creating reputational enforcement mechanisms. For example, a business chamber might expel a family firm caught in a major fraud, or a certification body might revoke a company's membership, sending a strong signal to the market. These peer accountability structures strengthen honesty as the social norm and complement government oversight by catching issues early and sharing best practices.

Internal-Top-Down Measures Against Corrupt Family Firms

Jack Katz's (1977) classic insight about the natural antagonism between an organization's internal authority and external societal authority is highly relevant to family-owned businesses. In corrupt family firms, leaders often cultivate an "us versus them" mentality, portraying outside regulators or laws as threats to the family's livelihood. This siege mentality—essentially seeing the organization as "fighting a war" where *the end justifies the means*—encourages a culture that prizes loyalty and

secrecy above compliance (Campbell & Göritz, 2014). An important value in such a corrupt organizational culture is “*security*” (protecting the family and firm at all costs), paired with a norm of punishing “*deviant*” honest behavior. Indeed, a powerful informal rule in many corrupt organizations is to sanction “*deviant*” non-corrupt actors who “betray” the group by whistleblowing (Campbell & Göritz, 2014; de Graaf, 2007). In a family business, this can be even more pronounced—employees know that exposing the owners’ misconduct is seen as treason against the family. Research on family firms indicates that *kinship ties* create “connection power,” insulating family members from scrutiny and leaving non-family employees fearful of retaliation if they speak up (Lafleur et al., 2025). Another study also confirms that employees related to the business owner are less likely to expect another employee to report their wrongdoing (O’Brien et al., 2018).

The implications for internal anti-corruption efforts are severe. Whistleblower hotlines, internal audits, and compliance programs offer little protection when everyone understands that reporting wrongdoing is career suicide and a personal betrayal of the owning family (Jancsics, 2019). Even well-designed top-down anti-corruption policies will fail if the family leadership itself tacitly encourages bending the rules—*tone at the top* is crucial, and poor leadership can actively foster non-compliance. In practice, corrupt family owners may pay lip service to anti-corruption while informally rewarding loyalty and silence, thus neutralizing formal controls. Ultimately, combating corruption in family-owned firms requires not only formal policies but a transformation of the dominant and officially supported organizational culture—the owning family must embrace transparency and accountability over clan loyalty, aligning the firm’s values with broader legal and ethical norms to break the “us against them” paradigm. Only with genuine commitment from the top family leadership can internal anti-corruption measures gain legitimacy and overcome the powerful norm of silence and cover-up.

A Combination of External and Internal Top-Down Measures Against Corrupt Family Firms

A key vulnerability in many family firms is the lack of independent oversight and professional management. Positions of authority are often held by relatives, not necessarily based on competence but on trust and loyalty. This can create what scholars call “*bifurcation bias*,” where family

members in the firm are insulated from normal controls and given free rein, whereas non-family employees are held to different standards (Madison et al., 2018). Here, combining external and internal top-down measures could be effective; for example, enhancing corporate governance for particular types of companies, supported by external mandates. This might include requiring larger family-owned firms (above a certain size) to have independent directors on their boards, which can bring in outside perspectives and potentially oppose unethical practices. Independent board members (or an independent audit committee) increase the likelihood that misconduct will be detected or stopped. Some jurisdictions have codes of corporate governance that specifically address family firms—promoting transparency in related-party transactions, merit-based succession planning, and internal controls that include family executives.

FAMILY CORRUPTION AND POLICY AT THE MACRO-LEVEL

When a family's reach extends to the very top of political power and effectively captures the state, the usual government institutions responsible for detecting and punishing corruption are often deactivated. Dynastic state capture, characterized by a ruling family shaping laws and institutions to enrich itself, represents corruption on a systemic, institutionalized scale. Here the corrupt network is not an underground conspiracy; it operates through the formal organs of state—legislatures, ministries, state-owned enterprises—often with legal cover. This presents a significant challenge: how can corruption be combated when the very individuals holding the keys to reform—such as political leaders, law enforcement heads, and judges—are often silenced or deeply involved in corrupt activities?

External Top-Down Measures Against Dynastic State Capture

In countries trending toward dynastic state capture, one preventive measure is to bolster constitutional and institutional checks and balances before capture is complete. This includes strong term limits, independent judiciaries, vibrant parliaments, and autonomous oversight agencies. For example, because there are no term limits in Hungary, Viktor Orbán—who is the longest-serving prime minister in an EU country—was able to strengthen his hold on power through successive administrations. He first served from 1998 to 2002 and has been in office again since 2010, solidifying his control within Hungary's political system. This prolonged

dominance allowed his family and loyalists to permeate and capture key state institutions, turning them into instruments for sustaining their wealth and influence. Similarly, the lack or manipulation of term limits in countries like Russia, Turkey, Azerbaijan, Syria, Nicaragua, or Cameroon has allowed their leaders to extend their tenures beyond normal democratic rotation, strengthen their hold on political power, and enable their families and loyal networks to control state institutions, transforming political authority into enduring dynastic rule.

An independent electoral commission and judiciary can sometimes curb the worst abuses, at least ensuring some competition remains. However, once a family capture is underway, these institutions are usually the first targets—they may be packed with loyalists or stripped of power. In some cases, federal structures or decentralization can offer partial resilience: if power is diffuse (regional governments, opposition-held cities), the ruling family's grip might not penetrate everywhere, giving pockets of integrity that can resist or expose corruption. Supporting local governance or opposition-controlled institutions with capacity and legal protection can help shine light on national-level corruption.

External Bottom-Up Measures Against Dynastic State Capture

External bottom-up forces become crucial in a captured state (Jancsics, 2019). Civil society organizations, independent media (including international media), academia, and grassroots movements may be the only remaining watchdogs. Policy measures can focus on protecting and enlarging the space for these actors. For example, freedom of information laws allow journalists and NGOs to access documents and data that could expose family dealings, such as public procurement records. Where the majority of domestic media is co-opted or censored (as in Hungary under Orbán or Russia under Putin's circle), international journalism and local investigative bloggers have sometimes filled the void.

Supporting investigative journalism—through grants, legal aid, and safety measures—is a strategy donors and international bodies have used in several kleptocratic environments. The Panama Papers were a 2016 leak of documents from the law firm Mossack Fonseca, revealed through a global collaboration of journalists, exposing how politicians, business leaders, and celebrities used offshore companies to hide wealth and evade taxes. The Panama Papers (and subsequent investigations) revealed several significant leads involving close associates and family members of Russian

President Vladimir Putin—often portrayed as acting on his behalf or in his interest.

Often, domestic channels are insufficient to challenge a ruling family. This is where international mechanisms come in. Multilateral agreements like the United Nations Convention against Corruption (UNCAC) provide frameworks for cooperation and peer pressure, though they rely on domestic implementation. More directly, foreign governments and international organizations can use tools such as targeted sanctions (freezing assets and banning travel for key family members and cronies involved in grand corruption) and anti-money laundering actions to hit kleptocrats where it hurts—their finances. Many ruling families keep significant wealth overseas in banks or real estate; enforcing stricter scrutiny on politically exposed persons (PEPs) and seizing illicit assets under laws like the U.S. Global Magnitsky Act or through UK unexplained wealth orders can have an impact. For example, sanctions and asset recovery efforts played a role in creating consequences for the dos Santos family in Angola and the Yanukovich family in Ukraine after regime changes. While sanctions alone rarely topple a regime, they increase the cost for the ruling dynasty and signal international disapproval, which can empower internal opposition.

The European Union has frozen tens of billions of euros in funds meant for Hungary because of ongoing concerns about corruption, systemic corruption, rule-of-law violations, and the misuse of EU funds by politically connected elites. Brussels has called for reforms to boost judicial independence and strengthen anti-corruption measures before releasing the funds. Although the Hungarian government has implemented some legislative changes, much of the funding remains on hold as of the second half of 2025 due to doubts about the sincerity and effectiveness of these reforms (AP News, [2025](#)).

Internal Measures Against Dynastic State Capture

In dynastic state capture cases, formal procedures and laws are deliberately crafted or manipulated to favor the interests of particularistic actors who are direct or quasi-family members, creating a façade of legality around corrupt practices. Unlike conventional corruption, which involves breaking rules, state capture often works by changing the rules themselves—meaning many exploitative arrangements are technically legal as defined by the captured state. This macro-level entrenchment of corruption means

that on paper, government decisions (such as public contracts or policies) appear legitimate even when they overwhelmingly benefit a small group.

Because corruption is embedded in the official framework, internal organizational oversight mechanisms often fail to detect or challenge it. Government agencies and audit institutions typically assess compliance with existing laws and procedures, so they “see” no corruption when rules are followed to the letter. Staff members simply implement the policies and procurement criteria given to them, and most do not realize these may be skewed—for example, a tender might be tailored so that only a favored company qualifies, yet formally it adheres to procurement regulations. Even if administrators suspect corruption in those cases, the fear of retribution and the lack of an impartial whistle-blowing system prevent them from reporting. In Hungary, a country often cited in this context, 36% of public project tenders were found to have only a single bidder, a strong sign of favoritism in contract awards. One investigation revealed that a company owned by the prime minister’s son-in-law secured municipal contracts at prices nearly 50% above market rate under ostensibly legal tenders (Sabados, 2018). Yet domestic control bodies rarely intervened; Hungary’s State Audit Office and prosecution, for instance, have been criticized for not investigating high-level corruption cases (European Commission, 2021; Transparency International Hungary, 2025).

Thus, dynastic state capture creates an environment where corruption is normalized at the organizational mezzo-level, rendering traditional anti-corruption measures and compliance mechanisms effectively blind to systemic malfeasance.

DISCUSSION

Family corruption is not just a side-effect of weak institutions; it is a structured, multi-layered equilibrium maintained by risk mitigation strategies, kinship ties, organizational habits, and larger institutional incentives. The key policy insight is not about adding generic regulations but instead matching the group of tools to the specific type of family corruption and combining legal measures with social strategies to adjust norms of reciprocity.

Ultimately, durable impact depends on changing expectations: officials must expect detection and proportionate sanction; citizens must expect fair access without a family intermediary; organizations must expect that impartiality—not relational favoritism—advances careers; and political

leaders must expect that attempts at dynastic capture will trigger credible, cumulative pushback. Because these expectations are socially produced, policies should be evaluated not only for immediate compliance effects but for their capacity to reset norms and feedback loops over time. Building such expectations is incremental work; yet it is precisely this slow re-weighting of incentives and meanings—across micro, mezzo, and macro levels—that converts episodic fixes into a resilient architecture of public integrity.

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Concluding Remark

This book has been a conceptual undertaking, intended to develop and articulate a new theoretical framework for the study of family corruption—a topic that, despite its evident real-world significance, has remained largely overlooked in existing scholarship. Rather than relying on a systematic data collection and empirical analysis, I have employed a conceptual and exploratory approach. Drawing on cases from various countries and contexts, as well as investigative journalism and academic research, I sought to theorize the patterns and mechanisms by which familial arrangements intersect with corrupt practices.

At the heart of this study lies the recognition that both family and corruption can be understood as forms of social organization, to achieve collective or individual goals and make social life more predictable. The family, as the oldest and most universal social unit, provides an enduring site for many functions. Corruption, meanwhile, though illicit and morally contested, is similarly organized to manage risks, coordinate exchanges, and maintain predictability in transactions that operate outside formal legality. When these two forms of organization overlap and the dynamics of family become entangled with the mechanisms of corrupt exchange, a phenomenon emerges that I refer to as family corruption.

This overlap, however, is neither uniform nor reducible to a single logic. Instead, it manifests in distinct configurations that differ in the roles, motivations, coordination mechanisms, levels of analysis, and social

embeddedness of the actors in situations, local networks, organizational hierarchies, or macro-level institutional structures. To that end, this book has proposed a five-fold typology of family corruption: (1) family for corruption, where pre-existing kinship ties are mobilized to facilitate corrupt acts; (2) corruption for family, where corrupt practices serve to strengthen familial solidarity or support; (3) corruption for survival through family, where family networks mediate informal survival strategies in dysfunctional formal institutional environments; (4) corruption for the family firm, where family-owned formal businesses benefit from and participate in corrupt transactions; and (5) dynastic state capture, where families exert systemic political and economic control over public institutions and manipulate large scale resource redistribution for private gain.

Each of these types represents a distinctive configuration of social organization, and each invites a different theoretical lens. For instance, theories from new institutional economics, more specifically transaction cost theory, help understand family for corruption, while classic functionalist arguments in sociology and anthropology are more relevant to corruption for family. Corruption for survival through family aligns with the informal practices and institutions perspective, while corruption for the family firm can be related to the corporate crime literature focusing on the formal organization as the primary beneficiary of a corrupt transaction. Dynastic state capture necessitates a classic sociological approach, employing concepts such as patrimonialism and capital conversion.

The typology also aligns with varying levels of analysis. Family for corruption and corruption for family are typically micro-level phenomena, involving interpersonal relationships and family-based networks. Corruption for survival through family has a micro foundation, but must be situated within macro-level informal institutions that legitimize or tolerate such practices. Corruption for the family firm operates at the mezzo level, within organizational structures that mediate family interests through formal bureaucratic structures. Dynastic state capture represents the macro-level culmination of these dynamics, in which familial interests become entrenched in the very institutions of governance and economy.

By bringing these forms together under a single conceptual umbrella, I aim to move beyond the simplistic dichotomic explanations of family-based corruption in the literature and instead offer an integrated framework that allows for comparison, theorization, and critical reflection. While this framework does not claim to be exhaustive, it provides a

language and structure for identifying recurring patterns and explaining their underlying logics.

Importantly, the examples used throughout this study are illustrative rather than representative. They help clarify the contours of each type. Future empirical research is therefore essential—not only to test the validity and robustness of the types presented here but also to map how they manifest across different societies, political regimes, economic systems, and historical periods.

Moreover, the framework developed here invites policy-oriented reflection. Understanding the diverse forms of family corruption can inform the design of anti-corruption interventions. Family corruption is not merely individual greed or a side-effect of weak institutions; it is a structured, multi-layered equilibrium sustained by risk-sharing practices, kinship ties, informal norms, and broader institutional incentives. The key policy insight from this understanding is that generic, one-size-fits-all anti-corruption strategies often prove inadequate. Instead, interventions must be calibrated to the specific patterns of family corruption at hand and aligned with the logic of kinship that underpins them.

Since *family for corruption* mainly serves as an instrumental arrangement to reduce transaction costs of corrupt deals, manipulating the cost-benefit structures related to the agent's activities could be effective. In other everyday forms, like *corruption for family* or *corruption for survival*, blanket criminalization may be ineffective or seen as unjust if such practices are driven by necessity or social expectation. For instance, when family networks serve as informal safety nets in the face of poverty or institutional failure, a purely punitive approach can do more harm than good. Such practices often arise as adaptive responses to dysfunctional governance: families provide resources or services privately when the state or market fails to do so. Family corruption within formal businesses, *corruption for the family firm*, poses a different set of challenges and requires internal and external organizational-level responses. When a ruling family's reach extends across government and the economy, it often co-opts the very institutions meant to hold it accountable. Anti-corruption agencies, audit offices, courts, and other watchdogs may be packed with loyalists or stifled, creating an atmosphere in which high-level corruption is systematically normalized and shielded from scrutiny. Traditional mechanisms of accountability—legal prosecution, administrative oversight, public audits—thus lose their bite, since those expected to enforce the rules are either beholden to or afraid of the family in power.

In conclusion, this book has laid the groundwork for a more nuanced and systematic study of family corruption as a distinct and multidimensional phenomenon. It argues that the family is not merely a background condition or incidental factor in corruption but can be a central mechanism and organizing force. By conceptualizing the ways in which family and corrupt dynamics intertwine, we gain not only analytical clarity but also a deeper understanding of how power, loyalty, particularistic and societal norms, and the interplay between self, family, and organizational interests operate in the real world. This conceptual groundwork is only a starting point—but it is a necessary one for moving the study of family corruption beyond pure individual motivations to the deeper social structures that make it possible, durable, and, in some cases, even legitimate.

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