CHAPTER ONE

Corruption: The Basic Story

They tell you that the best in life is mental--

Just to starve yourself and do a lot of reading

Up in some garret where the rats are breeding.

Should you survive it's purely accidental.

If that's your pleasure, go on live that way.

But since I've had it up to here I'm through.

There's not a dog from here to Timbuktu

Would care to live that life a single day....

Now once I used to think it would be worthy

To be a brave and sacrificing person.

I soon found out it wasn't reimbursin'

Decided to continue being earthy.....

Where's the percentage? asks Mack the Knife.

The bulging pocket makes the easy life.

From "The Ballad of the Easy Life," Berthold Brecht and Kurt Weill, *The Threepenny Opera*

When I was 13 years old, I delivered a plain white envelope containing a $50 bill to the chief of police of Paterson, New Jersey.

The chief wasn't available to accept the "gift" himself. I gave the unmarked envelope to a sergeant and told him it was from my father. He smiled and said thank you and waved me on my way.

A couple of hours later, a police officer called our stationery store with a very large order for office supplies. The department bought about 50 staplers, which more than sufficed for the 20 or so people who worked at police headquarters (so we knew what some of their children got for Christmas). And it was a gift that kept on giving.

The money wasn't a "bribe." It was a "Christmas gift" (which under city laws was also illegal). It wasn't a large offering. Most public officials liked my father. They realized that he could not afford to give as much in "gifts" as our major competitor, who owned a much larger store and was wealthier than my father. A sign of good faith, a little spending money, was all he needed to get far more city business than the competition. Yet he knew that if he forgot the holiday, business would not flow our way.

I learned about corruption–and experienced it–when I was young. Paterson and its surrounding county for many years was dominated by a corrupt Democratic machine, as in many other large and medium-sized cities (Paterson had a population of about 150,000). Reformers in New Jersey sought to "cleanse" Paterson's political system early in the twentieth century (Norwood, 1974, 52-53):

> ...when the working class did start to build a power base, it was unceremoniously cut off. By 1907 the longtime practice of city aldermen's selling jobs on the

> municipal payroll was so blatant that the New Jersey Legislature established a special form of government solely for the city of Paterson. It revoked the aldermen's power and left them with only such insignificant duties as licensing dogs, peddlers, and junkyards. The mayor became the single elected official with authority.

By the middle of the century, Republicans alternated with the Democrats in power. Both the city and the county governments have been restructured with a change from a Board of Aldermen to a City Council with greater oversight powers.[1] Theoretically, this weakened the power base of key office-holders and changing the electoral systems was supposed to cleanse the body politic. Yet, many government or party officeholders and more than a handful of police officers have since been convicted of or faced indictment for receiving or demanding kickbacks (The Record, 2001). In 1988, the state of New Jersey took control of the Paterson school system, charging rampant corruption (Lindsay, 1998).

Corruption persisted as power passed from the Irish and Italians who dominated local politics. In 2003 Mayor Marty Barnes, an African-American, was sentenced to 37 months in jail for extorting bribes from a contractor who received $16 million in city business. The prosecution presented pictures of the mayor "frolicking with prostitutes at a Brazil resort and a paper trail showing kickbacks, clothes, trips, furniture, even a new pool and a waterfall" and the leader of New Jersey's third largest city shrugged off the charges, telling the presiding judge that he became "bogged down" in trying to run the city and "I probably didn't pay as much attention to other things that I should have" (Martin, 2003). Two years later, four administrators in the city's school system were found guilty of extorting cash and goods from city contractors–and the former head of facilities for the school district was indicted on similar charges (New York Times, 2005).

Paterson sets the theme for the story I tell in this book. Corruption isn't easily eradicated. Efforts to curb it by putting dishonest leaders in jail or changing institutional structures may have limited success. The most powerful of the corrupt leaders never went to jail–a few were indicted from time to time but never served time (Norwood, 1974, 86-90). As some ethnic groups moved out to the suburbs, they were replaced in power by the previously disenfranchised–who continued the city's longstanding tradition of enriching the powerful. No structural or electoral change could eliminate the close ties between office-holders and contractors for city business.

There was little hope that a vigilant media would lead the charge to a public revulsion over corruption. Most people who knew anything about local government understood that the leading paper in town, the Paterson *Evening News*, controlled the local Mafia, which in turn ran the police department.[2] "People in public life in Paterson had learned to fear the *News*' power" as the editors kept files on the private lives of public figures and the publisher, Harry B. Haines, "retaliated against those who thwarted him as he supported those he supported" (Norwood, 1974, 92). The other newspaper in town, the *Morning Call*, had little circulation and even less influence. When new owners tried to take on the *Evening News* and fight for clean government, the dominant paper started a morning edition and within a short time the *Call* fell silent as advertisers deserted it.

Dishonesty in government thrives in places where there is a great gap between the rich and the poor and where there is little trust. The city was marked by a long history of violent labor strikes in the mid-19th through the mid- 20th century and anti-immigrant violence by the racist Ku Klux Klan and its allies (Norwood, 1974, 56-60). Paterson has never been a wealthy city, but the East Side long was home to the middle and upper middle classes, with the rest of the city far less prosperous. The city was also ringed by far more affluent suburbs. Crime was a perpetual problem (I was mugged twice outside my secondary school) and there was little social interaction between people of different backgrounds, a legacy of long periods of ethnic conflict and residential segregation.

Corruption and its persistence has long held a fascination for me, at least since I had to make my first (and only) "payoff." Paterson always seemed to be a city on the verge of collapse, as one major business after another either failed or left the inner city for the fancier suburbs. The one elegant hotel in town, named after the first Secretary of State of the United States who founded the city, had become a haven for prostitutes and crack addicts by the 1980s. Downtown Paterson, which "has everything" in the local lingo of my youth, had been reduced to a cluster of dollar stores when I showed by wife my hometown some years later. It was a town where extortion seemed to be the only way to get rich.

The desire to understand my roots became more intense when I moved, many years later, to my current home in Montgomery County, Maryland, an upper-middle class community with the second highest college graduation rate of any county in the United States,[3] a strong commitment to tolerance and social interaction among different ethnic and religious groups, and a local government cleaner than most dental offices. The most common route to high level office does not start with working for the local party organization but rather as a parent activist in your child's school followed by election to the Board of Education. The chief county official is more likely to be an educator, even a professor, than a party activist and one former County

Executive retired to seek a new career, not as a lobbyist but as an Episcopalian priest.

What makes some societies corrupt and others honest? Hoping that the press would stir the public into revulsion against the evil-doers or reliance on putting the bad guys in jail will end corruption (see Chapter 2) is wishful thinking. My life experience–and the argument and data I shall present in this book – strongly suggest that it is not the structure of government, but the underlying social and economic conditions.

I begin with a brief summary of the roots of corruption and outline the rest of the book. Then I move to a discussion of what corruption means, its different forms, and how to measure it. The definition of corruption and especially its measurement are controversial. Sorting out what corruption means is particularly difficult and I make no claim to resolving the debate. The measurement issues may be just as tendentious. Since my work relies heavily, though not exclusively, upon the most widely used quantitative indicator of corruption, I need to consider the objections to it.

The Roots of Corruption

The roots of corruption, as I formulate my story in the pages to come, rests upon economic inequality and low trust in people who are different from yourself. Corruption, in turn, leads to less trust in other people and to more inequality. This is the essence of the *inequality trap* I outline in Chapter 2. This trap is the reason why corruption persists in societies (including the city of Paterson) over long periods of time and why it is so difficult to eradicate. You can find corrupt governments in all sorts of political systems, so that changing the form of government in Paterson–or even moving from Communism to democracy in transition countries (see Chapters 4, 5, and 6)–has not been a "cure-all," or even a major factor, in reducing corruption.

The roots of corruption reflect underlying social tensions that rest upon high inequality and low trust in people who may be different from yourself. The link from inequality to corruption is weak in my aggregate analysis, though the survey data from both transition countries and African nations show a more direct connection. The inequality trap starts with high inequality and works through low generalized trust (and high in-group trust) that lead to high levels of corruption–and back to more inequality. I show that high inequality, low trust, and high corruption persist over time. They do not change radically and countries find it hard to escape the inequality trap (if they are at the bottom). Nor are they likely to fall from grace, if they are at the top. And even countries in the middle don't move up or down. Changes in institutional structure–most specifically democratization–don't lead to less corruption. The two key counterexamples to the inequality trap (Hong Kong and Singapore, see Chapter 8), the two countries that have cast corruption aside, are *not* democracies.

I first lay out the theoretical claims for my argument and then conduct many statistical tests of my claims. I use both aggregate analyses using the most widely used cross-national measure of corruption, the Transparency International Corruption Perception Index. I discuss this measure–often controversial–below. But I do not rely upon aggregate analyses alone to make my case. Much of my argument is based upon *perceptions*. And much of my evidence is based upon how people see corruption. I use a wide range of surveys of both public and elite (entrepreneurs and government officials). Some are cross-national: from Gallup International (2000), Transparency International's Global Corruption Survey 2004, the World Values Survey (1995-97), the European Bank for Reconstruction and Development/World Bank BEEPS survey of businesspeople (2005), and the Afrobarometer (2002). Others are single-nation surveys, including a 2003 survey conducted in Romania by a Romanian colleague, and surveys of masses and elites in Estonia (conducted for the Government of Estonia in 2003) and Slovakia and Romania (World Bank Diagnostic Surveys in 1999 and 2000, respectively), special Afrobarometers in Mali (2002) and Nigeria (2005), the 2004 Asian Barometer in Hong Kong, the General Social Survey in the United States (1987), and the American National Election Study (2004).

I thus rely upon diverse data sets. Some are less well suited to test my inequality trap argument than others. But overall, there is considerable support for my argument using a wide range of evidence. The key result from a wide range of survey data is that people throughout the transition nations and in most of Africa see strong connections between inequality and corruption–and in Estonia and Romania there are strong links to trust as well. Where corruption is less widespread–notably in Botswana, the Nordic countries, and (nationally) in the United States, there is no strong link to inequality.

The story for the United States supports the cross-national findings: Corruption is sticky. A proxy measure for corruption in the 1920s, the state-level Presidential vote for a reform (Progressive) candidate for President in 1924, has a moderately strong relationship with state legislative reporters' perceptions of corruption in 1999. And we can trace this 1924 measure–and the 1999 indicator–back to Nordic heritage. States with high shares of Nordic ancestors in the 1880 Census had higher support for reform candidates in 1924 *and* lower corruption 75 years later.

Honesty is not only sticky, but it seems to be inherited, at least culturally. The writer

Andre Codrescu, who emigrated to the United States from Romania and settled in New Orleans, told an interviewer: "New Orleans reminds me of Romania, because New Orleans is very corrupt politically" (Solomon, 2005, 19). So it may be natural that a native of Paterson, New Jersey develops not only an interest in corruption, but an interest in Romania.

What Is Corruption?

Corruption is an elusive concept. Every definition has problems, some more so than others. Rose-Ackerman (2004, 1) gives the most common definition of corruption, while recognizing the difficulties in this enterprise:

> "Corruption" is a term whose meaning shifts with the speaker….I use the common definition of corruption as the "misuse of public power for private or political gain," recognizing that "misuse" must be defined in terms of some standard. Many corrupt activities under this definition are illegal in most countries—for example, paying and receiving bribes, fraud, embezzlement, selfdealing, conflicts of interest, and providing a quid pro quo in return for campaign gifts. However, part of the policy debate turns on where to draw the legal line and how to control borderline phenomena, such as conflicts of interest, which many political systems fail to regulate.

Does corruption depend upon the standards of a given society–or a group of citizens?. What you may think of as corrupt I may consider acceptable. The controversy goes further, as some societies are described as having a culture in which corruption is acceptable. This is dangerous thinking because it encourages stereotypes–and because it fails to recognize that there is an economic and social foundation underlying corruption. "Cultural" arguments see little opportunity to make a corrupt society honest. Yet so does my argument about the inequality trap.

Societies develop "cultures of corruption" because they are trapped in a vicious cycle of high inequality, low out-group trust, and high corruption. People don't become enmeshed in corrupt relationships because they see little moral harm in paying off their patrons or because they admire their leaders who enrich themselves. In these "cultures of corruption," people make payments because there is no way out. They are caught in this inequality trap and they are hardly happy about it. Where high-level corruption is rampant, the very people who are supposed to be "tolerant" of malfeasance resent the illicit tactics that the powerful use to enrich themselves.

There is less disagreement on what people think is corrupt than one might expect. Relying on statutes to determine what is corrupt misses the mark for two reasons. First, statutes vary from one place to another and this doesn't always tell us much about enforcement of the law. Where corruption runs rampant, the rich and powerful are rarely charged with crimes and even more rarely convicted (see Chapter 2). Second, statutes may make fine distinctions that ordinary citizens find puzzling. Members of the United States Congress may not raise campaign funds on the grounds of the Capitol, but they may take a few steps outside on a sunny day and make their solicitation calls perfectly legally. Interest groups in the United States may make "independent expenditures" in federal elections but may neither coordinate their messages with any candidate nor may their advertisements urge people to vote for or against candidate X. The groups' ads may perfectly legally claim that "X is a dedicated public servant who is a credit to our state" or that "X is beholden to special interests and works against the interests of the people of this state."

Another approach is to define corruption normatively. You (2006) sees *fair* institutions as the foundation of good (honest) government, while Rothstein and Toerell (2005) and Kurer (2003) argue that *partiality* lies at the heart of corruption. The equation of honesty and government quality is problematic for five reasons. First, linking fairness with honest government makes corruption all about formal institutions. Yet, politicians don't bribe themselves. They get bribes from private officials, usually businesspeople. This definition of corruption effectively "exonerates" the people who offer the bribes (although I am sure that this is not what Rothstein, Toerrell, or Kurer meant to do). Second, defining corruption as unfair politics opens up all sorts of possibilities for what is corrupt. John F. Kennedy, who hardly was at the bottom of the inequality ladder, said: "Life is unfair."[4] Lots of things in life, and especially in politics, are unfair–or seem inequitable. They are not all instances of corruption. To argue, as You (2006, 9) does, that politicians must "follow the principle of fairness" misses the point that politics is about winning and losing, not about fairness. The losers in political battles are less likely than winners to have confidence in incumbent politicians–if not to see them as outright unfair (Anderson et al. 2005).

Third, equating corruption with unfairness–even just the unfairness of the legal system (You, 2006, 5-6), conflates cause and effect. I argue that an unfair legal system is one of the key determinants of corruption (see esp. Chapters 2 and 3). *Legal fairness is not the same thing as corruption,* even though they are strongly related. Corruption may be less common in countries with fair legal systems such as the United States or the United Kingdom (see Chapter 3). Yet political events of 2006--with major scandals facing leading members of Congress and accusations that British Prime Minister Tony Blair "traded" peerages for campaign contributions–suggests that the rule of law does not preclude breaking the law.

Fourth, Kurer (2003) and Rothstein and Toerell (2005) are correct in linking honest government to impartial treatment by bureaucrats–and, as with You (2006) and my own argument in this book, by the legal system. Kurer and Rothstein and Toerell recognize that elected leaders are usually *not* impartial, but we expect the people who implement policy to treat all equally.[5] This concept of corruption focuses too heavily on bureaucrats and not enough on candidates for office–who are at least as likely to be offered bribes..

Fifth, just as there are many ways in which life can be unfair, there are also many motivations for partial treatment by bureaucrats. Soss (2002, 75, 99) details how welfare recipients in the United States see their treatment by bureaucrats as “degrading” and one welfare recipient described her experience at a welfare office: “It's like a cattle prod....I felt like I was in a prison system.” Yet, there is no evidence that welfare workers are corrupt. More likely, they are simply prejudiced; Gilens (1999) shows that Americans don’t like welfare because most recipients of this means-tested program are African-Americans, whom most Americans –including bureaucrats–see as unworthy of benefits. Prejudice rather than corruption can explain many instances of partial treatment by public servants.

Corruption is shaped by more than fairness–but Rothstein and Toerrell (2005), Kurer (2005), and You (2006) are correct in moving beyond legal proscriptions. Their definitions are both too wide (with respect to fairness) and too narrow (each focuses only on *governmental* corruption). Corruption applies to the private sector as well as to public life, as recent examples of high-level corporate misdeeds (especially the Enron and Tyco cases in the United States) show.

The linkage between corruption and inequality–either in income or before the law–points to a weakness in traditional arguments about corruption. Corruption reflects more than legal proscriptions. While hardly free of difficulties, the conception of corruption that I find most compelling is malfeasance (which I use interchangeably with "corruption") as the absence of *transparency*. The leading international anti-corruption agency is Transparency International. Corrupt acts are almost always hidden. If you are behaving honestly in either the public or the private sector, you will rarely have a need to hide your actions. When you flout the law or norms of acceptable behavior, in almost all cases you don't want others to know. Rarely, a corrupt leader will boast of his misdeeds, but such *braggadocio* might lead to legal trouble–or perhaps just envy from those who have not prospered. Even if people know that certain leaders are corrupt, they can rarely point to specific misdeeds–and when they can, they learn about it from some expose rather than from the guilty parties.

Transparency, according to the Oxford English Dictionary, is the shedding of light to make things visible. Corrupt acts thrive on the lack of transparency, or openness. We hide our corrupt acts from others because we are trying to keep them from realizing that they are excluded from my transactions. Warren (2006, 804) argues that "...political corruption attacks democracy by excluding people from decisions that affect them." The excluded party is almost always the loser in the corrupt transaction. Excluding people with legitimate rights to participate amounts to duplicitous actions. We primarily hide actions when we fear others will disapprove of their consequences.

I differentiate between actually perceiving misdeeds and having strong institutions that make "transparency" more likely. Bellver and Kaufmann (2005) create a measure of transparency for 194 nations that focuses on institutions that give people greater access to information about their government and its workings, including statutes that provide for public disclosure, e-government, a free press, an open budgetary process, and disclosure of contributions to political campaigns. Strong transparency institutions *do* lead to less corruption, they report. However, transparency "structures" do not guarantee that people actually know about malfeasance. Institutions that make discovering corruption more likely, as in the Bellver and Kaufmann analysis, are not the same thing as "perceiving" transparency.

Of course, transparency is not a fail-safe indicator of honesty. I am reluctant to share all sorts of personal information with others and I do not share letters of recommendation with their beneficiaries. As with fairness, there are plenty of exceptions to treating corruption as violations of transparency. However, it seems that there are probably fewer exceptions to this notion of corruption than for fairness. The key actor in anti-corruption initiatives seems to agree.

It is unlikely that anyone can find a definition of corruption that will satisfy anyone in either public, private, or academic life. Ironically, we have far less difficulty in agreeing on what behavior is corrupt than in drawing firm lines on what corruption "means."

Part of the difficulty stems from the wide range of activities that fall under the rubric "corruption" (Johnston, 2005, 42): kickbacks, bribes, extortion, providing people with no-show jobs, creating jobs for people who are politically loyal, unreported (or for some people, even reported) contributions to political campaigns, paying a parking or speeding ticket directly to the police officer rather than to the court, paying to advance in the queue at the doctor's office, and even paying university professors for higher grades (!!!).

Heidenheimer (2002, 150-152) distinguished among three types of corruption: petty, routine, and aggravated corruption. Petty and routine corruption are common in less wealthy societies, especially when ordinary people (clients) are beholden to patrons. Petty corruption involves small amounts of money: fixing parking tickets (or paying directly to the police officer), rewarding the doctor for letting you jump ahead of other patients, getting favorable treatment from bureaucrats that others cannot receive– either for small "favors" or "gifts" or by personal connections. Routine corruption involves granting friends contracts for public services or giving "gifts" to patrons, as we often see in traditional societies (where people are expected to reward their leaders–who in turn spread largesse to them) and in more contemporary urban political machines (where ordinary people trade their political support in return for jobs, other material benefits, and special treatment in the courts). Aggravated corruption involves big money, often giving kickbacks to political leaders who award lucrative government contracts to their friends, or even bribes.

This is not simply an academic distinction. The boss of New York City's Tammany Hall Democratic party machine in the 19th century, George Washington Plunkitt, distinguished between "honest" and "dishonest" graft. "Honest graft" includes providing jobs for political supporters and even using "inside" information available to political leaders to make profitable investments, which is "just like lookin' ahead in Wall Street or in the coffee or cotton market" (Riordan, 1948, 3-4). Plunkitt adds: "I'm lookin' for it every day of the year. I will tell you frankly that I've got a lot of it, too....I seen my opportunity and I took it" (Riordan, 1948, 4-5). The political boss is clearly making his actions transparent and he does not consider them to be violations of any public trust. He also brags (Riordan, 1948, 6-7) about how his political machine provides patronage (what the British would call "jobs for the boys"):

...the Tammany heads of departments looked after their friends, within the law,

> and gave them opportunities to make honest graft....Tammany has raised a good many salaries. There was an awful howl by the reformers, but don't you know that Tammany gains ten votes for everyone it lost by salary raisin'? The Wall Street banker thinks it shameful to raise a department clerk's salary...but every man who draws a salary...feels very much like votin' the Tammany ticket on election day, just out of sympathy.

"Dishonest graft"–"blackmailin' gamblers, saloon-keepers, disorderly people," selling nominations for public office to the highest bidder, eating the "poison" of violating "the Penal Code Tree" (Riordan, 1948, 3-4, 98-99, 41)–is simply wrong. A leader who partakes of "dishonest graft" is a "looter [who] goes in for himself alone without considerin' his organization or his city" (Riordan, 1948, 39-40).

Plunkitt's distinction preceded Heidenheimer's. Most contemporary discussions of malfeasance in public life meld the two conceptions into *petty* and *grand* corruption. Petty corruption also includes some of what Heidenheimer (2002) categorizes as routine corruption–most notably gifts–and most of Plunkitt's "honest graft." Grand corruption is Heidenheimer's "aggravated" corruption and Plunkitt's "dishonest graft."

The key distinction I make between petty and grand corruption is *not* the one either Heidenheimer or Plunkitt have offered. Both consider the key fault line to be moral acceptability. Heidenheimer (2002, 152) argues that petty corruption is likely to be "white corruption," at least tolerable if not deserving of approbation. Plunkitt actually revels in his "honest graft" as contributing to a larger public good: "I made my pile in politics, but at the same time I...got more big improvements for New York City than any other livin' man" (Riordan, 1948, 40). Instead, I focus on how "profitable" corruption is. Petty corruption–small pay-offs, patronage, and gifts to patrons–are often recognized as wrong by ordinary people, *even when the payments help people get by in a corrupt world.* Petty corruption is less "tolerable" than inescapable. People accept petty corruption because they see no way around it. The political and legal systems don't function fairly and may rarely function without an extra "push" (or "gift").

While petty corruption helps a large number of people cope with broken public and private sectors, where routine services are rarely provided routinely, grand corruption enriches a few people. The leaders of public (or private) life make themselves wealthy–Plunkitt calls them "looters" (Riordan, 1948, 40). Despite Plunkitt's protestations that he "took his opportunities" through "honest graft," the "pile" that he made for himself would certainly qualify as grand corruption.

The distinction between petty and grand corruption is critical in my account of corruption. While people don't see petty corruption as moral, they "adapt" to it because they see no way out. Because it involves relatively small sums of money, petty corruption does not engender jealousy and mistrust. People do not associate petty corruption with inequality. They *do* make a clear connection between inequity and grand corruption, as survey data I examine in Romania (Chapters 5 and 6), Estonia (Chapter 6), Slovakia (Chapter 6), and Africa (Chapter 7) make clear. Plunkitt, even as he justified making his "pile" recognized that ordinary people might find his gains ill-gotten and become envious (Riordan, 1948, 69):

> A day before the election [for his seat in the New York state senate] my enemies circulated a report that I had ordered a $10,000 automobile and a $125 dress-suit. I sent out contradictions as fast as I could...The people wouldn't have minded

> much if I had been accused of robbin' the city treasury, for they're used to slanders of that kind in campaigns, but the automobile and the dress-suit were too much for them.

This distinction is central to the inequality trap. Grand corruption troubles people far more than petty misdeeds–and not just because grand corruption involves breaking the law. In most cases, petty malfeasance also violates legal strictures. Yet, in a wide range of statistical estimations, I show a direct connection between grand corruption *and perceptions of inequality*.

Measuring Corruption

Measuring corruption is even more controversial than its definition. If corruption is not transparent, then it cannot be observed. If you can't see it, you can't measure it. Any attempt to quantify corruption is thus fraught with danger and will engender much criticism.

There are two major approaches to measuring corruption and I shall use them both. Neither attempts to do the impossible–to calculate the value of hidden deals. These indicators are *perceptions* of corruption. The most widely used measure is the Transparency International (TI) Corruption Perceptions Index, computed annually since 1995. This index is based upon elite perceptions of corruption in a wide range of countries (now 160 nations), employing a wide range of sources. Since the sources for the TI index vary from year to year, the TI index is an average of estimates over a three year period (Lambsdorff, 2005b). More recently the World Bank Governance project has developed an even more comprehensive measure of the "control of corruption" (Kaufmann, Kraay, and Mastruzzi, 2005). I use the TI measures in my cross-national aggregate analysis in Chapters 3 and 9 and also the World Bank measures when they cover more countries, as in the transition nations in Chapter 4. The two measures are largely interchangeable. The World Bank measure for 2004 is correlated at .984 for the 2004 TI index and .983 for the 2005 TI scale, which I use in most of the book.

The second approach is based upon surveys, of elites and especially of the mass public. Most of the rest of my analyses are based upon surveys, on Romania, Estonia, Slovakia, Africa, Hong Kong, the Nordic countries, and the United States. I use surveys from a wide variety of sources, with varying question wordings (not always so desirable). Multiple methods and the use of a wide variety of evidence helps to overcome any problems with specific measures. Overall, this mixture of methods adds to the texture of my story: My argument on the inequality trap receives support from both aggregate and survey-based models. The availability of elite surveys (in Estonia, Romania, and Slovakia) provides a more nuanced view of how different people see corruption: Inequality, not surprisingly, bothers ordinary people more than it troubles elites.

I will not detail the methodology of any of these indices here. Yet, it is important to consider some of the objections and to respond to them. Aside from arguing that corruption simply cannot be measured, the main critiques focus on weaknesses of the construction of the TI index.

The most damning criticisms of the TI index–and thus also the World Bank measure–are:

- The measures are imprecise and unreliable. They are based upon small numbers of indicators, perhaps as few as three for a particular country. Evaluations of corruption for many countries are based upon outside observers or expatriates and they are particularly in accurate for the less wealthy countries (Galtung, 2005; Kaufmann, Kraay, and Mastruzzi, 2007a, 13-15).
- Country rankings sometimes vary widely from one year to the next, even though the TI

index is a rolling average. These rankings make the index unsuitable for tracking changes and even worse if they are used to punish nations by withholding foreign assistance if their relative score has fallen (Claudio Weber Abramo, personal communication, October 31, 2006; Galtung, 2005).

- The aggregate measures display weak relationships with people's actual perceptions of corruption, so these indices may be fatally flawed (Abramo, 2005).

The best defenses of the indices come from their developers. Lambsdorff (2005b, 8-9) describes and justifies the TI measure and argues that it is strongly correlated over time–with its own previous values and that the underlying component measures are strongly correlated with each other. The 1996 index has a strong correlation (r = .952, N = 54) with the 2005 scores. Kaufmann, Kraay, and Mastruzzi (2007a, 10-13) make a similar (and powerful) defense of the World Bank measure. Kaufmann and Kraay (2007, 1-3) hold that measurement error is unavoidable but that the aggregate measures are no worse than other indicators of governance and investment. They also admit (2007, 4-6) that these indices *are* perceptions rather than "reality." Yet, insisting on "the best" may be the enemy of the good, that subjective and objective indicators of corruption "are complementary rather than alternative approaches," and that "perceptions matter in their own right, since...firms and individuals take actions based on their perceptions."

There is certainly variation–perhaps too much–in the rankings of countries on the aggregate indices. Even in the very short time frame of 2003 to 2005–and recognizing that each year's score is based upon a three-year average, 113 of the 133 nations in the TI Corruption Perceptions Index sample changed their rankings by 10 or more places and 76 changed by 20 or more places. Abramo (personal communication, October 31, 2006) argues that the TI measures are biased since the big movements in rankings occur among the *most* corrupt countries and also those with lower gross domestic products per capita. The TI index thus seems least reliable for poor countries that have higher levels of corruption.

Yet, the evidence is weak for the claim that changes in ranks are greater for countries with higher levels of corruption–and even weaker for the claim that this matters. The TI scores range from 1 to 10, with higher values indicating less corruption. The absolute values of changes in ranking are *positively,* related to the 2005 Corruption Perceptions Index, either in "raw" scores or in perceptions ($r^2 = .291$ and .240, N = 133). There is more variation over time in the absolute value of rankings among the "less corrupt" countries. The standard deviation of absolute changes in corruption rank orders is 19.13 for the 111 countries with TI scores below 7.0 in 2003 and 26.52 for the "more honest" countries. More critically, the fuss about rank orders is much ado about very little. The simple correlations between the 2003 and 2005 indices is .986; the correlation for the rank orders is equally strong at .969. Each year's scores are strongly related to their rank orderings: .907 for 2005 and .938 for 2003.

The wide variations in the absolute values of changes in rankings can be readily explained. First, most countries (141 of 160 in 2005) "share" their raw scores with other nations, so even a minuscule change in a year's score can have a big effect on its relative ranking. Second, most of the variation comes for the "most corrupt" countries because relatively few nations fare well on the Corruption Perceptions Index: 138 of 160 nations have raw scores below 7.0, 121 below 5.0, and 76 countries (48 percent of the sample) below 3.0. Even a very modest increase in honesty can lead to a big change in absolute ranks. Honduras, Ukraine, and

Zimbabwe all “improved” their scores from 2.3 to 2.6–rather modest increases–but each “jumped” 23.5 rankings. Moldova’s score improved from 2.4 to 2.9, rising 37.5 ranks, the second biggest rank-order gain but barely noticeable as a raw score. Rankings are a very crude indicator of corruption.

Abramo (2005) charges that the TI index does not tap peoples’ actual experience with corruption. The 2004 Global Corruption Barometer, a citizens’ survey conducted across 60 countries by Transparency International, includes a question about personal experience with bribery. Abramo (2005, 34) shows that the TI index has modest correlations with this measure of experience and that these relationships are especially weak in poor countries. The correlation of bribery and perceptions that petty corruption is a problem– the proper comparison since most ordinary people have little opportunity to engage in grand corruption–is significant in only 15 of 60 countries he examined and is significant but wrongly signed in five other nations. The pattern of correlations for grand corruption is similar (Abramo, 2005, 19).

In Table A1-1 in the online appendix (all tables figures to follow that begin with “A” are in the appendix), I examine the correlations between the TI Corruption Perceptions Index in 2005 and two questions from the 2004 Global Corruption Barometer with a range of specific questions from that 2004 survey: the bribery (experience) question Abramo discusses and a query as to whether people believe that corruption affects their own lives. The correlations in this table support Abramo’s argument that the bribery question is weakly correlated with people’s perceptions of both grand and petty corruption. Of the 19 measures in the table, 15 have correlations of .5 or less with bribery. On the other hand, only three of the other measures, almost all more specific, have correlations of less than .5 for the TI index and just two have such low correlations for whether people perceive corruption affects their own lives. Nine of the 19 indicators have correlations of .75 or greater with the TI index and four of the correlations with whether corruption affects one's own life meet this threshold. The TI measure performs very well as an aggregate indicator *for the specific areas queried.* Only perceptions of the corruption or religion and the media–and to a lesser extent non-governmental organizations–do not correlate strongly with the TI index and at least moderately strongly with the "corruption affects one's own life."

The problem seems to be twofold. First, people may well be bothered by corruption even if they do not encounter it in their daily lives. Across the 63 nations in the sample, only 12.5 percent (2.5 percent in the West) reported any direct experience with corruption. In only seven nations (Albania, Cameroon, Lithuania, Moldova, Nicaragua, Pakistan, and Romania) did 25 percent or more of the population admit to paying a bribe and in just one other country (Cameroon) did more than 60 percent say yes. On the other hand, 79 percent (including 60 percent in the West) said that petty corruption is a problem. Having to pay a bribe may not be so common: You don't have to pay the police if you don't get a ticket (if you don't have a car); you don't pay the doctor if you don't need to see her–or can't afford to see her; and you don't pay the teacher if you don't have children in school. And small gifts may not seem quite so problematic as corruption, even petty corruption, in general (see Chapter 5). So Abramo's attack on the TI index by relating it to "experience" seems misplaced.

Even so, at least one "bribery" question–in the 1992-2000 International Crime Victimization Surveys (ICVS) aggregated to the country level (see Chapter 9 for details), is related to the TI measure. The ICVS perceptions of bribery question has a more powerful correlation with the TI index ($r^2 = .547$, N = 35, $r^2 = .683$ with a quadratic term added to account for the non-linear relationship), as the lowess plot in Figure A1-1 shows. Lowess is an iterative technique, which fits a spline-like curve, a "locally weighted" regression, smoothed to produce a plot that clarifies the relationship between two variables.[6] In Figure A1-2 I show the same pattern for the perception of grand corruption in the TI Global Corruption Barometer for 2004 and perceptions of grand corruption ($r^2 = .655$, N = 55). The most corrupt countries are all clustered at the lower left hand portion of the graph, where there is less consistency between public perceptions and the TI index–because of random fluctuations for the small differences in each measure.[7]

For a smaller set of countries, there is an even more powerful correlation between the 1996 TI Corruption Perceptions Index and public perceptions of corruption in the 1995-97 wave of the World Values Survey ($r^2 = .835$, N = 24) and a robust relationship ($r^2 = .630$, N = 42, $r^2 = .693$ excluding the outliers of Bangladesh and Spain) for the 2003 TI Corruption Perceptions Index. The Gallup Millennium Survey in 2000 asked whether people would call their government corrupt and the responses across 45 countries to this question correlate moderately strongly with the 2001 TI index ($r^2 = .454$, N = 45) but removing three strong outliers (Australia and Iceland, where people see way "too much" corruption, and Nigeria, where they see too little) raises the r^2 to .680.

The aggregate measures of corruption, including the TI Corruption Perceptions Index, are thus not perfect. But, as Kaufmann and Kraay (2007) argue, they are the best we have and they perform rather well for something that is so difficult to measure.

One should not become too overconfident in using these aggregate measures. There is a lot more to corruption than such indices can tell us, since corruption takes different forms in different places (Johnston, 2005, 49-59). In the economically more developed–and more equal–nations, predominantly in the West, we see grand corruption almost exclusively. In the poorer countries, black markets are common and so is high-level corruption, but both vary according to the success of market reforms (see also Chapter 4 on transition countries). The patron-client model of corruption, where the petty corruption is prevalent, is most prominent in his "oligarchs and clans" and "official moguls" syndromes, where economic institutions and state capacity are weak. Where economic institutions and state capacity are strong, petty corruption is uncommon.[8]

Where grand corruption is most prevalent, so is petty corruption. Corruption perceptions are divided into two principal groupings: In some countries, almost exclusively developed Western nations, people say that they see primarily grand corruption and not petty malfeasance. In seven nations, more than 20 percent of people say that grand corruption is a problem but petty corruption is not: Germany, Iceland, Ireland, Israel, Switzerland, the United States, and Estonia (the only transition country in this group). In most countries, people see both grand and petty corruption. However, in the West, only slightly more than half of respondents to the Global Corruption Barometer said that both forms of corruption were problems, compared to over 80 percent elsewhere. The aggregate correlation between the shares of respondents seeing only grand corruption and those troubled by both types is -.657.

Where you find lots of people bothered by grand corruption, you also see much concern for petty malfeasance ($r^2 = .917$, N = 61)–but where people are less bothered by grand corruption, they are far less likely to see petty corruption. Countries ranked as less corrupt are more likely to have people seeing only grand corruption (r^2 = .424). The aggregate correlation between the shares of respondents seeing only grand corruption and those troubled by both types is -.657. Grand corruption may enrich the powerful, but it doesn't touch ordinary people as directly. Higher levels of corruption mean the prevalence of both grand and petty corruption.

Using the Global Corruption Barometer, I created indices for grand and petty corruption through a factor analysis of the specific corruption measures. The grand corruption factor includes questions on whether corruption affects politics and corruption affects business, and how corrupt parties and parliament are. The petty corruption factor includes the measures of offering bribes, whether corruption affects your own life, and the extent of corruption in customs, education, the police, registry offices, utilities, tax collectors, the medical system, the judicial system, and (again) business. People in the West are less likely to have low scores on the grand corruption factor (a mean score of -.248 compared to .444 for transition countries and -.075 for other nations), but this difference is not significant. Petty corruption is almost unknown in the West (see Figure A1-3) but far more prevalent elsewhere and this difference is highly significant with a strong correlation (r^2 = .638).

The variations among types of corruption are essential to understanding the inequality trap. Dishonesty bothers people more when it is pervasive, when they see people getting rich from it–and they themselves remain poor–and when it is inescapable. Petty corruption doesn't cause people to lose faith in their fellow citizens or to become envious as grand corruption does (see Chapters 5, 6, and 7). Yet petty corruption is one step away from street crime such as pickpocketing (see Chapter 3), which is strongly linked to corruption. Petty corruption only occurs where there is a lot of higher-level malfeasance. So, even though people learn to live with small gift payments and not judge others negatively because they are all part of a corrupt system (Karklins, 2005), petty corruption drags ordinary people into the web of dishonesty–and ultimately points the way to the inequality trap.

Plan of the Book

Here is a brief tour of the arguments to come:

In Chapter 2 I present the theoretical framework of the "inequality trap": how high inequality leads to low out-group (generalized) trust and then to high corruption–and back to more inequality. I show that all three are sticky over time–they change little. The predominant accounts of corruption are institutional and I show that governmental structures, especially in the past three decades, have been far more malleable. So it is difficult to explain things that don't change much (corruption) with structures that do change (democratization). There is, however, one key institution that shapes corruption–the *fairness,* not the effectiveness, of the legal system.

In Chapter 3, I present aggregate cross-national tests of the inequality trap thesis, focusing on a six-equation model of corruption, trust, inequality, regulation of business, the riskiness of a nation's economy, and a new measure of government effectiveness (derived from business executives' perceptions of the effectiveness of government institutions). I find strong support for the inequality trap. While I find a weak relationship between inequality and corruption, the links from inequality to trust and from trust to corruption are strong–and there is a reciprocal link from corruption back to inequality. The fairness of the legal system, strangling regulations of business, wealth, and a measure of particularized trust (restrictions on conversions to minority religions) all lead to higher levels of corruption. Neither democratization nor effective government are significant predictors of corruption.

I also show that corruption, far more than effective government, leads to public policies that produce better quality of life, stronger market performance, and less inequality. Higher levels of corruption are also associated with property crimes (but not crimes of violence), especially pickpocketing. A simultaneous equation model shows that corruption leads to more crime (leaders set a bad example), but reducing crime will have a minor effect on corruption.

I also show a more direct connection of corruption the Failed States measure of uneven economic development, which measures inequality among different groups in a society (and is thus the basis for particularized trust). Perceptions of corruption are linked to aggregate measures of inequality in hierarchical linear models of cross-national surveys: the Gallup Millennium Survey of 2004 and the 2004 Global Corruption Barometer of Transparency International.[9]

Next I consider (in Chapters 4, 5, and 6) corruption in countries that prior to 1989 were ruled by Communist governments. Communist societies had high levels of corruption and low levels of trust. Contrary to the inequality trap thesis, they had *low* levels of economic inequality. Such lower inequality was imposed from above, rather than reflecting the sense of social solidarity that we see in the Nordic countries (see Chapter 8). The transition to democracy and a market economy brought great instability and rising levels of inequality. This "new" inequality triggered old social tensions among ethnic groups. Higher inequality, low out-group trust, a sense of pessimism for the future, and jealousy for those who succeeded in the new economy was a strong recipe for even more corruption than in the past. The transition countries provide a good testing ground for the inequality trap since surveys indicate that people in these nations largely do not believe that you can get rich without being corrupt. There are strong linkages between inequality and corruption, both in aggregate data and in surveys.

In Chapter 4, I present aggregate portraits of trends in inequality and corruption as well as aggregate analyses of the determinants of corruption, inequality change, state failure, service deterioration, sales on credit, the sources of gift payments, and the persistence of voting for the Communist party in these states. I also estimate an individual-level model of businesspeoples' decisions (from the 2005 European Bank for Reconstruction and Development/World Bank BEEPS survey) to make sales on credit. The results provide strong support for the inequality trap argument.

In Chapter 5, I focus on Romania. Romania is an excellent case study for the inequality trap among transition countries. It has historically high levels of corruption and it also has strong ethnic conflict, leading to low generalized trust. Inequality has also been rising sharply since transition. Using a 2003 survey, I examine the linkages among perceptions of inequality, trust, and corruption and find strong support for my argument--and especially the notion that grand corruption leads to social strains and to perceptions of rising inequality, low trust in other people and in government, and in support for political and market reforms, while petty corruption (except for the legal system) does not lead to social strains.

In Chapter 6, I focus on how the general public and elites see corruption differently in transition countries, using data from one country that seems to have reduced corruption the most (Estonia), another that has relatively high corruption but almost no increase in inequality (Slovakia), and another with high corruption and rising inequality (Romania again). In all three countries people worry about the linkage between inequality and corruption, but businesspeople and government officials are less likely to make this connection than are ordinary people (especially in Estonia) and that where inequality has risen less (in Slovakia), both the public and elites are less likely to make the connection than where it has risen more sharply. In Estonia, which now ranks as relatively honest according to Transparency International, elites see little corruption, while ordinary citizens continue to see widespread malfeasance–suggesting a variation on the inequality trap.

In Chapter 7, I examine cases that are strong tests for the inequality trap thesis. Africa is one of the best test cases for the inequality trap argument, since it is marked by high inequality, low trust, and high levels of corruption. Singapore and Hong Kong stand out as strong exceptions to my argument, since they have relatively high inequality, low trust, but rank as among the least corrupt countries in the world. Using Afrobarometer data for 14 African countries and specifically country-level surveys in Mali and Nigeria, I find strong support for linkages between inequality and corruption as people perceive them. There are strong linkages between beliefs about inequality in society and perceptions of corruption, almost exclusively grand (and not petty) corruption. In Botswana, where government has become more honest, the linkages are not significant. Singapore and Hong Kong once were marked by high levels of corruption, but now are have very little malfeasance. In both countries, independent anti-corruption commissions played a key role in combating dishonesty. Similar institutions in Africa (and elsewhere) have failed.

Singapore and Hong Kong succeeded in reducing corruption because they were both relatively wealthy. While both nation-states used strong legal sanctions against corrupt officials and businesspeople, each also relied heavily upon both public education, socialization of young people into a sense of civic morality, and especially in a program that linked anti-corruption drives to rising living standards and less inequality. The external threats facing both countries from China helped to provide the initial motivation for curbing corruption–so that Singapore and Hong Kong would not be dominated by China–and public support for the anti-corruption drives. Perceptions of corruption in Hong Kong (using the 2004 Asian Barometer) are *not* related to beliefs about the extent of inequality. The social conditions that gave rise to strong efforts to combat malfeasance in public life are not easily transferred to other countries' experiences.

In Chapter 8, I focus on the Nordic countries and on the United States. The Nordic countries constitute another key test. They rank high on equality and trust and low on corruption. Analysis of survey data from Wave 3 of the World Values Survey show that Nordic perceptions on corruption rest on trust and confidence in key institutions, especially the police and the civil service. Attitudes about inequality and poverty are not significant. The United States is a relatively low corruption country but with mid-level rankings on trust and inequality (trust has been falling, inequality rising). Survey data do not provide much support for an inequality trap in the United States, either for people in general (the 1987 General Social Survey) or for believing whether most politicians are crooked (the 2004 American National Election Studies), although there is a greater effect for leaders than ordinary citizens. Corruption varies widely across the American states. A cross-state analysis of reporters' perceptions of corruption in state legislatures leads to strong support for the inequality trap argument, however. Both overall inequality and the ratio of African-Americans to whites in poverty are strong predictors of corruption perceptions (as is generalized trust). Reporters' perceptions of corruption are related to the vote for Progressive Presidential candidate Robert LaFollette in 1924, and both corruption perceptions in 1999 and the LaFollette vote are strongly predicted by the white collar share in 1920 as well as the share of a state's population born to Scandinavian parents in 1880. This strongly supports my argument that corruption is sticky over time.

In Chapter 9 I reconsider the question: How can we eliminate corruption? Following Wilson and Kelling's argument on "broken windows," starting at the ground level may be the right course. Yet, the considerable evidence that petty corruption is largely unrelated to trust in either other people, in government, or even in the market suggests that working from the ground up won't alleviate people's concerns about–or perceptions of–corruption. Nor would, as I argue in Chapter 3, focusing on street-level crime (pickpocketing) lead to greater honesty in government. So we must look elsewhere. This brings us back to programs that reduce inequality and I speculate on how political leaders in New York City may have created the conditions for their own demise by providing free public university education for a large number of students. I conclude with some thoughts on the political difficulties of tackling inequality, which I see as the central step in the battle against corruption.

The countries I examine reflect a mixture of theory and good fortune, with a bit of personal interest thrown in. My interest in corruption was stimulated by some work on trust in transition nations, especially Romania, with Gabriel Badescu and Paul Sum (Badescu, Sum, and Uslaner, 2004) that readily spilled over into corruption research (Uslaner and Badescu, 2004). The strains of transition, especially the rise of inequality in societies where egalitarianism was the state religion and corruption was taken for granted, makes transition countries a natural test for the inequality trap (Chapter 4). My interest in Romania and the centrality of corruption, low trust, and ethnic conflict-- together with an excellent survey that provides an opportunity to examine my central ideas–makes that country a natural choice (Chapter 5). Chapter 6 was motivated by a desire to examine whether the general public and elites in transition see corruption differently–they do–and how this reflects their linkages of corruption and inequality. The choice of countries was based upon these theoretical concerns. Fortunately, the surveys I was able to obtain reflected a variety of circumstances: lower corruption in Estonia, lower inequality in Slovakia, and both increasing corruption and inequality in Romania.

Chapter 7 came about when I presented my aggregate model at the City University of Hong Kong in March, 2006. People in the audience were excited about the model but they told me that it just didn't seem to apply to Hong Kong. Conversations with friends in Singapore led to the same conclusion. So I became committed to understanding why these cases were such outliers (and like each other). In contrast, African nations seemed to be a central test of my overall thesis because most African states have been marked by high inequality, low trust, and a great deal of corruption. Botswana was a notable exception and its pattern of curbing corruption seemed to reflect many of the same forces as those in Singapore and Hong Kong. The availability of survey data for both Hong Kong (Asian Barometer) and for Africa (the Afrobarometer) helped in testing my claims. My proposed "solution" to the inequality trap–universal social welfare programs focusing on education–is rooted in the Nordic model and my work with my Swedish colleague Bo Rothstein (Rothstein and Uslaner, 2005). So it became important to test the inequality trap where it was *least* likely to be found–and then to replicate, to the extent possible, in another setting (the United States) with relatively low corruption but increasing inequality–as well as great variations within the country.

A Motif for the Book

I begin each chapter–and focus more in the concluding chapter–on a musical tale that reflects my theme of the inequality trap. The 1928 musical by Berthold Brecht (play) and Kurt Weill (music), *The Threepenny Opera*, an adaptation of John Gay's *Beggar's Opera* (1728), is a story of a petty thief (Macheath, also known as "Mack the Knife") who runs afoul of the law and especially of Jonathan Jeremiah Peachum, the "boss" of London's beggars, who receives a percentage of whatever they can beg. Macheath becomes engaged to Peachum's daughter Polly, much against her parents' wishes, since Macheath has a long history of failed love affairs (and many other marriages). Peachum has Macheath arrested, convicted, and sentenced to death. Polly's friends help Macheath escape, but he is rearrested and cannot raise enough money to bribe the guards to free him before his scheduled execution. At the end of the play, Macheath suddenly is given a reprieve by a messenger from the Queen and is rewarded with vast riches.[10]

As my father was my mentor about corruption, my mother introduced me to the recording of *The Threepenny Opera*–and I have her original cast album today and find its lyrics haunting. The play, like most of Brecht's work, is dark and pessimistic. The story is one of how poverty and especially inequality lead people to live on the edge of the law, often well past the edge. The "Ballad of the Easy Life" (see the head of this chapter) sets out the universal temptation to live well rather than to live honestly and "How to Survive" makes the link with inequality: "Now those among you full of pious teaching [w]ho teach us to renounce the major sins should know before you do your heavy preaching, our middle's empty, there it all begins....For even honest folk [m]ay act like sinners unless they've had their customary dinners" (see Chapters 7 and 8).

Songs from *The Threepenny Opera* set the theme for each chapter. They tell a story of poverty, an unfair legal system, and especially how those at the bottom have little choice but to engage in corrupt behavior because the real villains are those at the top. The inequality trap tells much the same story. In *The Threepenny Opera* Macheath is suddenly rescued and given great wealth just as he is about to be hung. Yet, Brecht's real message is that such happy endings don't happen in real life: only on the stage and he is far more pessimistic than I am: "...in real life the ending isn't quite so fine" (see Chapter 9), My story has a happy ending for Singapore and Hong Kong–and to a considerable extent for Botswana. (The Nordic countries have happy beginnings, so there is no need to focus on happy endings.) We come face-to-face with Brecht's pessimism when we realize that the successes of Hong Kong and Singapore (and likely Botswana) are not easy to replicate. The inequality trap is not easy to escape.

NOTES

1. See http://www.reference.com/browse/wiki/Paterson%2C_New_Jersey, accessed November 4, 2006.

2. The police correspondent for the *Evening News* was a confidant of the owner of the paper and he rarely wrote any stories except for an anonymous column, "So They Say," every Monday where he would lavish praise on office-holders and city bureaucrats in what my father called "the kiss of death." Such "praise" was a clear sign that these officials were out of favor and would soon leave public life. The correspondent rarely visited police headquarters, but mostly held court with a large group of men in black suits in a hidden room in the basement at a popular Italian restaurant across the street from the newspaper. I saw the correspondent, Art Guillerman, in his element while working for the newspaper as a summer job when I was in college: The city editor gave me (another) unmarked envelope, an urgent message from the owner of the paper, to deliver to the "reporter" at the restaurant--my second (and last) direct experience in corruption. Norwood (1974, 92) argued that publisher Harry B. Haines "was closely associated with [Paterson's] tight ruling circle." She apparently did not understand how close the ties were.

3. See http://www.census.gov/acs/www/Products/Ranking/2002/R02T050.htm, accessed November 4, 2006: 56.3 percent of county residents have at least a Bachelor's degree, only marginally lower than 58.2 in nearby Howard County, Maryland.

4. The full quotation is: "There is always inequity in life. Some men are killed in war and some men are wounded, and some men are stationed in the Antarctic and some are stationed in San Francisco. It's very hard in military or personal life to assure complete

equality. Life is unfair,' cited at http://www.brainyquote.com/quotes/quotes/j/johnfkenn162485.html.

5. Rothstein emphasized this in a private communication (April 1, 2007).

6. Lowess is a visual aid to interpreting the relationship between variables. Since it is a "locally weighted" regression with slopes dependent upon the specific bandwidth chosen, there is no regression coefficient. Since lowess uses just the information at hand, there are no significance tests. And since the line connecting the points is a function of the bandwidth chosen, there is no measure of goodness of fit.

7. For this estimation, the r^2 increases only to .679 with the addition of a quadratic term (which is significant).

8. Johnston's (2005, 221-224) categorization of countries by syndromes is largely, though not completely, a linear representation of the Transparency International Corruption Perceptions Index. Using Johnston's dataset, I obtained a correlation of -.711 between the 2003 TI index and an index of Johnston's syndromes. Collapsing the two forms of corruption ("oligarchs and clans" and "official moguls") marked by weak economies and weak states/societies, the correlation increases to -.788. The developed countries with "influence markets" (mostly campaign contributions from businesses to elected officials) had substantially less petty corruption than other countries (r = .757, N = 41) and less grand corruption (r = .705), based upon perceptions from the Global Corruption Barometer discussed below.

9. The 2004 Global Corruption Barometer is a cross-national survey (of 62 nations) conducted by Transparency International and was provided to me by Robin Hodess and

Marie Wolkers of Transparency International. Details are available at http://www.transparency.org/policy_research/surveys_indices/gcb/2004__1. The Gallup Millennium Survey was conducted by Gallup International in 2000 for 61 nations and was provided to me by Merrill James of Gallup International. Details are available at http://www.gallup-international.com/ (following the link to the Millennium Survey).

10. On *The Threepenny Opera,* see http:www.threepennyopera.org and for a summary, see http:www.threepennyopera.org/story/Synopsis.php. The lyrics at the head of each chapter all come from the 1954 Mark Blitzstein production (see http://www.threepennyopera.org/histAmerica.php and especially http://www.threepennyopera.org/histOffBway.php), accessed January 31, 2007.