

Figure 2-1

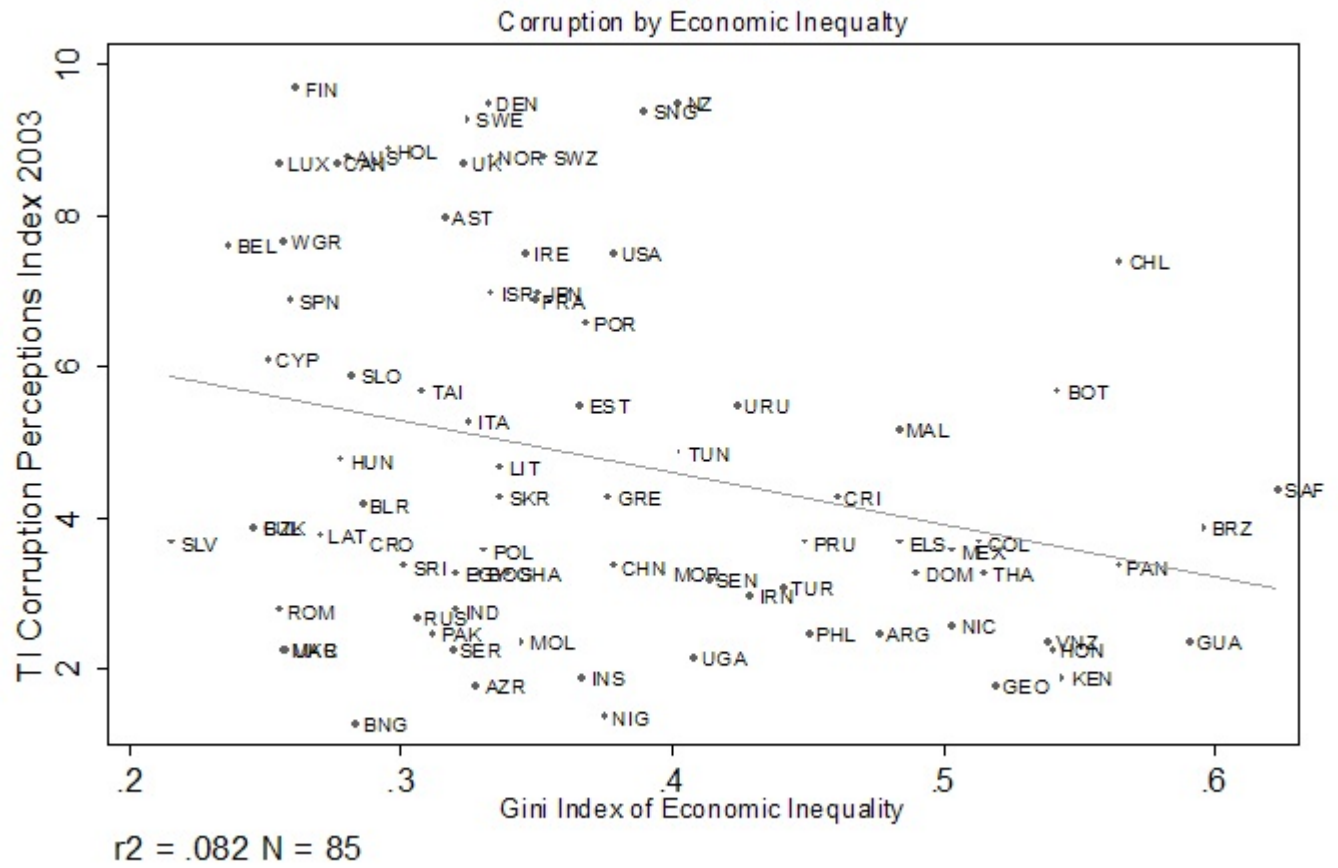


Figure 3-1

Model of Inequality, Trust, Corruption, and Effective Government

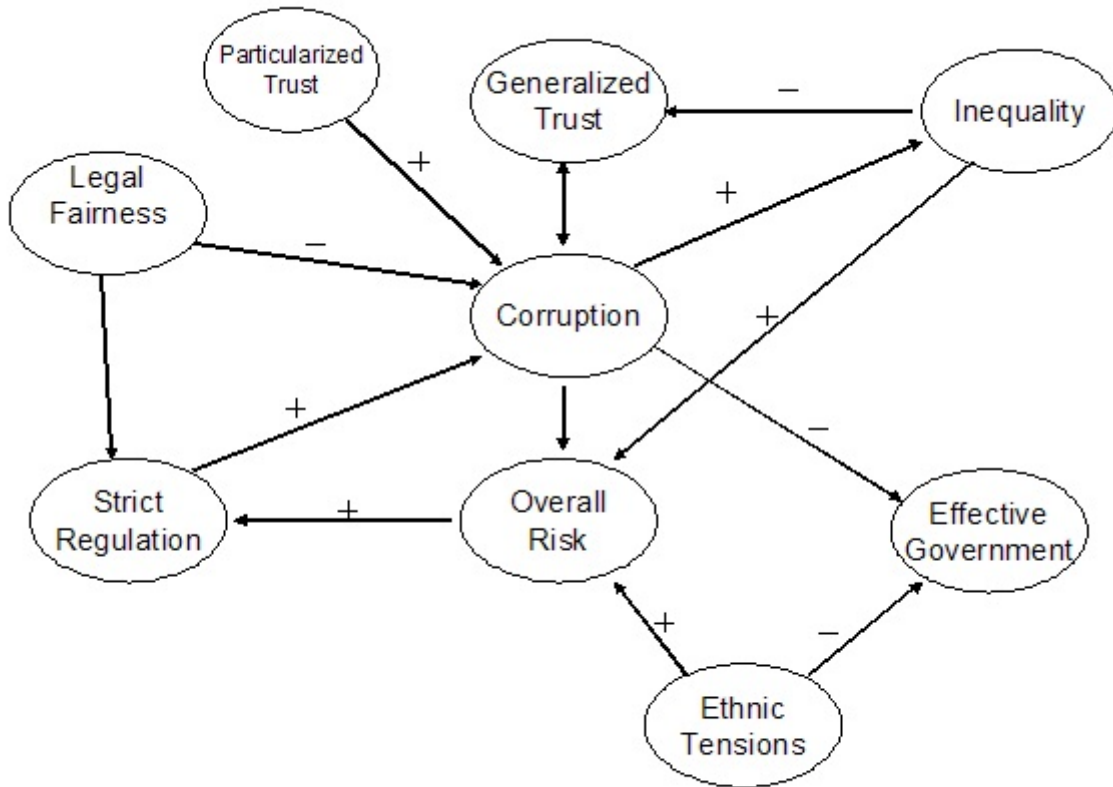


Table 3-1

Simultaneous Equation Estimation of Corruption

Variable	Coefficient	Standard Error	t ratio
<i>Corruption equation</i>			
Trust (imputed)	5.810****	1.612	3.60
Regulation of business	.933***	.358	2.60
Fairness of legal system	.626***	.211	2.96
GDP per capita (ICRG)	.405***	.156	2.60
Ethnic fractionalization (Alesina)	1.256	.573	2.19
Restrictions on conversions minority religions	-.483**	.280	-1.73
Freedom House 2003 democratization	-.426	.327	-1.30
Constant	-.482	.773	-.62
<i>Trust equation</i>			
Economic inequality (Gini index)	-.515***	.191	-2.70
Civil war	-.091****	.025	-3.62
Protestant share of population 1980	.200****	.059	3.40
Former Communist nation	-.110***	.042	-2.60
Government effectiveness	.014	.021	.68
Constant	.502****	.075	6.70
<i>Regulation equation</i>			
Fairness of legal system	.239***	.082	2.91
Openness of economy to trade	.229***	.092	2.48
Real growth in gross domestic product	-.083	.068	-1.21
Overall country risk (ICRG)	-.014****	.003	-4.71
Constant	.378	.848	.44

Table 3-1 (continued)

Simultaneous Equation Estimation of Corruption

Inequality equation

Trust (imputed)	-.135	.190	-.71
Corruption	-.028***	.009	-3.26
Former Communist nation	-.163****	.026	-6.38
Protestant share of population 1980	.119	.052	2.28
Muslim percent of population	-.001****	.000	-3.70
Constant	.575****	.036	15.76

Overall risk equation

Economic inequality (GINI)	31.580	25.424	1.24
Corruption	-8.378****	.958	-8.74
Internal conflicts (ICRG)	7.066****	1.500	4.71
Ethnic tensions (ICRG)	3.898***	1.628	-2.39
Constant	168.766****	15.924	10.60

Government effectiveness equation

Trust (Imputed)	.761	.946	.80
Corruption	.498****	.064	7.80
Ethnic tensions (ICRG)	-.093**	.047	-2.00
Poverty level 2005 (ICRG)	-.355****	.090	-3.94
Former Communist nation	-.397***	.144	-2.76
Constant	-1.425****	.227	-6.28

* p < .10 ** p < .05 *** p < .01 **** p < .0001 (all tests one tailed except for constants)

Table 3-1 (continued)
Summary of Models

<i>Equation</i>	R ²	S.E.E.	Mean	F Statistic
Corruption	.900	.855	5.276	68.51
Trust	.653	.081	.299	19.73
Regulation of business	.818	.392	.624	65.95
Inequality (Gini)	.518	.072	.358	11.27
Overall risk (ICRG)	.850	13.756	50.839	80.57
Government Effectiveness	.835	.428	.158	54.91

N = 62

Instrumental variables: Religious fractionalization (from Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg, 2003); English legal tradition (from the Levine-Loyaza-Beck data set at <http://www.worldbank.org/research/growth/llbdata.htm>), GNP per capita (State Failure Data), constraints on the executive branch of government (Glaeser, La Porta, Lopez-de-Silanes, and Shleifer, 2004); military in politics (at www.freetheworld.com); terrorism risk (ICRG); bureaucratic quality (ICRG), parliamentary system and proportional representation (from the Data Base of Political Institutions at <http://www.worldbank.org/wbi/governance/pubs/wps2283.html>)

Table 3-2
Summary of Regressions for Government Effectiveness and Corruption

Variable	N	Government Effectiveness			Corruption		
		Coefficient	Std. Error	t Ratio	Coefficient	Std. Error	t Ratio
Growth competitiveness ranking 2003 (WEF)	75/76	-9.493****	1.794	-5.29	-14.358****	2.358	-6.17
Tax compliance (WEF)	45	.095**	.055	1.72	.226**	.131	1.74
Expropriations risk 1982-97 (Glaeser et al., 2004)+	64/66	.785****	.201	3.90	1.169****	.181	6.47
Market capitalization (LaPorta, et al., in press)+	43	.111*	.073	1.53	.113**	.042	1.91
<i>Markets open to small/medium firms (LaPorta, et al., in press)+</i>	40	.592****	.128	4.61	.427***	.123	3.47
Index of state owned enterprises (LaPorta et al., 1999)	35	.443*	.279	1.59	.653**	.274	2.39
Government consumption/GDP (freetheworld.org)	72/74	-.581***	.203	-2.86	-.802***	.305	-2.63
<i>Good labor-management relations (WEF)</i>	70	.365****	.089	4.12	.320**	.155	2.07
How ethical are business firms (WEF)	81	.602****	.044	13.83	.887****	.070	12.61
Executives involved in charitable causes (WEF)	68	.106****	.031	3.31	.252****	.080	3.75
<i>Satisfied with state of environment (Gallup Millennium)</i>	49	.187****	.036	5.18	.167****	.040	4.17
Education spending (LaPorta et al., 1999)	43	.437***	.172	2.54	.663***	.205	3.24
Education Gini 1990 (Thomas, Wang, Fan, 2001)	47/48	-.030*	.022	-1.39	-.065****	.019	-3.35
Education standard deviation (Lederman)++	60/62	-.002	.027	-.06	-.087***	.035	-2.48
Secondary school enrollment (UN Development Program)	70/75	.021	2.056	.01	7.752***	2.648	2.91
Public health expenditures (UN Development Program)	74/81	.206	.217	.95	.770***	.254	3.04
Transfer payments (LaPorta et al., 1999)	55/56	2.520***	.930	2.71	4.502****	.919	4.90
UN Human Development Index (UN Development Program)	76/69	.008	.015	.54	.069****	.016	4.32

* p < .10 ** p < .05 *** p < .01 **** p < .0001 + estimated by 2SLS with instrumental variables ++ data provided by Daniel Lederman, World Bank

Bold outcomes: corruption impact stronger; italicized outcomes: effectiveness outcome stronger. Corruption index standardized.

Table 3-3

Summary of Models for Variables Shaped by Corruption and Effective Government

Variable	N	Other Variables in the Model and Significance (Corruption, Effectiveness)	R ²
Growth competitiveness ranking 2003 (WEF)	75/76	Openness of economy (**, **), regulation of business (-, ****, ****)	.85, .86
Tax compliance (WEF)	45	Informal sector (-, ***, **), English law tradition (***, ****), education (NS, **)	.67, .50
Expropriations risk 1982-97 (Glaeser <u>et al.</u> , 2004)	64/66	Informal sector (-, NS, ***), Gini index (-, ****, ****)	.67, .69
Market capitalization (LaPorta, <u>et al.</u> , in press)	43	Ease of starting new business, freetheworld.org (**, ****)	.50, .52
Markets open to small/medium firms (LaPorta, <u>et al.</u> , in press)	40	Courts have independent procedural powers, LaPorta <u>et al.</u> (2003) (****, ****)	.73,
Index of state owned enterprises (LaPorta <u>et al.</u> , 1999)	35	Rightist parliament (***, ****), East bloc (-, **, **), ethnic polarization (NS, NS)	.49, .44
Government consumption/GDP (freetheworld.org)	72/74	GDP per capita PPP (-, **, ****), East bloc (-, ****, **)	.50, .51
Good labor-management relations (WEF)	70	Ethnic tensions (-, NS, *), union density (NS, **), business regulation (-, NS, *)	.44, .51
How ethical are business firms (WEF)	81	Legal fairness (NS, ****), ethnic tensions (NS, *), East bloc (-, **, **)	.87, .86
Executives involved in charity causes (WEF)	68	East bloc (-, ****, ****), Jewish share population (****, ****)	.48, .51
Satisfied with state of environment (Gallup Millennium)	49	Openness of economy (***, ****), government run by will of people (****, ****)	.66, .71
Education spending (LaPorta <u>et al.</u> , 1999)	43	Rightist parliament (-, **, **), internal conflict (-, ****, ****)	.58, .50
Education Gini 1990 (Thomas, Wang, Fan, 2001)	47/48	Internal conflict (-, *, **), rightist parliament (NS, NS)	.31, .22
Education standard deviation (Lederman)++	60/62	Poverty rate (-, ****, NS), East bloc (-, **, **), ethnic polarization (**, *)	.54, .51
Secondary school enrollment (UN Development Program)	70/75	Poverty rate (-, ***, ****), East (****, ****), ethnic fractionalization (-, **, **)	.74, .74
Public health expenditures (UN Development Program)	74/81	Internal conflict (-, **, *), ethnic fractionalization (-, NS, **), Freedom House democracy (***, ****), rightist parliament (-, *, **)	.49, .56
Transfer payments (LaPorta <u>et al.</u> , 1999)	55/56	Internal conflict (-, **, **), rightist parliament (-, **, **)	.46, .32
UN Human Development Index (UN Development Program)	76/69	Internal conflict (NS, **), East bloc (**, NS), ethnic fractionalization (-, ****, ****), informal economy (-, NS, **), Freedom House democracy (**, ****)	.70, .65

Effects in equation with corruption listed first followed by equation for effectiveness, - indicates negative coefficients, * p < .10 ** p < .05 *** p < .01 **** p < .0001

Table 3-4

Simultaneous Equation Model of Corruption and Pickpocketing

Variable	Coefficient	Std. Error	t ratio
<i>Corruption equation</i>			
Pickpocketing frequent	-1.659*	1.282	-1.29
Trust (imputed)	3.294***	1.151	2.86
Particularized trust: Restrictions on conversions minority religions	-1.216**	.579	-2.10
Regulation of business	.999****	.232	4.30
GDP per capita (ICRG)	.528****	.130	4.06
Eastern bloc	-.712***	.286	-2.48
Constant	3.407**	1.103	3.09
<i>Pickpocketing equation</i>			
Corruption	-.032**	.015	-2.18
Police job satisfaction (ICVS)	-.532****	.146	-3.65
Freedom House 2003 democratization	-.062**	.036	-1.70
Average sentence length (perceived, ICVS)	-.016	.017	-.95
Frequency suspended sentences (perceived, CVS)	.120	.619	.19
Constant	1.163****	.132	8.84

For estimation using pickpocketing measure multiplied by 10 for comparability with corruption measure:
Coefficient of pickpocketing frequency on corruption: -.166; coefficient of corruption on pickpocketing: -.324.

* $p < .10$ ** $p < .05$ *** $p < .01$ **** $p < .0001$ (all tests one tailed except for constants)

Summary of Models

Equation	R ²	S.E.E.	Mean	F Statistic
Corruption	.929	.710	5.716	80.52
Pickpocketing	.737	.118	.573	20.59

N = 44

Instrumental variables: Religious and ethnic fractionalization (from Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg, 2003); English legal tradition; fairness of legal system; and don't report crime because police won't do anything (ICVS).

Table 4-1

Determinants of Corruption in Transition Countries

Variable	Coefficient	Standard Error	t ratio
Gini (Dutta/Mishra, 2005)	-3.012***	1.263	-2.38
Courts Not Fair (BEEPS 2002)	-4.689****	1.572	-2.98
GDP per capita PPP (Penn World Tables)	.0001****	.0000	4.24
Openness of economy (Penn World Tables)	.009**	.005	1.91
Constant	.849	.846	1.00

RMSE = .473 $R^2 = .855$ N= 21

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Table 4-2

Determinants of Inequality Change in Transition Countries

Variable	Coefficient	Standard Error	t ratio
Corruption	-.117**	.064	1.83
Change in shadow economy 1989-1994	.969***	.307	3.16
Disorder from street crime (Hellman et al., 2003)	.225***	.095	2.37
Freedom House democratization index 2003	-.180***	.056	-3.21
Constant	1.572*	.865	1.82

RMSE = .141 $R^2 = .730$ N= 18

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Table 4-3

Determinants of Change in Vote for Communist Parties from 1989 to 2004
for Transition Nations+

Variable	Coefficient	Standard Error	t ratio
Change in economic inequality (WIDER)	35.153****	8.768	4.01
Gift payments consume 36-40 percent of business income (BEEPS 2002)	732.923**	407.782	1.80
Mafia not an obstacle to business (BEEPS 2002)	-22.777**	12.597	-1.81
Courts enforce laws: strongly disagree (BEEPS 2002)	-89.357**	46.652	-1.92
Constant	-27.908*	14.779	-1.89

RMSE = 7.832 R² = .766 N= 20

* p < .10 ** p < .05 *** p < .01 **** p < .0001

+ Data from the Comparative Political Data Sets at
http://www.ipw.unibe.ch/mitarbeiter/ru_armingeon/CPD_Set_en.asp

Table 4-4

Determinants of Shares of Business Sales on Credit in Transition:

BEEPS 2005 Individual-Level Data Hierarchical Linear Model

Variable	Coefficient	Std. Error	t Ratio
Courts are fair	.262	.465	.56
Confident legal system will enforce contracts and property rights	-.342	.469	-.73
How many cases plaintiff in civil or commercial courts 3 years	.491****	.097	5.07
Street crime obstacle to business	-3.524****	.598	-5.89
Common in business for firms to make gift payments to officials	2.306****	.467	4.94
How often make gift payments to tax officials	-1.120**	.528	-2.12
Number of customs inspections in past 12 months	.147	.098	1.50
Share of sales to multinational firms	.105**	.044	2.40
Share of sales to small firms	-.156****	.579	-9.66
Member chamber of commerce	3.937***	1.282	3.07
Family/friends important information sources on new customers	-1.533***	.437	-3.51
Constant	38.549****	3.752	10.27
Random effects parameters			
TI Corruption Perceptions Index 2004	3.145**	1.837	1.70
Generalized trust	.373***	.132	2.82
Constant (aggregate)	.087	3.366	.03

* p < .10 ** p < .05 *** p < .01 **** p < .0001

-2*Log Likelihood Ratio = 35658.438 N = 3618 (20 countries)

Table 4-5

Determinants of Gift Payments in Transition: Aggregate Models from BEEPS 2005 (Robust Standard Errors)

Variable		Change in Gini	Court System Uncorrupt	Financial Regulation EBRD	Constant	R ²	RMSE
How common are gift payments in my business?	b	.532**	.314****	-.280***	4.172****	.635	.364
	S.E.	.314	.177	.095	.831		
How common are gifts for business licenses?	b	.549***	-.299****	-.200****	2.621****	.702	.209
	S.E.	.175	.066	.039	.301		
How common are gifts payments to courts?	b	.230**	-.346****	.017	2.172****	.500	.185
	S.E.	.138	.094	.069	.312		
How common are gift payments to customs?	b	.334**	-.395****	-.087*	2.573****	.587	.216
	S.E.	.195	.100	.058	.360		
How common gifts to environmental inspectors?	b	.310***	-.149***	-.046	1.671****	.447	.154
	S.E.	.126	.056	.037	.273		
How common gifts to fire inspectors?	b	.479**	-.313***	-.031	2.039****	.426	.267
	S.E.	.227	.120	-.35	5.880		
How common gifts to get government contracts?	b	-.296	-.181	-.011	2.905****	.088	.287
	S.E.	.332	.153	.065	.833		
How common gifts to get public services connected?	b	.280**	-.154**	-.118****	1.796****	.527	.165
	S.E.	.170	.074	.039	.407		
How common gifts to safety inspectors?	b	-.033	-.222***	.011	2.333****	.193	.200
	S.E.	.192	.087	.047	.441		
How common gifts to tax authorities?	b	1.117****	-.468**	-.340****	2.636****	.692	.378
	S.E.	.324	.201	.120	.701		

* p < .10 ** p < .05 *** p < .01 **** p < .0001 N = 20

Regression coefficients in bold

Table 5-1

Simultaneous Equation Estimation of Inequality and Trust Models for Romanian Survey 2003

Variable	Coefficient	Std. Error	t Ratio
<i>Performance of Government on Quality of Life</i>			
Inequality change	-.427***	.164	-2.61
Government success in controlling corruption	.464****	.094	4.92
Make gift payments to courts	-.190	.197	-.97
Satisfied with democracy in Romania	.072**	.038	1.89
Satisfied with market economy in Romania	.093**	.043	2.15
Wealth (can afford consumer goods)	.015	.011	1.26
Satisfied with income	.133****	.040	3.33
Constant	-.370	.236	-1.57
<i>Generalized trust</i>			
Success of government in handling corruption	.066	.073	.90
Inequality change	-.276***	.115	-2.40
Most judges are corrupt	-.049*	.030	-1.63
Direction of country right or wrong	.221****	.052	4.25
Have psychological link to Europe	.053**	.025	2.10
Number of connections	.012	.019	.64
Constant	-.101	.221	-.46
<i>Inequality change</i>			
Success of government in handling corruption	-.253***	.075	-3.37
Generalized trust	-.236*	.176	-1.34
Most doctors are corrupt	-.003	.036	-.08
Number of connections	.019	.026	.72
Homeless should receive housing from state	-.118**	.059	-1.99
Heated all rooms in house	-.138**	.066	2.09
Constant	1.266****	.210	6.03

Table 5-1 (continued)

Variable	Coefficient	Std. Error	t Ratio
<i>Success of government in handling corruption</i>			
Generalized trust	.315*	.194	1.63
Inequality change	.045	.185	.25
Performance of Government on Quality of Life	.430****	.100	4.28
Support ethnic rights in a new constitution	.203***	.067	3.04
State of the economy in Romania	.078*	.050	1.54
Number of connections	-.040	.032	-1.23
Number of contacts to public and private institutions	.073***	.027	2.70
Education (highest degree received)	-.034**	.017	-1.93
Support PSD	.116****	.027	4.24
Constant	.821**	.331	2.48
<i>State Limit Incomes of Rich (Agree)</i>			
Inequality change	.500**	.276	1.81
Satisfied with Romanian democracy	-.178***	.054	-3.27
Most business people are corrupt	.166***	.056	2.94
Trust in government scale	-.014	.065	-.21
People are poor because they don't get assistance from the state	.458****	.101	4.52
Wealth (can afford consumer goods)	-.060****	.017	-3.47
Can afford holiday outside locality	-.224**	.129	-1.74
Own cellular phone	-.215**	.127	1.69
Number of connections	.022	.046	.47
Constant	2.827****	.595	4.75

* p < .10 ** p < .05 *** p < .01 **** p < .0001 N= 486

RMSE (R²) by equation: Performance: .631 (.183), Inequality change: .645 (.014), Generalized trust: .477 (.034), Government success in handling corruption: .681 (.233), State limit incomes of rich: 1.039 (.012).

Endogenous variables in **bold**; endogenous dependent variables in **bold italics**.

Exogenous variables: Gender, church attendance, age, make gift payments to doctors, make gift payments to county, make gift payments to city, make gift payments to doctors, Hungarian ethnicity, tolerance of gays, government performance on jobs, government performance on agriculture, government performance on privatization, maximum salary that should be allowed, economic situation of country, life satisfaction, life quality next year, use e-mail, social protection increased/decreased in 5 years, have kitchen, work abroad last 10 years, state should help entrepreneurs, state should control media and parties, Romania needs strong leader.

Figure 5-1

Model of the Inequality Trap Among the Romanian Public

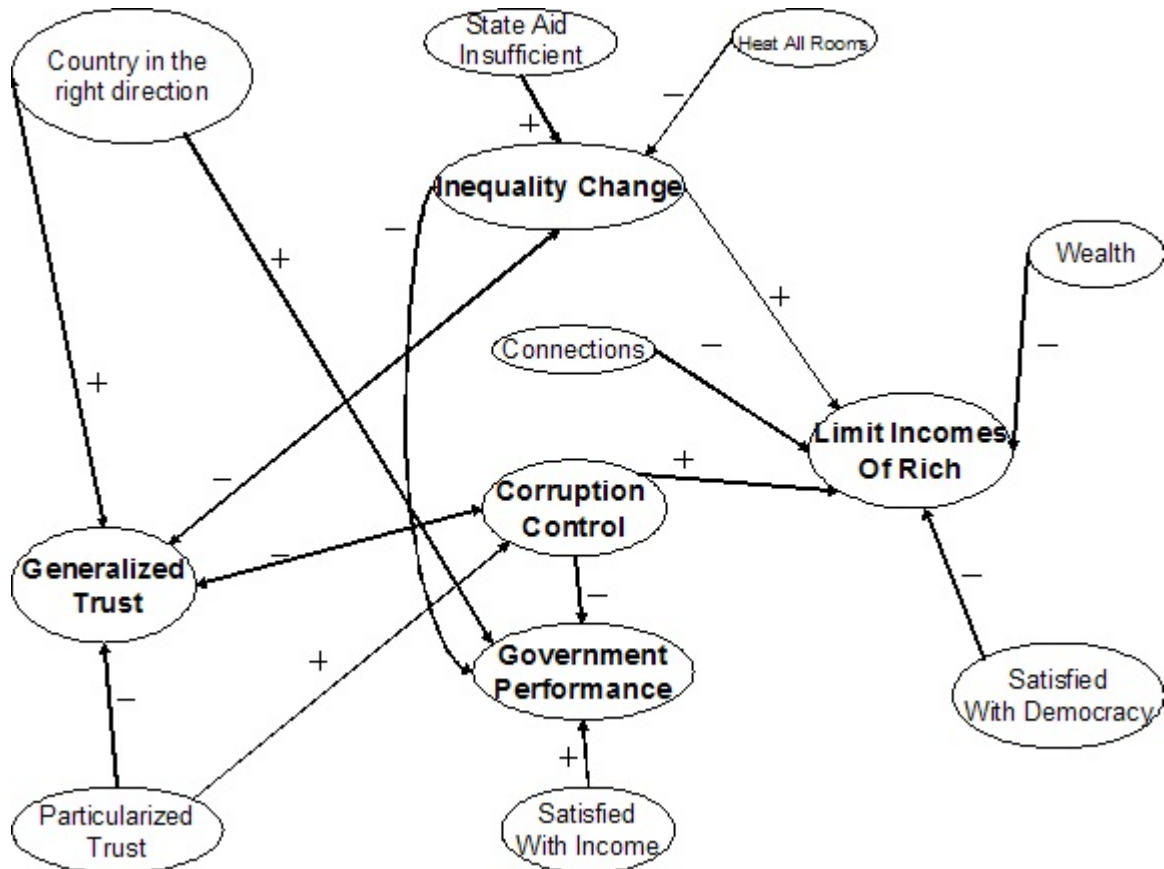


Table 5-2

Perceptions of Increasing Inequality in Romania: Ordered Probit

Independent Variable	Coefficient	Standard Error	t ratio
Quality of life next year	.054	.051	1.06
State of national economy in three years	.119**	.052	2.26
Wealth (can afford consumer goods)	.013	.013	1.04
Performance of government on quality of life	-.243****	.047	-5.13
Most government ministers are corrupt	.038	.058	.66
Most local officials are corrupt	.014	-.025	.25
Most politicians are corrupt	.164***	.070	2.36
Most judges are corrupt	-.029	.064	.46
<i>Made "extra" payments when visiting doctor</i>	-.085	.092	-.93
<i>Made "extra" payments to court</i>	.137	.217	.63
<i>Made "extra" payments to city officials</i>	.245	.252	.97
<i>Made "extra" payments to county officials</i>	.925	.770	1.20
<i>Made "extra" payments to police</i>	-.455	.310	1.47
<i>Made "extra" payments to bank</i>	.146	.434	.33
Have any connections to rely upon	.066**	.039	1.70
Have connections to rely on for medical treatment	.164**	.084	1.96
Have any connections to rely upon in court/lawyer	.201**	.118	1.70
Have any connections to rely upon at city hall	.090	.093	.97
Have any connections to rely on dealing with county	-.227	.158	-1.44
Have any connections to rely upon for bank loan	.025	.118	.22
Have any connections to rely upon for finding job	-.060	.117	-.51
Have any connections to rely upon in business world	-.896	.770	-1.16
Have any connections to rely on in foreign country+	-.492***	.125	-3.94

* p < .10 ** p < .05 *** p < .01 **** p < .0001
-2*Log Likelihood Ratio = 1602.87 N = 971

Coefficients for variables other than "connections" are for "any connections." Cutpoints omitted.
+ Two-tailed test of significance (all other tests one-tailed)

Table 5-3

Generalized Trust in Romania: Probit Analysis

Independent Variable	Coefficient	Standard Error	t ratio	Effect
Trust in government scale	.122**	.054	2.26	.197
Direction of country right or wrong	.622****	.100	6.24	.218
State of national economy in three years	.091*	.059	1.53	.120
Inequality change	-.123**	.070	-1.75	.125
Level of social protection increased or decreased	-.113**	.066	1.72	.120
Wealth (can afford consumer goods)	.034**	.015	2.27	.144
Most ministers are corrupt	-.020	.064	-.31	-.020
Most local councilors are corrupt	-.019	.062	-.31	-.019
Most politicians are corrupt	-.181**	.077	-2.36	-.185
Most judges are corrupt	-.043	.071	-.61	-.043
<i>Made "extra" payments when visiting doctor</i>	<i>-.014</i>	<i>.107</i>	<i>-.13</i>	<i>-.004</i>
<i>Made "extra" payments to court</i>	<i>-.530**</i>	<i>.304</i>	<i>-1.75</i>	<i>-.156</i>
<i>Made "extra" payments to city officials</i>	<i>-.231</i>	<i>.317</i>	<i>-.73</i>	<i>-.073</i>
<i>Made "extra" payments to police</i>	<i>-.139</i>	<i>.367</i>	<i>-.38</i>	<i>-.148</i>
<i>Made "extra" payments to bank</i>	<i>-.503</i>	<i>.511</i>	<i>-.99</i>	<i>-.056</i>
Have any connections to rely upon	-.037	.045	-.08	-.055
Have connections to rely on for medical treatment	-.052	.096	-.05	-.016
Have any connections to rely upon in court/lawyer	-.170	.138	-1.23	-.054
Have any connections to rely upon at city hall	-.117	.113	-1.04	-.038
Have any connections to rely on for police problem	.033	.120	.03	.011
Have any connections to rely upon for bank loan	.037	.141	.03	.012
Have any connections to rely upon for finding job	-.035	.131	-.27	-.011
Have any connections to rely upon in business world	-.165	.160	-1.03	-.057
Have any connections to rely upon in foreign country	-.194*	.139	1.39	-.062
Constant	-.288	.359	-.80	

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Estimated R² = .341 -2*Log Likelihood Ratio = 1097.02 N = 948

Percent predicted correctly: 70.4 (model) 64.7 (null)

Coefficients for variables other than "connections" are for "any connections."

Table 6-1

Perceptions of Estonians on Trust and Corruption: The Public, Business, and Public Officials

Question	Public	Business	Officials	p level
Corruption increased since Soviet times*	1.734	2.183	2.143	.0001
Corruption increased since 1990s*	1.837	2.575	2.316	.0001
Corruption inevitable in Estonia**	2.355	--	2.625	.0001
Courts in Estonia ensure fair trials**	2.232	2.201	2.199	n.s.
Trust most people in Estonia	.614	.693	.643	.01
Non-Estonians as trustworthy	.804	.774	.736	n.s.
Trust police**	2.294	2.078	2.162	.0001
Politicians do their best for the country	--	.469	.416	.10
Democracy best form of government**	1.940	1.524	1.664	.0001
Common: Offer bribe to avoid fine	.795	--	.078	.0001
Common: Offer bribe to change law	.466	--	.007	.0001
Common: Offer bribe for favorable ruling	.696	--	.040	.0001
Common: Entrepreneur offers bribe to expedite procedures	.745	--	.064	.0001
Common: Bribe offered to get job	.608	--	.005	.0001
Common: Civil servant uses state car	.917	--	.928	n.s.
Common: Civil servant lectures for pay	.650	--	.758	.0001
Common: Entrepreneur asks friend in civil service to expedite procedures	.799	--	.826	n.s.
Common: Entrepreneurs offer civil servants goods for help	.755	--	.651	.0002
Common: Civil servants order computers from relatives' company	.694	--	.771	n.s.

Table 6-1

Perceptions of Estonians on Trust and Corruption: The Public, Business, and Public Officials

(continued)

Question	Public	Business	Officials	p level
Acceptable: Entrepreneur offers civil servants goods for help	.245	.127	.033	.0001
Accept: Patient jumps queue for operation because brother went to medical school with doctor	.342	.322	.145	.0001
Corruption if official accepts gift after service**	2.417	2.143	2.277	.0001
Corruption if official accepts bribe for service**	1.396	1.295	1.202	.0001
Corruption if get job through personal connection**	1.892	--	1.950	n.s.
Corruption if official takes money for providing information not publicly available**	1.392	1.252	1.212	.0001
Take bribes because it is polite	.277	.066	.081	.0001
Take bribes because civil servant pay is too low	.309	.170	.559	.0001
Take bribes because people are persistent	.300	--	.322	n.s.
Take bribes because everyone accepts them	.292	.147	.184	.0001
Take bribes because acceptance won't be punished	.624	.501	.548	.0001

All cell entries are proportions agreeing except where noted by:

* Range is from 1-3, with higher values indicating decreased corruption.

** Range is from 1-4 with lower values indicating greater trust in police, greater likelihood of fair trials, greater support for democracy, agreement that activity constitutes corruption, and that corruption is *not* inevitable in Estonia.

Table 6-2

Simultaneous Estimation of Trust and Perception of Increased Corruption:
Estonian Public

Variable	Coefficient	Std. Error	t Ratio
<i>Generalized trust</i>			
Corruption increased since Soviet era	-.269***	.084	-3.21
Most people are selfish	-.109****	.027	4.03
Strong leader better form of government	-.037*	.025	-1.42
Courts ensure a fair trial	.113***	.037	3.04
Economic welfare better than five years ago	.083***	.031	2.69
Unemployment serious problem	.093*	.061	1.51
Everyone accepts bribes	-.129***	.051	-2.54
Doctors request bribes	-.076	.074	-1.04
Age	.005****	.002	3.40
Estonian nationality	-.113**	.058	-1.97
Constant	-.142	.253	-.56
<i>Corruption Increased Since Soviet Era</i>			
Generalized trust	-.266*	.201	-1.33
How guilty are entrepreneurs of corruption	.045**	.024	1.83
How guilty are ordinary citizens of corruption	-.029	.026	-1.13
Personally suffered from corruption	.056	.055	1.03
Speeder offers police officer bribe: how common	.194**	.084	2.31
Entrepreneur offers school official warm trip: how common	.162**	.080	2.02
Entrepreneur offers civil servant goods for favorable outcome: how common	.131*	.080	1.63
Civil servants take bribes because pay is too low	.209***	.080	2.59
Private sector employee	-.162**	.082	-1.97
Age	.008***	.002	3.69
Estonian nationality	-.250***	.086	-2.91
Constant	2.420****	.260	9.32

* p < .10 ** p < .05 *** p < .01 **** p < .0001 (all tests one tailed except for constants)

$R^2 = .144$ (trust), $.192$ (corruption increased), R.M.S.E. = $.451$ (trust), $.712$ (corruption) N = 391

Exogenous variables: trust in police, education, income, follow news, ever give a bribe, acceptTable for official to accept warm trip, acceptTable for official to accept state car, unemployed

Table 6-3

Simultaneous Estimation of Trust and Perception of Increased Corruption:
Estonian Public Officials

Variable	Coefficient	Std. Error	t Ratio
<i>Generalized trust</i>			
Corruption increased since Soviet era	-.130***	.055	2.34
Economic welfare better than five years ago	.017	.024	.74
Trust police	.148****	.042	3.52
Courts ensure a fair trial	.049	.048	1.03
People take bribes because they won't be punished	-.086**	.049	-1.74
Democracy best political system	.049*	.035	1.40
Constant	.903***	.236	3.82
<i>Corruption Increased Since Soviet Era</i>			
Generalized trust	-.701**	.317	-2.21
Acceptable if speeder offers police favorable service	.512**	.288	1.78
Common for school official to accept warm trip for admitting student	.382**	.171	2.24
Personally have been offered bribes in last several years	.166***	.062	2.68
Never have faced conflict of interest	-.003	.051	.06
Common for civil servant to order computers from relative's firm	.333****	.092	3.61
Politicians do what is best for the country	-.162**	.090	-1.80
Income	-.026*	.016	-1.63
Age	.023****	.004	5.80
Constant	2.548***	.575	4.43

* p < .10 ** p < .05 *** p < .01 **** p < .0001 (all tests one tailed except for constants)

R² = .083 (trust), .209 (corruption increased), R.M.S.E. = .447 (trust), .781 (corruption) N = 350

Exogenous variables: Estonian nationality, education, everyone accepts bribes, satisfied with salary, corruption is inevitable, officials take bribes because pay is too low, acceptable for official to accept warm trip, acceptable for civil servant to use state car for personal use, acceptable for official to get operation through university friend, do not report corruption because it is no use, position is stable.

Table 6-4

Simultaneous Estimation of Trust and Perception of Increased Corruption:
Estonian Entrepreneurs

Variable	Coefficient	Std. Error	t Ratio
<i>Generalized trust</i>			
Corruption increased since Soviet era	-.153*	.089	-1.71
Everyone accepts bribes	.001	.071	.02
Trust police	.042	.042	1.00
Courts ensure a fair trial	.062	.054	1.14
Corruption if procurement given to relative	.028*	.020	1.39
Democracy best political system	.066*	.042	1.58
Education	.086**	.038	2.26
Age	-.001	.003	-.32
Constant	.189	.397	.49
<i>Corruption Increased Since Soviet Era</i>			
Generalized trust	-.128	.632	-.20
Ever make extra payments to civil servants	.041*	.030	1.39
Ever made extra payments for state inspection	.142	.214	.67
Don't report corruption: No use in reporting	.294***	.112	2.63
Don't report corruption: Don't know where to report	.317**	.149	2.13
Expense of official proceedings an impediment to entrepreneurship	.098	.056	1.76
Democracy best political system	-.186**	.100	-1.85
Education	.024	.097	.25
Age	.015****	.005	3.28
Constant	3.288****	.661	4.98

* $p < .10$ ** $p < .05$ *** $p < .01$ **** $p < .0001$ (all tests one tailed except for constants)

$R^2 = .080$ (trust), $.205$ (corruption increased), R.M.S.E. = $.366$ (trust), $.752$ (corruption) $N = 299$

Exogenous variables: Corruption if official takes gift, officials take bribes because pay is too low, language spoken at home, acceptTable for official to accept warm trip, follow news, complicated tax system impediment to entrepreneurship, would not report corruption because don't want to betray anybody, percentage of time in negotiations, get faster procedures from personal relationships.

Table 6-5

Probit Analysis of Perceptions of How Corruption Increases Economic Inequality:
World Bank Corruption Diagnostic Survey of the Romanian and Slovakian Publics

Variable	Romanian Public				Slovakian Public			
	Coefficient	Std. Error	MLE/SE	Effect	Coefficient	Std. Error	MLE/SE	Effect
Corruption is abuse of position	.313***	.115	2.73	.115	.017	.091	.19	.006
Corruption is favoritism to relatives or friends	.206*	.129	1.59	.076	.026	.096	.28	.010
Corruption leads investors to lose confidence	-.618****	.178	-3.47	-.224	-.025	.098	-.25	-.009
Corruption endangers security of state	-.683****	.144	-4.74	-.252	-.339***	.133	-2.56	-.122
Court decisions are not fair / Must bribe court+	.012	.053	.023	.018	-.014	.038	-.37	-.021
Bribe useless or part of everyday life	-.125**	.057	-2.21	.138	-.049	.043	-1.12	-.054
Income / Social class+	-.568**	-.280	-2.03	-.084	.021	.036	.59	.056
Constant	.400*	.184	2.18		-.237	.247	-.96	

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Romania: Estimated R² = .150 -2*Log Likelihood Ratio = 692.193 N = 538
Percent predicted correctly: 64.5 (model) 50.9 (null)

Slovakia: Estimated R² = .107 -2*Log Likelihood Ratio = 1092.048 N = 831
Percent predicted correctly: 62.3 (model) 62.3 (null)

+ First question wording in Romanian survey, second in Slovakian survey.

Table 6-6

Ordered Probit Analysis of Trust in Government:
World Bank Corruption Diagnostic Survey of the Slovakian Public

Variable	Coefficient	Std. Error	MLE/SE	Effect
Corruption causes inequality	-.189**	.104	-1.82	.030
Corruption serious problem in Slovakia	-.185***	.095	-1.95	.029
Corruption increased in past three years	.423****	.055	-7.66	.233
Ministries are corrupt	-.326****	.083	-3.94	.100
Justice system is corrupt	-.147**	.082	-1.79	.046
Customs officials are corrupt	-.068	.074	-.91	.021
Education system is corrupt	-.002	.062	-.03	.001
Corruption means giving gifts	-.033	.114	-.29	.005
Bribe medical workers because asked to do so	-.011	.045	-.25	.007
Bribe education workers because asked to do so	-.033	.044	-.75	.021
Change in quality of health care by specialists	.157***	.054	2.91	.098
Education	-.083	.052	-1.59	.039

Cut points not reported. Effects are average changes in probabilities across the five categories of trust in government. The effects represent the changes from each value to *the next higher value*.

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Estimated R² = .116 -2*Log Likelihood Ratio = 1181.768 N = 486

Table 7-1

Ordered Probit Analysis of How Well Government Handles Corruption: 2002 Afrobarometer

Variable	Coefficient	Std. Error	MLE/SE	Effect
How frequently people treated unequally	-.046***	.015	-3.00	-.028
Equal treatment for all: better now than under military	.042**	.024	1.73	.033
President is corrupt	-.184****	.030	-5.97	-.108
Teachers are corrupt	-.010	.028	-.37	-.006
Pay bribe to get place in school	.038*	.026	1.49	.030
Pay bribe to avoid problem with police	.005	.016	.32	.004
Pay bribe to get document or permit	.015	.032	.45	.009
Poverty/inequality country's most important problem	-.003	.028	-.10	-.002
Government manage economy well	.381****	.035	10.79	.216
Government manages service delivery better than past	.063***	.023	2.75	.050
Satisfied with democracy	.067***	.025	2.66	.053
Trust courts	.084***	.032	2.64	.050
Safer from crime and violence than under military	.101****	.028	3.65	.079
Property rights more secure than under military	.057**	.030	1.92	.045
Trust government newspapers	.062	.053	1.17	.085
Read newspapers frequently	.019	.017	1.10	.015
One's identity group treated unfairly	-.032**	.019	-1.69	-.019
Particularized trust	-.007	.058	-.13	.001
Age+	-.007	.008	-.85	-.018
Education	-.012	.024	-.51	-.019
Income	-.0004	.001	-.56	-.008
Gender	.033	.031	1.07	.006

Cut points not reported. Effects are average changes in probabilities across the five categories of trust in government. The effects represent the changes from each value to *the next higher value*. Standard errors are robust, clustered across the 14 countries in the sample.

+ Effects calculated at +/- one standard deviation.

* p < .10 ** p < .05 *** p < .01 **** p < .0001
 Estimated R² = .123 -2*Log Likelihood Ratio = 18019.13 N = 7709

Table 7-2

Ordered Probit Analysis of How Frequently People are Treated Unequally: 2002 Afrobarometer

Variable	Coefficient	Std. Error	MLE/SE	Effect
Government handles corruption well	-.050**	.028	-1.82	-.030
President is corrupt	.147****	.024	5.99	.087
Police are corrupt	.029	.030	.97	.017
Teachers are corrupt	-.0002	.029	-.01	.0002
Pay bribe to get place in school	-.019	.047	-.40	-.015
Pay bribe to avoid problem with police	.016	.024	.65	.013
Pay bribe to get document or permit	.046**	.025	1.86	.037
Poverty/inequality country's most important problem	-.018	.032	-.53	-.010
Corruption country's most important problem	.052	.050	1.05	.010
Government manage economy well	-.082**	.037	-2.24	-.049
Government manages reducing income gap well	-.071**	.033	-2.15	-.042
Government provides food for all well	-.045	.037	-1.22	-.027
Schools should be free for all	.009	.011	.83	.007
Violent conflicts between groups in the country	.098****	.026	3.83	.078
Country's economic position very good	-.040*	.028	-1.42	.032
Own living condition very good	-.007	.019	-.37	-.006
One's identity group treated unfairly	.084***	.033	2.55	.050
Particularized trust	.125***	.041	3.06	.025
Trust traditional leaders	-.014	.021	-.66	.009
Age+	.001	.006	.19	.003
Education	-.021**	.012	-1.80	.034
Income	.001	.001	1.03	.011
Gender	.021	.022	.94	.004

Cut points not reported. Effects are average changes in probabilities across the five categories of trust in government. The effects represent the changes from each value to *the next higher value*. Standard errors are robust, clustered across the 14 countries in the sample.

+ Effects calculated at +- one standard deviation.

* p < .10 ** p < .05 *** p < .01 **** p < .0001
 Estimated R² = .039 -2*Log Likelihood Ratio = 275510.51 N = 10,486

Table 7-3

Simultaneous Equation Model for Government Handling Corruption and Changes in Inequality:
Afrobarometer in Nigeria 2005

Variable	Coefficient	Std. Error	t Ratio
<i>Government Handles Corruption Well</i>			
Equal treatment for all better now	.201****	.033	6.00
President is corrupt	-.108****	.025	-4.34
Teachers are corrupt	.052	.025	2.07
Make bribes factor score	-.004	.021	-.02
Provide favors for services: right or wrong	.023	.042	.41
Law enforcement bias	.078	.027	2.80
Local government handles tax collection	.106****	.020	5.35
Government handle AIDS	.292****	.020	14.33
Government handle economy	.201****	.028	7.24
Government handle inequality	.105****	.030	3.47
Trust government media	.091****	.022	4.08
Political knowledge	.022**	.013	1.68
Constant	-.187	.145	-1.29
<i>Equal treatment for all better now</i>			
Government handles corruption well	.282****	.053	5.28
Unjust arrest less frequent now	.273****	.025	11.01
President is corrupt	-.044*	.031	-1.43
Teachers are corrupt	.040	.038	1.06
Health care workers are corrupt	-.038	.039	-.97
Trust police	.111****	.029	3.83
Government handle inequality	.096***	.037	2.64
Availability of goods better now	.051**	.022	2.25
National economy better next year	.079****	.019	4.19
Free speech more respected now	.145****	.023	6.21
Particularized trust	-.034*	.024	-1.42
No cash income	-.057***	.019	-3.08
Constant	.250*	.147	1.70

Table 7-3 (continued)

* p < .10 ** p < .05 *** p < .01 **** p < .0001 N= 1681

RMSE (R²) by equation: Government handle corruption: .378 (.753); Equal treatment better: .336 (.912)

Endogenous variables in **bold**; endogenous dependent variables in ***bold italics***.

Exogenous variables: Gender, age, education, trust in the courts, trust other ethnic groups, discrimination against religion better now, police are corrupt, belief that people are obligated to pay taxes, listen to radio news often, discuss politics frequently.

Table 7-4

Ordered Probit Analysis of Trust for Corruption Commission in Nigeria: 2005 Afrobarometer

Variable	Coefficient	Std. Error	MLE/SE	Effect
Government handles corruption well	.138****	.032	4.28	.081
Make bribes factor score	.017	.031	.55	.016
Trust independent newspapers	1.012****	.037	27.66	.435
Trust ruling party	.199****	.036	5.64	.117
Approve President	-.037	.038	-.97	-.022
Trust other people	.110****	.032	3.42	.065
Equal treatment for all better now	.094****	.027	3.44	.073
Easy to get school place	.061***	.022	2.72	.047
National economy better next year	.047**	.023	2.05	.037

Cut points not reported. Effects are average changes in probabilities across the five categories of trust in government. The effects represent the changes from each value to *the next higher value*.

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Estimated R² = .284 -2*Log Likelihood Ratio = 3373.78 N = 1752

Table 7-5

Probit Analysis of Perceived Government Corruption in Hong Kong: Asian Barometer 2004

Variable	Coefficient	Std. Error	MLE/SE	Effect
People treated equally: Better than in past	.060	.117	.52	.039
Generalized trust	-.009	.191	-.05	-.002
Success/failure determined by fate	-.363***	.144	-2.51	-.246
Know anyone who has witnessed bribe	1.073***	.393	2.73	.306
Trust courts	-.609***	.194	-3.14	-.459
Trust civil servants	-.410***	.150	-2.72	-.282
How democratic is Hong Kong?	.068	.054	1.25	.123
Democracy would be good for Hong Kong	.007	.048	.14	.013
Democracy more important than development	-.082	.093	-.88	-.066
Government should own key enterprises	-.034	.159	-.021	-.022
Economic situation of Hong Kong good	-.252**	.137	-1.83	-.107
Closely follow news	-.066	.062	-1.07	-.059
Education	-.054	.047	-1.14	-.022
Income	-.037	.079	-.46	-.108
Social class (perceived)	-.085	.121	.71	-.070
Constant	3.250***	1.207	2.69	

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Estimated R² = .625 -2*Log Likelihood Ratio = 296.106 N = 383

Percent predicted correctly: 83.5 (model) 80.7 (null)

Table 8-1

Probit Analysis of Perceived Corruption in Nordic Countries: 1995-97 World Values Survey

Variable	Coefficient	Std. Error	MLE/SE	Effect
How much poverty in country	-.112	.091	-1.24	-.076
Need income differences as incentives for effort	.001	.024	.02	.002
Generalized trust	-.289****	.041	-6.90	-.094
Competition brings out worst in people	-.027	-.024	-1.14	-.078
Confidence in the police	-.193****	.012	-15.71	.197
Confidence in parliament	-.174****	.027	-6.50	.168
Confidence in civil service	-.238***	.097	-2.46	.225
Order versus individual freedom	-.083*	.053	-1.56	-.027
Cheating on taxes acceptable	-.016	.026	-.62	-.045
Buying stolen goods acceptable	.010	.023	.44	.030
Bribes acceptable	.073***	.028	2.60	.240
Age+	.010**	.005	2.16	.150
Education	-.028	.040	-.69	-.071
Income	-.028****	.005	-5.68	-.080
Constant	-1.842***	.606	-3.04	

+ Effect for age calculated between 20 and 70.

Model estimated with robust standard errors clustered by country (Norway, Sweden, and Finland).

* $p < .10$ ** $p < .05$ *** $p < .01$ **** $p < .0001$

Estimated $R^2 = .390$ $-2 * \text{Log Likelihood Ratio} = 2565.074$ $N = 2395$

Percent predicted correctly: 73.8 (model) 72.1 (null)

Table 8-2

Hierarchical Linear Model of Whether People Are Good or Corrupt:

1987 General Social Survey in the United States

Variable	Coefficient	Std. Error	t Ratio
Generalized trust	-.470****	.103	-4.56
Inequality exists for benefit of the rich	.034	.047	.71
Working and middle class in conflict	.132**	.074	1.77
Need wealthy family to get ahead	.070*	.045	1.55
Rank in social position	.096****	.028	3.43
Need wealthy family to get ahead	.070*	.045	1.55
Confidence in business	.113*	.088	1.28
Confidence in federal government	-.176	.079	-2.22
Confidence in judicial system	.048	.084	.57
Confidence in Congress	.191**	.091	2.09
Religious fundamentalist	.259****	.066	3.93
Age	-.004*	.003	-1.38
African-American	.190*	.130	1.47
Constant	3.403****	.439	7.75
Random effects parameters			
Household Gini 1989	.304	4.008	.08
Constant (aggregate)	.174	1.310	.13

Number of states: 40, Number of observations: 1115

Wald Chi Square: 117.02, Log restricted likelihood = -2108.178

* p < .10 ** p < .05 *** p < .01 **** p < .0001 (all tests one tailed except for constants)

Table 8-3

Ordered Probit of How Many People in Government Are Crooked:

2004 American National Election Study

Variable	Coefficient	Std. Error	MLE/SE	Effect
Big problem if everyone not treated equally	-.052	.045	1.16	-.052
How much change in income gap	-.151**	.082	1.84	-.134
Generalized trust	.454****	.120	3.80	.112
Feeling thermometer big business	.007**	.003	2.23	.180
Feeling thermometer business people	-.004	.004	-1.00	-.085
Congressional job approval	-.048	.038	-1.25	-.048
Elections make politicians pay attention	.172****	.048	3.59	.177
Moral climate in country fell since 2000	-.090***	.038	-2.41	-.152
African-American	-.161	.164	-.98	-.041
Age	.007**	.003	1.93	.114
Social class (working or middle)	.015	.030	.51	.026
Income	-.006	.009	-.63	-.032
Education	.076**	.039	1.97	.115
South	-.255**	.137	-1.86	-.065

Higher scores on “how many crooked” indicate few people are crooked.

Cut points not reported. Effects are average changes in probabilities across the five categories of trust in government. The effects represent the changes from each value to *the next higher value*.

* $p < .10$ ** $p < .05$ *** $p < .01$ **** $p < .0001$

Estimated $R^2 = .123$ $-2 * \text{Log Likelihood Ratio} = 799.27$ $N = 505$

Table 8-4

Model of Corruption Perceptions in the American States

Independent Variable	Coefficient	Standard Error	t ratio
Generalized trust	-2.495**	1.319	-1.89
Economic inequality 1990	11.849**	5.795	2.04
Black/white poverty ratio	.296***	.114	2.58
Per capita income 1990	-.0001***	.00005	-2.55
Traditional party organization	.443****	.054	8.18
Overall incarceration rate 1990	.001***	.0002	3.13
Constant	-1.303	2.796	-.47

Model estimated with robust standard errors.

$R^2 = .733$ Adjusted $R^2 = .678$ RMSE = .589 N = 30

*** p < .01 ** p < .05

Table 8-5

Historical Models of the 1924 LaFollette Vote and Reporters' Corruption Perceptions

Variable	LaFollette Vote 1924			Reporters' Corruption Perceptions 1999		
	Coefficient	Standard Error	t Ratio	Coefficient	Standard Error	t Ratio
Percent professional workers 1920	.035****	.009	4.04	-.266***	.106	-2.50
Population density 1920	-.0002****	.0000	-4.17	.004****	.0009	4.68
Proportion parents born Scandinavia 1880	1.596****	.446	3.58	-6.493**	3.430	-1.89
Average monthly teacher pay 1880	.003****	.001	3.69	--	--	--
Constant	-.132***	.034	-3.94	4.674****	.535	8.74
R ²	.662			.392		
S.E.E.	.080			.922		
N	45			42		

Regressions are estimated with robust standard errors.

* p < .10 ** p < .05 *** p < .01 **** p < .0001

Figure 8-1

The Historical Roots of Corruption in the American States

