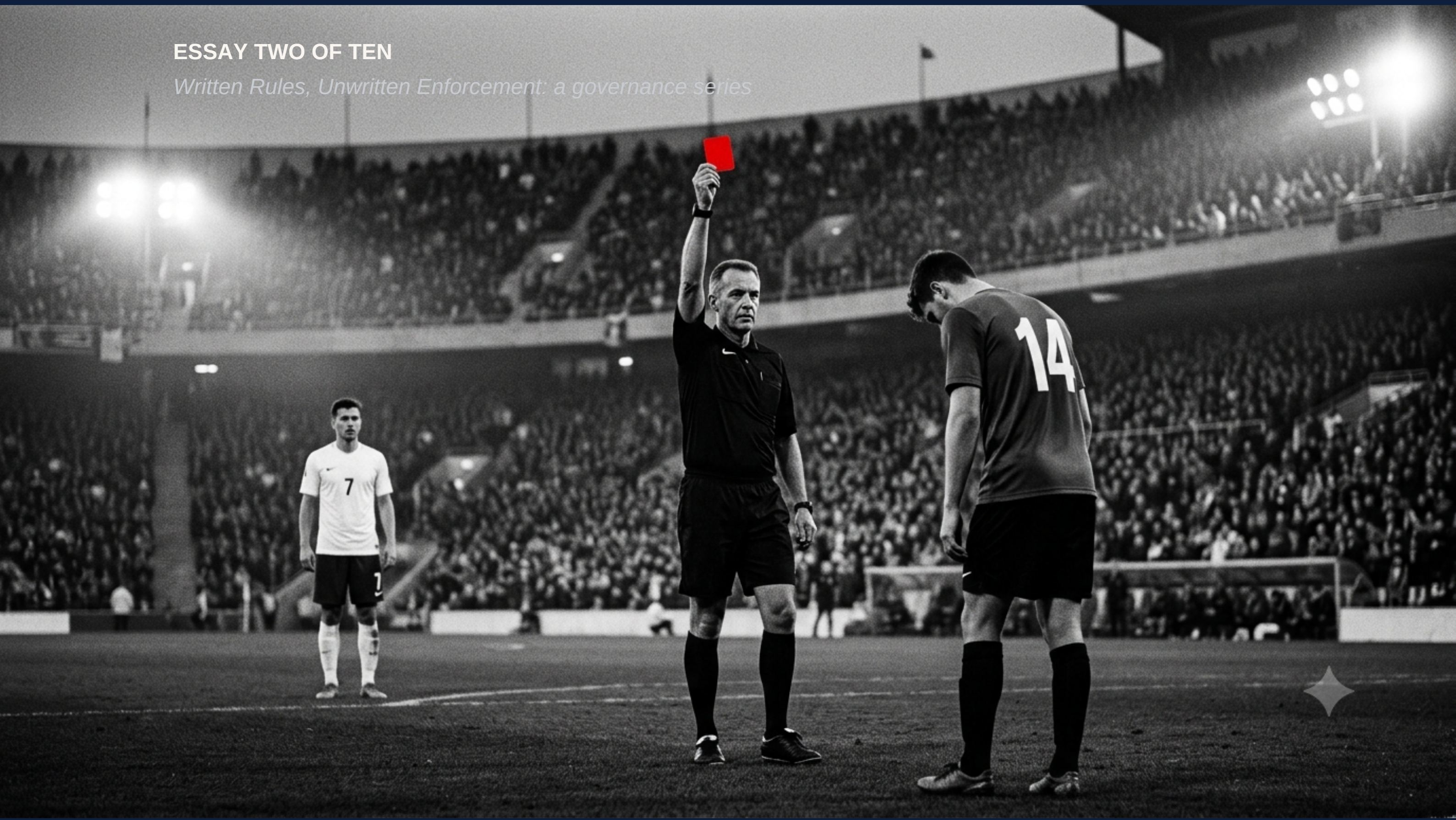
ESSAY TWO OF TEN

Written Rules, Unwritten Enforcement: a governance series



What Corporations Really Run On

written charters, unwritten tolerance

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Spain won the final 1-0, and the culture that enforced its own rules defeated the culture that only tolerated its own. Every institution we trust runs on this choice between what is written and what is allowed. This essay maps that choice across three systems we all navigate every day, and asks what yesterday's result could teach the boards, regulators and finance ministries watching at a distance.

What the scoreboard said

Sunday Argentina lost the World Cup final to Spain by a single goal to nil, but the scoreline is misleading: Spain arrived at MetLife with the disciplined possession game its footballing tradition has been perfecting since Cruyff and Guardiola, a system built on structure that does not depend on the referee's tolerance. Argentina arrived with every tool of la viveza its culture had refined across generations, the small delays, the tactical fouls, the shirt-pulling at every contact and the reading of the referee as another opposition. Both approaches have won World Cups, but on Sunday, over 90 minutes and one goal, the enforcement culture defeated the tolerance culture on a global scale. The result is not a moral verdict on either tradition, nor is it evidence that shithousery has been eliminated, but it is a data point with unusual clarity.

From the pitch to the pattern

My first essay in this series argued that every functioning institution writes one set of rules and quietly enforces another, and that the invisible line between the two decides more than any charter ever will. Football was the entry point, because the World Cup made the pattern visible to a global audience, but the pattern itself is not confined to sport: it runs through every large system that we trust without noticing, and it runs there permanently at so many institutional scales, of which I will name three here: the diplomatic system, the corporate tax code and public procurement. The written rule and the tolerated behaviour have drifted apart in ways that are entirely legal, normalised and material to how power and money flow.

Three systems where tolerance is standard

Diplomatic immunity was written into the Vienna Convention in 1961 to protect ambassadors from harassment by their host states. In practice it has become the permanent legal architecture that authorises espionage between allies, so that every embassy in every capital houses electronic surveillance the host government knows is there and chooses not to name. Corporate tax planning, in almost every jurisdiction, operates by design in the gap between what tax codes prescribe and what tax authorities are resourced to enforce, with the OECD estimating the annual global gap at roughly €500B to €600B in shifted profits alone; and public procurement is the most instructive of the 3 examples because it wears the appearance of formal openness while executing systematic closure. Developed countries require open tender for public contracts above a defined threshold, and they also run a shadow architecture of pre-qualifications, framework agreements and rushed timelines that narrow the field to the preferred supplier. The written rule guarantees competition, while the enforced rule delivers the contract to the incumbent.

Why tolerance persists

Our natural objection is that tolerance is simply corruption dressed in respectable language, but this is too easy. Tolerance persists in each of these systems because strict enforcement, applied literally in real time, would collapse the functions the systems were built to protect. A procurement office that ran every acquisition through 18 months of blind competition would fail to deliver the services citizens require. What separates a healthy institution is whether it enforces retrospectively. The referee who misses a shirt-pull in real time is not obliged to blow the whistle immediately; he can allow the advantage of continued play, wait for the game to come to a natural stop, confirm that no dangerous foul requires immediate stoppage, and then deliver the yellow or red card retrospectively. Modern institutions have precisely the same option, and until recently they declined to exercise it.

What Spain just demonstrated

Spain's football tradition is built on the belief that a system of enforced rules generates the space for artistry: the line is drawn, the players know it, and the game is played with full freedom. Argentina's tradition treats the referee as an opponent to be read, negotiated with and outmanoeuvred, and the freedom is found in this reading. Both traditions have produced great games, and both have produced World Cup victories, but only one of them wins consistently at the top level. This pattern is worth noting because Argentina's Javier Milei is currently testing the same enforcement principle at economic scale, dollarising the currency and imposing rule discipline on institutions that have negotiated their way around discipline for 70 years.

The question

Every board, every regulator and every finance ministry that watched Sunday's final has a choice to make about the line their own institution draws: is that line calibrated intelligence, keeping the system alive by letting play continue when a whistle would kill the momentum? Or is it drift that has become extraction, letting small, tolerated behaviours compound into large losses? My essays that follow will price the second condition, drawing on three decades of turnarounds where the crisis was visible 5 years before the intervention and the intervention was priced 20 times the original avoidance. Sunday's final closed the World Cup, but the governance question it opened continues, and my next essay will ask what silence in the boardroom costs when the line has drifted past the point of calibration, and no one wants to be the one who names it.