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CHAPTER FIVE

The Rocky Road to Transition: The Case of Romania¹

You all have heard of Solomon

The wisest man on earth

He understood humanity

And so he cursed the hour of his birth

And saw that all was vanity

How great and wise was Solomon!

And yet before the day was done

The world could see where it would end

His wisdom brought him to his bitter end

How fortunate the man with none

The next you see Julius Caesar, what became of him?

They showered praises on his name

And yet they tore him limb from limb

Just when he'd reached the height of his fame.

How loud he cried: 'You too, my son!'

And yet before the day was done

The world could see where it would end

His courage brought him to his bitter end

How fortunate the man with none

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And now at least you see MacHeath
His life hangs by a hair
Yet while his reason still commanded
There was no greater bandit
Known or feared in all the land
Then one day his heart was won
And see, the day is not yet done
And all can see where it will end
His lusts have brought him to his bitter end.
How fortunate the man with none

From “Solomon’s Song,” Berthold Brecht and Kurt Weill, *The Threepenny Opera*²

For many in European transition countries, a key measure of success is admission to the European Community. The “wealthier” countries gained early admission; the poorest and most strife-torn—including Albania, Belarus, Bosnia, Moldova, Montenegro, Serbia, and Ukraine—remain outside the community. Romania stood at the edge of the European Union as a candidate country looking in (together with Bulgaria). Full membership is now scheduled (for both countries) as of January, 2007. Yet, the EU remains concerned that the earlier stumbling blocks—especially the inconsistent application of the law and high levels of corruption—still plague Romania (Commission of the European Communities, 2006, 5): “there needs to be a clear political will to demonstrate the sustainability and irreversibility of the recent positive progress in fighting corruption.”

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Romania's accession to the EU is a sign of great progress since citizens took to the streets in 1989 to overthrow what was clearly one of the most tyrannical Communist regimes. The demonstrations that started in Timisoara in December and quickly spread throughout the country, culminating in the overthrow of Nicolae Ceausescu and his regime, marked a striking turn toward a new vision of political and social life in Romania. The revolution was bloody—almost 5000 people were either killed or injured³—and Ceausescu and his wife Elena were put on trial and executed, in contrast to the more peaceful transitions in most other Communist countries. As with most other transition countries, the new leaders and the new regime did not stem corruption and conflicts long buried under the banner of socialism resurfaced.

Since transition Romania has made considerable progress in many respects (see the transition indicators in Table A5-1 discussed below). Yet, ordinary citizens are far from convinced that their lives have improved. They see, by an overwhelming margin, increased inequality (and they are correct) and persistent corruption and they have little faith either in their political institutions or in their fellow citizens. They fault both democracy and the market and link these failures of liberal democracy to rising inequality and to continuing corruption. Romanians do not see a *direct link* from inequality change to corruption—but they perceive corruption as both a key factor in why inequality has increased and as a reason to limit the incomes of the rich. Perceptions of rising inequality and of high-level corruption lead to less trust in other people—and low levels of trust also lead people to see more corruption.

Romanians' dissatisfaction with democracy, the market, their government, and especially other people, rests strongly on perceptions of corruption—but *not all corruption*. Petty corruption does *not* lead to widespread pessimism. It is high-level corruption—among government officials

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and business people—that makes ordinary citizens disaffected from both other people and institutions. Payments to the courts are the only “gift” payments that bother people, since people expect the legal system to stand above the daily routines of bribery.

I examine the linkages among most of the key aspects of the inequality trap among the Romanian public in this chapter. A survey of the Romanian public conducted in 2003 allows me to consider most of the linkages I posited in the theoretical framework developed in Chapter 2 and the aggregate models in Chapter 3. There is strong support for the idea of an inequality trap in these data. Perceptions of rising inequality lead to less trust in other people, both directly and by making people more pessimistic for about the future. Rising inequality also leads to less confidence in government. High level corruption stems from low levels of generalized trust and high levels of in-group trust—and in turn leads to less trust in others and, together with inequality, to demands for redistribution of wealth from the rich to the poor.⁴

I provide support for these claims by a simultaneous equation model (using two-stage least squares) of approval of government performance on improving the quality of life, generalized trust, perceptions of inequality change, the success of the government in handling corruption, and demands to limit the incomes of the wealthy. Then I present simpler models for trust in people, in government, in the market, and in democracy—and find that it is high-level corruption and not petty corruption that shapes people’s views of their fellow citizens and their institutions.

I find that people who perceive increasing income inequality are less likely to approve of government performance and to trust other people and they are more likely to support limits on incomes of the rich. More generally, when people see the government as corrupt and the country moving in the wrong direction, social solidarity (trust in other people) and confidence in the state

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will decline—and there will be increasing demands for curtailing market forces and placing limits on incomes. People are largely inured to the petty corruption of everyday life; it is larger scale corruption—by business people and especially government officials—that threatens social solidarity and support for the state.

The pessimism of ordinary citizens is greater than that for elites (businesspeople and government bureaucrats), as I show in Chapter 6. I show a tight connection between perceptions of grand corruption and inequality among Romanians in this chapter—with similar results from a different survey in Chapter 6. Even though elites don't see as strong a connection, they are more pessimistic and more likely to make this linkage than elites in more successful transition countries (Estonia and Slovakia).

I focus on Romania for three reasons. First, Romania has a long history of both corruption and low out-group trust. Romanians believe that their society is distinctive for its high level of corruption. They say of such malfeasance: “La no cal la nimeni,” or “No one has it the way we do” (Sampson, 2005, 20). Romania has a long history of conflict between ethnic Romanians and its Hungarian, Jewish, and Roma minorities—and such low out-group trust is a breeding ground for corruption, especially when it is linked to inequality.

Second, Romania is an excellent test case for the idea of an inequality trap. Romanians have long been fatalistic. The renowned anthropologist Mircea Eliade wrote in 1953 that “few peoples can claim that they had so much ill fortune as the Romanian people” (quoted in Verdery, 1993, 196). Despondent attitudes about corruption and inequality persist, even as some indicators on economics, the quality of life, and corruption are either average or above average, both among transition countries and for all nations. Romania, even objectively, is hardly a

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success story. On some key measures, such as gross domestic product per capita, it ranks close to the bottom and ethnic conflict and internal tensions persist. From 1975 to 2003, Romania experienced negative economic growth. Yet, it is hardly the “basket case” of transition countries. In many ways, it is the “average” transition country—with a less successful transition than most other nations in Central and Eastern Europe (especially those already in the EU) but with considerably stronger performance than most former Soviet states.

I present a variety of indicators of a “successful” transition in Table A5-1. Romania’s scores on a variety of measures—corruption, trust, the size of the shadow economy, economic inequality, the fairness of the legal system, democratization, wealth and well-being, uneven economic development, state capacity, and conflicts within the country—are generally far below the country’s aspiration level—the European Union. The scores on corruption point to high levels of malfeasance that have been *increasing since the 1990s*. Romania’s corruption scores in 2004 and 2005 suggest widespread dishonesty, yet these measures are hardly at the bottom of either transition countries or of all nations. Trust, as measured in the World Values Survey, is among the lowest in the world—but the share of trusting people in the survey I shall analyze below is considerably higher. Almost a third of the economy is in the informal sector—and the share has increased 16 percent since transition. Yet, again, Romania has middling performance, both among transition countries and among all nations.

The Gini index of economic inequality was .299 based upon WIDER estimates for 1999 and .311 for the more recent Dutta/Mishra measure. The 1999 figure represents a 26 percent increase since transition.⁵ Yet, both the absolute figures and the changes are mid-range among transition countries, though the rate of increase ranks quite high for the larger sample. The

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indicators of democracy, from BEEPS 2002 and the European Bank for Reconstruction and Development's Nations in Transition measures, suggest that the legal system is still far from fair and the structural elements of democracy are weak (these measures are based upon a 1-10 score). Yet, they are middling among transition countries. The two State Failure measures show substantial uneven economic development and modest state capacity—but these still represent above-average performance for transition countries and much better than average rankings for all countries. The same holds for the ICRG measure of internal conflicts, but the level of ethnic tensions is higher than most other countries.⁶

Romania's economic situation is less positive. Its gross domestic product per capita (adjusted for parity purchasing power) is close to the median for the world, but toward the lower end of transition countries. The growth in GDP from 1975 to 2003 is negative, close to the lower end of the world. Romania's economic performance has deteriorated since transition, when (in 1989) it ranked 57th out of 129 countries. By 2000, it had fallen to 77th of 136 nations and its growth rate was near the bottom of all countries. The overall quality of life, as measured by the United Nations Human Development Index, is not quite so bleak, but people's frustration with economic performance (see below) is understandable.

Romania's performance on many transition indicators, compared to other transition countries and the rest of the world (largely developing nations), is about average, sometimes better than that. Its economic numbers are not as reassuring. The public is likely to pass harsher judgment on corruption and inequality based upon the objective numbers—which is what they see—than on comparative measures. These factors make Romania a good case study for the economic psychology of transition, for looking at how people judge the performance of their

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government and how they evaluate their fellow citizens. Even as Romania has a long history of low out-group trust and corruption, under Communism it had a relatively equal distribution of wealth—at least as reflected in the Gini index (.23 to .24 prior to the fall of the Ceaucescu regime according to the WIDER estimates). While the more recent indices still reflect a *relatively* egalitarian society (with a Gini index of .31), the *rise in inequality* has been sharp—about 30 percent over slightly more than a decade. In the transition countries generally, both corruption and inequality increased since the fall of Communism. Romania offers an opportunity to examine how perceptions of corruption and inequality change are connected to each other—and to less trust both in fellow citizens and to government.

The third reason for selecting Romania is that I have access to a survey conducted in 2003 by a colleague with whom I collaborate, Gabriel Badescu of Babes-Bolyai University. This survey includes questions tapping most of the linkages in the inequality trap. In this chapter, I focus on this survey--and the analyses to follow provide strong support for the framework I have outlined.

Romania: A Legacy of Low Trust and High Corruption

Corruption has a legacy in Romania at least as far back as the Ottoman empire (Sampson, 2005, 18). In Ottoman times, Romania was run by Greek princes (the Phanariotes) who bought their positions from the sultans, which they financed through extortion from ordinary citizens. Each local ruler could be challenged by other princes and bidding wars for power were common (Mungiu-Pippidi, 1997). The decline of the Ottoman empire and the independence of Romania did not lead to more honest government: “ From the first king of Romania (and the concession of the first railroad) to the last king and government before [World War II], state property and the

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role of the state in developing Romania were accompanied by widespread influence-peddling and corruption” (Mungiu-Pippidi, 1997). Corruption flourished under Communism, where persistent shortages and dishonest officials made it impossible for ordinary people to get either staples or the “free” state services without bribes, connections, or both (Brubaker et al., 2006, 197; Jowitt, 1974, 1184).

The democratic transition seemed, if anything, to exacerbate malfeasance. Stan (2003, 4) argues: “Personal success had come to be measured in terms of ‘stealing from the state,’ the blatant use of public assets for private gains, and thus enrichment and entrepreneurship were met not with congratulations and praise (sic) but with condemnation.” “There is a widespread sense,” Brubaker et al. (2006, 197) write, “that everything can be had for a price.”

Romania has long been marked by two key foundations for corruption: a Communist regime and low trust. Clearly these two factors are related: Communism strongly depresses faith in other people. The low level of generalized trust that is one of the key foundations of corruption can be traced to two other factors besides the legacy of Communism: (1) the longstanding poverty that has made Romanians so pessimistic and believing that they do are not the masters of their own fates; and (2) the equally durable history of ethnic conflict between Romanians and other groups that make for a high degree of particularized trust and low generalized faith in strangers.

Romanian pessimism stems from the poverty in a traditional society before World War II and the Communist regime after the war. “Romanians,” Stan (2003, 4) argues, “had come to view life and human interaction as a zero-sum game in which some individuals could benefit only at the expense of others.” This is the same fatalism that Banfield (1958, 110) observed in a

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Sicilian village in the 1950s. Such a world view reflects low generalized trust and faith only in your own kind—especially people close to you. Fatalistic attitudes also lead to a weakening of one's moral sensibility, what Banfield called “amoral familism,” so that self-preservation dominates over other values.

This fatalism can lead people to take risks if they believe that the only ways you can get rich are by being corrupt or getting lucky. Most people have no hope to become wealthy by corrupt behavior. They are not on the receiving end of bribes. Getting lucky is the only other way to get rich: Hard work won't do it (Stan, 2003, 15).

When you walk through Metro stations in Russia, you see many people hoping to hit the jackpot by tossing coins into slot machines. Moscow has more casinos than any other city in the world except Las Vegas and Miami. One player estimated that “...the new Russians—I would say that 80 percent are gamblers,” even as the government threatened to shut them all down because gambling has become “legalized robbery” in the words of a billionaire businessman and member of Parliament (Myers, 2006b).

Romanians—as some others—wagered as well, and likely more of their income. Between 10 and 50 percent of the public gave considerable shares of money in 1992 to *Caritas*, an “investment” program started by nationalist parties. The perpetrators touted it as a sure way to get 800 percent returns within two years and also to enhance social solidarity against “the immoral money of foreigners” and to enhance *incredere* or “trust” among Romanians (Verdery, 1995, 6, 7). *Caritas* collapsed in 1994 and Large numbers of Romanians lost their savings, their hope for a better future, their faith in institutions that could not protect them against their own instincts. Romanians were not alone: More than half of Albanians took part in multiple schemes

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in the 1990s and 2000 people were killed in riots when one collapsed (Jarvis, 2000). This easy susceptibility to “get rich quick” plans points to the pessimism of ordinary citizens that transition is working—or will work.

The *Caritas* fiasco reinforced the views of ordinary Romanians that corruption is everywhere. “We are not in a normal world,” a retired attorney said (quoted in Sampson, 2005, 19). Romanians don’t see any evidence that anyone is trying to bring corruption under control and have little trust in their fellow citizens or in any government institutions except the army (followed by local government and the police), the 2003 survey shows (see Table A5-2). Fewer than 10 percent agree that corruption has decreased under the present government and barely that many are satisfied with the government’s efforts to battle malfeasance. Only 18 percent of Romanians believe that the government is even trying to fight corruption—and overwhelming numbers say that most members of parliament, ministers, politicians, and business people are corrupt.

Almost all Romanians believe (correctly) that inequality has been increasing—and few give the government much credit for improving the quality of life (25 percent), for advancing privatization (19 percent), or for improving public safety (14 percent). Most Romanians give little support to the workings of democracy (34 percent) and especially of the market (13 percent). Only a handful of people have any connections to help them deal with government, to find jobs, or to deal with banks. More people have ties to help with the police (16 percent) than with any other public or private officials.

There seems to be little evidence that people have to make many gift payments outside of the doctor (25 percent). The banks and county officials receive extra payments from less than

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one percent of respondents—and even the police and courts seem to extract bribes very infrequently (1.4 and 3.2 percent, respectively). However, these figures are deceptive—since they reflect both who uses these public or private services and who pays.

More telling are the frequencies of bribes for people who have had contacts with professionals or officials. Thirty five percent of respondents who had contact with doctors in the past five years admitted making “gift payments” to them, compared to 22 percent for the courts (for people with contact) and seven percent to city or county officials (for contact over the past five years), and nine percent for the police (again for contact). *Even though these figures may be modest, most Romanians believe that professionals and government officials are corrupt.* Journalists are seen as the most honest (only 26 percent see them as corrupt), followed by professors (36 percent), government functionaries (56 percent), teachers (57 percent), local councilors (58 percent), doctors (65 percent), politicians (69 percent), judges (74 percent), business people (75 percent), government ministers (79 percent), and members of parliament (85 percent).⁷

Another measure of extra payments comes from the World Bank’s Diagnostic Survey of Romanians in 2000 in Table A5-3. Here there is much greater evidence of extra payments (*atentie* in Romanian) especially for medical services. Between half and two-thirds of Romanians report paying bribes, about a third saying that they did so voluntarily (to get better service).

From home repairs to schools to courts, at least one in five Romanians has to pay bribes. Basic services such as unemployment compensation and identity cards seem largely immune from demands for extra payments. However, the most common services—medical and gas installation—are the most likely to lead to extortion. And even though the courts and the police

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have low reported levels of bribery, most Romanians believe that the majority of jurists are corrupt and between 30 and 40 percent of crime victims simply don't report the incidents to the police, believing that they were not likely to get justice (Anderson et al., 2000, 16). Taking legal action against the state is even more daunting: The process is cumbersome and expensive and fraught with political favoritism biased against ordinary plaintiffs (Stan, 2003, 9). After the transition, the "new judiciary" behaved very much like the old legal system, but with even less zeal. Prosecutors and judges were easily intimidated by criminal gangs, so even when charges were pressed against corrupt politicians, almost none were convicted (Mungiu-Pippidi, 1997).

Even the media, the one institution most Romanians see as honest, is easily intimidated by threats of legal action (Sampson, 2005, 20). Mungiu-Pippidi (1997) wrote that in 1994 the media were complicit in corruption:

The Economist...published the prices required by Romanian journalists for various services, ranging from \$500 to \$1,500. In practice Romanian journalists can be bought for much less, since newspaper profits are paltry at best, and monthly salaries vary from \$80 to \$200 for an editor-in-chief. Newspaper owners have other businesses on the side, because dailies do not sell all that well. So they, too, are part of the network....Of the three private Romanian television channels, one is run by a former spokesperson of the 1990 government, another by the director of Ceausescu's most prominent foreign-trade company, and the third by a personal friend of former President [Ion] Iliescu, [then] serving time in a German prison for tax evasion.

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The Communist government espoused the standard East bloc line that ethnic identities were illegitimate. Such feelings countermanded the only real source of conflict in the world: the workers versus the capitalists. Brubaker et al. (2006, 88) argue: “The Romanian Communist regime was brutally homogenizing, and its rhetoric was often virulently anti-Hungarian as well as more generally xenophobic and nationalistic.” In the guise of the class struggle, the Communist government stressed national solidarity, so that ethnic institutions (schools, churches, voluntary organizations) were seen as threats to the unity of the people. The only “true” church was the Romanian Orthodox Church (which cooperated with the regime) and the only “true” identification was with the Romanian state.

There is considerable resentment toward people who have gotten rich from misdeeds, but at the same time people feel resigned to the belief that you can’t get ahead in this world without being corrupt. King et al. (2003, 113) conducted focus groups with entrepreneurs in Cluj and one, whom they called “The Survivor,” explained how he learned to come to terms with corruption:

It took me a very long time to discover this shortcut [corruption]. They saw me as an honest man, an idiot who saw the world through a horse’s blinders and can only see the law. Nobody dared tell me until one day, exasperated, I asked somebody. I was told, ‘well, you are the honest one.’ OK, let me not be honest anymore. So I solved the problem.

People denounce corruption as the misdeeds of the rich and justify it as the defense against those who are undeserving.

Widespread corruption, from *Caritas* to the looting of the public purse by politicians and

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businesspeople and rising inequality led to not only pessimism, but also to envy and the quest to assign blame for the system's failures. The post-Communist demons are the newly rich—and the sources of inequality, minority ethnic groups. Jews, Roma, and Hungarians are “strangers” in the state, “unacceptable others whom one excludes from one's moral community” (Verdery, 1993, 194), while generalized trust demands accepting strangers as part of your moral community (Uslaner, 2002, 1). Brubaker *et al.* (2006, 198, n. 17) argue: “...in an environment in which generalized trust remains exceptionally weak... personal trust is important.” As a Romanian woman named Sanda described her country to a young British couple walking across Central and Eastern Europe in 1993: “...nobody trusts nobody” (Goodwin, 2000, 152).

The histories of Jews, Roma, and Hungarians in Romania are hardly the same. The Jews and Roma were always outsiders throughout Romania. The Hungarians were the dominant power in Transylvania before World War II and ethnic Romanians had few rights in the province under Hungarian rule. The conflict between ethnic Hungarians and Romanians reflects a long-standing fight for political and economic dominance in shared territory.

Yet, there is an underlying similarity in how dominant groups relate to ethnic minorities where resources are limited and people feel vulnerable. Majority groups who feel threatened will put the blame for their worries on minorities—whether they are numerous (as Hungarians are in Transylvania) or barely visible (as Jews and Roma are in most of Romania). Violence within Romania, local thieves say, is not their fault: The source of all bloodshed “in an otherwise peaceful country,” they claimed, occurs *inside* “the Gypsy, Arab, or newly-arrived Chinese mafias” (Mungiu-Pippidi, 1997).

Anti-Jewish feelings became particularly acute in Romania, as in other European

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countries, after World War II and students led anti-Semitic riots; in 1937-38 the leaders of the nationalist Iron Guard movement established a strongly anti-Semitic government, even though it only lasted for six weeks (Brubaker et al., 2006, 50, 75). In the 1980s, Jews (and Germans) were forced to abandon their property and most left the country (Stan, 2003, 3). Even though there were barely any Jews left in Romania, many blamed Jews for both rising inequality--as agents of the West and private property but also as the backbone of the early Communist movement in the country (Verdery, 1993, 199). The Roma, who lead insular lives of great poverty and work--if they do at all--in the informal economy--comprise a small share of the Romanian population (though considerably larger than the minuscule Jewish population remaining).

Hungarians are the largest minority ethnic group in Romania--and they are concentrated in Transylvania, which borders on Hungary. Transylvania was part alternatively part of Hungary and Romania until the Hapsburg Empire collapsed after World War II--when it permanently became Romanian. After World War II, the Romanian government forced Hungarian civil servants to sign loyalty oaths and the Ceausescu regime was "violently anti-Hungarian as well as more generally xenophobic and nationalistic" (Brubaker et al., 2006, 88). Many Hungarians continued to harbor dreams of reuniting with the "mother country" and Romania took strong actions to limit the cultural, educational, and linguistic identity of ethnic Hungarians. A high-trust society would place a strong emphasis on tolerance and acceptance of cultural differences. The Romanian state, however, took control of Hungarian primary schools and instituted Romanian-language instruction; before World War II, Romanian troops conducted a massacre of two Hungarian towns (Brubaker et al., 2006, 73, 76).

In post-Communist Romania, a Hungarian party (the Democratic Alliance of Hungarians

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of Romania) and two Romanian nationalist parties (the Party of Romanian National Unity and the Greater Romanian Party) became important players in democratic politics. The Hungarian party received the votes of the overwhelming share of ethnic Hungarians and Transylvania, where about a third of the population is Hungarian, saw a renewal of ethnic associations and schools for the minority population—leading to greater social segregation, demands for greater autonomy (and some say eventual reunification with the “mother country”), and perceptions of unequal treatment (Brubaker *et al.*, 2006, 201, 274-289). One of the ethnic Romanian parties received 28 percent of the vote in the 2000 Presidential elections and the other elected a nationalist mayor, Gheorge Funar, three times in the largest city in Transylvania, Cluj-Napoca. Funar erected nationalistic statutes and plaques throughout the city and painted benches and trashbins with the colors of the Romanian flag (indicating that they were off limits to non-Romanians, especially Hungarians).⁸

Ethnic Hungarians see themselves as second-class citizens in Romania: 62 percent (in a 2000 survey) see relations with Romanians as marked by either conflict or mutual disregard, while only a third of Romanians agree. More than two-thirds of Romanians believe that ethnic background makes no difference when applying for a job, but only 41 percent of ethnic Hungarians agree. About three quarters of Hungarians say that they greet their Romanian neighbors or sometimes ask Romanians for help—but only about 30 percent of Romanians admit interacting with Hungarians. Ethnic Hungarians are far more likely than Romanians to say that the latter are wealthier, more influential, and more respected (Culic, Horvath, and Rat, 2000, 291, 312-313, 330, 333). These tensions underlie the low trust that sustains corruption.

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The Economic Psychology of Transition Dynamics

I use the survey of the Romanian population, carried out in October, 2003 to examine a complex set of relationships linking economic inequality and corruption to the success of the democratic transition. The survey was carried out by the Center for Urban Sociology (CURS) in October 2003, as part of the Public Opinion Barometer program, sponsored by the Soros Foundation for an Open Society - Romania.

I break the analysis into three parts. First, I examine a simultaneous equation model of how Romanian citizens link some core elements in the inequality trap. I examine the factors underlying performance of the government in improving the quality of life, generalized trust, the perceived increase (or decrease) in income inequality in 2003 compared to 1995/1996, success of the government in handling corruption, and limiting the incomes of the rich. Then I offer a simultaneous equation aggregate model across 17 surveys in the same series from October 1996 to October 2003 with a far more limited set of variables common to all surveys: There are no questions about inequality and barely more than half of the surveys included the generalized trust question. I focus on perceptions of how well the Romanian government is handling corruption and optimism over the medium term (three years) for the Romanian economy. Then I turn to simpler models of what people believe drives rising inequality, satisfaction with democracy and the market, trust in government, and generalized trust. These analyses focus on the different effects of grand corruption and both petty corruption and the need to use contacts to obtain basic services.

Perceptions of greater inequality should lead to less trust in others, less satisfaction with government performance, and demands to limit the incomes of the rich. Preliminary analyses did

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not provide any support for a direct linkage between inequality change and dissatisfaction with the government's handling of corruption. However, there is an indirect tie—through trust—and I shall show a strong connection from perceptions of corruption to demands for limiting the incomes of the rich and from approving the government's anticorruption efforts to perceptions of inequality change; evaluations of how well the government is handling corruption should also shape attitudes on how well the government is performing on the quality of life—and the quality of people's lives should affect their views on corruption. Rising inequality, low generalized trust and dissatisfaction with government performance in improving the quality of life and in fighting corruption form a syndrome of discontent and pessimism that ultimately lead to demands for restricting the incomes of the rich—and thus rolling back the march to a market economy.

The belief that income inequality is increasing is widespread in transition countries (Stoyanov *et al.*, 2000, 33; Vlachova, 2000, 63; Stephenson and Khakhulina, 2000, 85; Orkeny, 2000, 106). Ninety-one percent of Romanians in the survey believed that inequality had increased from 1995-1996 to 2003; 35 percent thought that it had become much greater.

Putting a limit on the incomes of the rich taps suspicion of the market and reflects the belief that ordinary people cannot become wealthy. Almost 70 percent of Romanians favor limits on income. Wealth is a sign of strong connections and especially of dishonesty. Fifty percent say that people become rich by breaking the law and another 24 percent say that wealth comes from having connections; and additional six percent cite luck, and just eight percent saying that hard work brings wealth. In a companion survey in May, 2003, 55 percent proffered an "ideal" limit averaging \$854 (United States) on wealth. Following a public debate on taxation, 66 percent favored such a limit in October, now averaging just \$675. The demand for

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limiting income stems from growing inequality and the perceptions of corruption. In Romania, there is growing support for limiting the incomes of the rich.

There are measures of both “high-level” corruption among people with power and money (politicians, parliamentarians, ministers, judges, local council members, and business people) and “low-level” corruption among ordinary professionals (journalists, professors, teachers, and doctors). The survey also has measures of both grand corruption (as measured by the “how corrupt” are different groups) and petty corruption, as reflected in “gift payments” that are necessary to get by in life (to doctors, banks, the police, the county, courts, the county, the city). Petty corruption is widespread in Romania; in my first visit, I bought some beautiful wine glasses in a state-run store and the sales clerk wrapped securely for me as carry-on “luggage” for the plane ride home. When the conference I was attending was over, I joined colleagues on a train to Budapest. At the border, customs officials wanted to confiscate the box. Fortunately, an American colleague who spoke Romanian scared them off.

I expect that *high level corruption* and to a lesser extent *high level gift payments* will lead people to have less trust in each other. People don’t reason that dishonest doctors—or simply doctors who must supplement their income by “gift payments”—are a sign of a mistrusting society. Professionals’ “gift payments” are not a sign of moral decay—and, apparently, not even “corrupt” professionals point to a failure of the social fabric or the state. To be sure, the measures in the survey of grand and petty corruption reflect different experiences. Evaluations of grand corruption are based upon perceptions—ordinary people are not in positions to pay big money to get favors from the state. Measures of petty corruption *do reflect personal experiences*—whether you have had to make payments or use connections to the police, the courts, the

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government, the bank, to get a job, or particularly at the doctor's office. So these indicators may not be identical, but they represent how people experience different forms of malfeasance.

Government corruption and especially "gift payments" to the courts or other government officials should have greater impacts on people's evaluation of government performance, trust in other people, and on demands for redistribution of income. Different measures of corruption may shape different components of my model, but they all follow a common pattern: Petty corruption (gift payments) does not shape trust; it does shape optimism and evaluations of government performance; larger scale corruption has more pervasive effects—on both forms of trust, on government performance, and on demands for redistribution of income. Whenever corruption shapes people's evaluation of their state or their society, it is high level corruption. The misdeeds of ordinary professionals don't matter.

The first model, summarized in the graph in Figure 5-1 and in Table 5-1, provides preliminary support for this claim, with much stronger support in the simpler models later in the chapter. The equations largely exclude demographics (age, gender, education) because there is no clear reason to include them—and this would reduce the sample size—there are 486 respondents with values on all variables across the five equations. I did test to see if any of these variables make a difference and they do not. I do include education in the corruption perception equation since more highly educated people will be more likely to follow reports of corruption and I thus expect that higher education levels will be associated with lower levels of satisfaction with government efforts to control corruption. Education is generally a strong predictor of generalized trust (Uslaner, 2002, ch. 4), but it did not prove to be so for Romanians (Uslaner and Badescu, 2005, 43-46). I also include wealth (can afford consumer goods, since there is no simple income

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measure) only where it is clearly relevant (in the equations for government performance on the quality of life and on limiting incomes of the rich). While the predictive success of the models, as measured by R^2 , does not seem high, low R^2 values are common in survey analyses and are common in simultaneous equation estimations. In the discussion that follows, I focus only on the variables of relevance to the inequality trap in the text. I summarize the impacts of other variables in notes.

Figure 5-1, Table 5-1 about here

The first dependent variable in the inequality trap model is evaluations of government performance on the quality of life. Two of the other endogenous variables in the model—inequality change and especially the success of the government in controlling corruption—are key factors in shaping attitudes toward quality of life policies. People who see rising inequality and who are dissatisfied with efforts to control corruption are substantially less likely to approve of policies on the quality of life. Beyond these factors, both collective and personal well-being—“sociotropic” and “pocketbook” concerns (Kinder and Kieweit, 1979)-- lead people to approve of quality of life performance.

Simple wealth doesn't matter, but satisfaction with one's income makes people more satisfied with government efforts on the quality of life. So do positive evaluations of the market and democracy in Romania: When you believe that these institutions are working well, you will be more satisfied with efforts on the quality of life. I examined a variety of measures of petty corruption (gift payments) but only included payments to the courts, since it has the clearest theoretical link to satisfaction with government performance. However, even this measure of gift

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payments is not significant in shaping evaluations on the quality of life. So a mixture of personal factors (satisfaction with income) and approval of democratic and market reforms lead people to positive evaluations of government performance on quality of life issues. Just as important, perhaps more so, are the levels of corruption and increasing inequality. Rising gaps between the rich and the poor mean that government is not doing its job to provide for all. And a corrupt government will not have the resources to improve the quality of life, nor may it have the motivation to do so.

Surprisingly, there is no direct link between perceptions of government efforts on corruption and generalized trust. We should not be too quick to dismiss this linkage, since one of the main factors shaping generalized trust is believing that the direction of the country is right or wrong: Optimistic people are over 20 percent more likely to trust other people. And there is also a strong relationship between the direction of the country and approval of the government's handling of corruption ($\tau\text{-}c = .282$, $\gamma = .478$), so there is at least an indirect relationship between perceptions of corruption and trust (through the direction of the country). Rising inequality has a strong effect on generalized trust: People who believe that inequality has dramatically increased are substantially less likely (by almost 30 percent) to trust their fellow citizens. There is one realm that is clearly associated with less trust: Believing that most judges, the arbiters of right and wrong, are corrupt makes people about five percent less trusting.

Putnam (2000, 288) argues that personal connections should lead to trust: These strong ties are the stepping stones to trust in strangers (but, see, among other contrary arguments, Newton, 1997 and Uslaner, 2002, ch. 4). The "helping" networks under Communism were, as I argued in Chapter 4, purely instrumental and substitutes for wider social networks. Such

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networks continued to be important in transition countries after the fall of Communism and they still reflect “‘strong ties’ that do not develop into the kind of cross-cutting ‘weak ties’ that... would open the door to a wider set of acquaintances, contacts, and opportunities” (Howard, 2003, 154). The survey asked respondents whether they have connections for finding jobs, in the business world, at city hall, to get a loan from the bank, at the county government, with courts or lawyers, with the police, or in a foreign country. I estimate the breadth of a helping circle by summing the number of connections. More connections do *not* lead to generalized trust—though they do not make people more insular either.

The survey has a good measure of out-group empathy, whether people have a psychological link to Europe. People with such a link will have a broader sense of their “moral community,” while those without such ties will look inward and be more likely to be xenophobic. If you have such a connection, you will be more likely, by about five percent, to be a generalized truster.

There is modest direct support that corruption leads to less trust but more substantial indirect backing for this claim.⁹ The path from corruption to low trust goes, at least part of the way, through perceptions of rising inequality. The strongest determinant (by far) of perceptions of inequality change is discontent with how the government handles corruption. There is strong support for the inequality trap here: Government corruption, people say, leads to greater inequality. However, this is only true for grand corruption at the level of the state. No gift payment, in preliminary tests, leads to perceptions of increasing inequality, as confirmed in the more elaborate analysis below. I represent low-level by the claim that most doctors are corrupt since medical care extracts more “gift” payments than any other service (see Tables A5-2 and

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A5-3).

There is no support for the claim that people blame increasing inequality on low level corruption or “gift payments” (not included in the equation). There may be something unfair when someone uses connections or makes a small payment to get a traffic ticket fixed, to jump in line at the doctor’s office, or even to get a job. The police officer who demands a bribe for a speeding driver will ask for much less than the price of the traffic violation. The doctor who demands—or simply expects—an extra payment for services, or to advance in line, cannot charge too much. They will not be able to build large mansions or maintain accounts in the Cayman Islands. Instead, they can take their spouses out for a nice dinner. The inequalities are not large and there is less moral opprobrium in doing what others would do under similar circumstances. So there is less reason to believe that making gift payments would lead to either perceptions of rising inequality or to a loss in faith in other people since neither the payment nor the acceptance of a small “gift” sets one apart from the larger community.

Both objective economic circumstances and beliefs about government responsibility also shape perceptions of inequality. People who face poverty directly—who cannot afford to heat all of the rooms in their houses—see inequality as rising more than those with more resources. And those who believe that it is the state’s responsibility to provide housing for the homeless are more likely to acknowledge increasing inequality. Finally, if you believe that most people can be trusted, you may be too optimistic, being less willing to acknowledge that inequality is actually rising. The effect from inequality to trust is far stronger than the tie from trust to perceptions of rising inequality, which is just barely significant (at $p < .10$).

What leads people to believe that the government is actually fighting corruption? First,

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there is a strong *reciprocal* relationship between believing the government is improving the quality of life and that it is fighting corruption (see the first equation above). If you believe that the government has improved the quality of life, you will also see it as fighting corruption. People who have upbeat views of the economy are also slightly more likely to approve of the corruption efforts of the government, though this relationship is barely significant (at $p < .10$). Trusting people also are more likely to approve of efforts to combat dishonesty—but again this relationship is not strong.

More telling is the connection between particularized trust and corruption perceptions. The closest measure to particularized trust is opposition to ethnic rights in a new constitution. Romania's long history of group conflict has focused on the role of minority ethnic populations in the society. Hungarians have been particularly concerned with the repeated actions by successive governments to limit their rights. Almost 90 percent of Hungarians in Romania favor greater autonomy in areas where they are in the majority, while just 15 percent of ethnic Romanians agree (Culic, Horvath, and Rat, 2000, 320). Denying out-group rights, especially in a society that has so long been divided on ethnic lines, is a strong measure of particularized trust. And people who object to ethnic rights are far more critical of the government's role in fighting corruption. They seem to link their own hostility to minority groups to the entrenchment of corruption—and likely to the association of disliked groups with dishonest behavior. As with trust, having connections does not lead people to positive or negative judgments on fighting corruption. However, the more contacts people have with either public or private institutions, the more they approve of government efforts in combating corruption.¹⁰

The last equation in the model is for supporting state limits on incomes of the rich.

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People with more resources—wealth, the ability to afford holidays outside your own town, and whether you own a cellular phone—are less likely to demand redistribution. These are people who are enjoying the benefits of the market economy so it is not surprising that they do not favor radical redistribution. Having connections, on the other hand, does not lead people to either favor (or more likely) oppose redistribution (perhaps because having connections is strongly associated with wealth).

Romanians who believe that the state has failed to protect vulnerable citizens at the expense of the rich favor limiting incomes. If you believe that people are poor because they do not get assistance from the state and if you believe that inequality has gotten worse—positions held by large majorities of Romanians—you will be more likely to demand limits on incomes. The link is strong in Romania, even more than in some other transition countries (Kluegel and Mason, 2000a, 184). People who think that democracy has worked well are less likely to back redistribution, but those who say that most business people are corrupt do want limits on incomes.¹¹

The full model shows that: there is a gulf in perceptions in Romania between:

- people who see rising inequality, have low generalized trust and high particularized trust, who see persistent and widespread grand corruption, who see inequality resting on a foundation of grand corruption, and who demand government action to level the economic playing field;
- and people who are less troubled by inequality, largely because they have benefited from the new market economy, who have higher levels of generalized trust and lower particularized trust, who see progress in combating corruption (or who

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can escape its grip by using connections), and who fear tampering with market reforms.

This is the story of a divided society, but since the bulk of the public sees increasing inequality, has low trust, sees corruption as widespread, and favors redistribution, it is the saga of an inequality trap.

Growing inequality threatens the social fabric (generalized trust) directly and indirectly (through its effect on government performance on the quality of life) on faith in political institutions. Corruption also endangers social solidarity, but has even greater effects on government performance on the quality of life and on increasing inequality. It is corruption at the top that matters, not from below—and even at the top, it seems concentrated in politicians, business people, local officials, and courts—precisely the officials most commonly cited when people discuss dishonesty in the transition countries. Lower level professionals are not held blameworthy.

The individual-level model is buttressed by an aggregate model based upon 17 surveys from the same organization using a few of the same questions from October, 1996 to October, 2003. There are only 10 data points on generalized trust and there is no time series on inequality. However, I can estimate a model of the reciprocal effects of optimism (the key underlying factor behind trust) and evaluations of government control of corruption (as in the individual-level model). The two-stage least squares model in Table A5-4 also supports the idea of reinforcing effects between corruption and optimism (how well the economy of Romania will do in three years).

The equation for optimism includes control over corruption and the growth rate in the

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gross domestic product (from Penn World Tables). Both perceived success in fighting corruption and a growing economy lead to greater optimism. Corruption fighting matters more: The impact of controlling corruption is almost three times as great as the GDP growth rate.¹² When people are most optimistic, they are also predisposed to view government efforts at fighting corruption positively. When the informal economy (as estimated by the Heritage Foundation) looms larger, people are less likely to approve of the government's efforts on corruption. People may not be able to estimate the size of the informal economy and the Heritage Foundation measure is a simple index rather than a fine-tuned figure. They can see evidence of the informal sector on the street and when they see more of it, they conclude that the government is not fighting corruption.

An optimistic view of the future has a considerably greater impact—by a factor of almost 4-1, on perceptions of corruption fighting. As the inequality trap model would suggest, there is a reciprocal relationship between corruption perceptions and optimism, which is the foundation of trust and which can be torn asunder by growing inequality, as the individual level analysis showed above. Corruption and optimism are strongly linked ($r = .733$). Romanians are most upbeat for the country's future when they see success in fighting corruption—and most downbeat when they see rampant malfeasance.

Connections, Inequality, Trust, and Malfeasance:

Big Corruption and Little Corruption

Ordinary citizens face petty corruption in both the public and private spheres. They still use connections to help them get by in daily life. Gift payments and using connections are signs of a still vibrant informal sector in Romania (and most other transition countries, though to

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varying degrees). I have provided some evidence that people don't become mistrusting or perceive inequality rising because of "gift payments" they must make or because they have to rely upon connections. The October, 2003 survey included a large number of questions on both the range of connections people have and the range of extra payments they make. The model above gives strong support to the overall notion of an inequality trap in Romania, but it cannot take full advantage of the range of questions in the surveys. The individual-level analysis suggests that grand corruption has much greater effects on perceptions of growing inequality and trust than does petty corruption. Is this true for all sorts of gift payments—or do some payments matter more than others? Similarly, having connections does not seem to have much effect on perceptions of inequality or on trust. Do different types of connections have varying consequences?

I focus now on the effects of big and little corruption as well as having connections on five key indicators of the success of transition: perceptions of increasing inequality, satisfaction with democracy and with the market in Romania, trust in government, and generalized trust. Does having informal connections make people feel more empowered—and thus less likely to argue that inequality has increased—or does it make them realize that they have advantages that others don't, so that they see more inequality? Do such connections increase confidence in the market, democracy, and in government because people know how to navigate the system? Or do they decrease faith in these institutions because people believe that they shouldn't need special ties to get things done? Are connections to get by still substitutes for wider social networks—and especially generalized trust? Or do they, under a democratic regime, play a more positive role in forming wider social bonds?

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Similarly, does making gift payments make people envious of the public servants—and private employees such as doctors and bank clerks—who put the money in their pockets? Or are such payments “leveling devices,” so that a small payment by ordinary folk will get them the same type of service that would cost rich people a lot more? Do such payments lead to perceptions of increasing or decreasing inequality? Do these bribes make people believe that they can make government—and the market—function better or do ordinary people see, as most academics do, petty corruption as examples of the failures of the market and the “honest” state? There is strong evidence (from aggregate models in Chapter 3 as well as earlier in this chapter) that grand corruption has powerful effects in reducing generalized trust (Uslaner, 2004a, 2006b; Uslaner and Badescu, 2004). And the model in Table 5-1 above suggests that petty corruption does not lead people to become mistrusting since it does not lead to greater inequality. Is this true for all types of petty corruption—or just for some? Extra payments to the courts, in particular, because people expect the legal system to be more neutral and honest than other institutions.

I test these claims by probit, ordered probit, and regression models of survey responses to questions on trust in other people (generalized trust or social solidarity), trust in government institutions,¹³ satisfaction with democracy, satisfaction with the market economy, and perceptions of changes in economic inequality in Romania. I present the results in Tables 5-2, 5-3 and A5-5 through A5-7. For the probit model for generalized trust (Table 5-4), I also include the “effect” of each predictor (the changes in probability of trust from the minimum to the maximum value of the predictor). I focus on measures related to the inequality trap and especially on the indicators of the informal sector—gift payments and connections.

Each equation includes the extra payments and one of the connection measures. Beyond

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that, the models for the four dependent variables reflect theoretical expectations for each. The tables present results for all of the connections measures (estimated separately) as well as a summary measure of the number of connections. The coefficients and standard errors for the other variables are from the equation for the total number of connections; the coefficients (and standard errors) barely vary at all for the equations for each connection individually. I could not include multiple connections in single models because of high levels of collinearity: People with connections in one area tend to have ties in others. As in the simultaneous equation estimation above, variables tangential to the analysis are discussed in notes.

Tables 5-2 and 5-3 about here

The models estimated reflect a balance of theoretical expectations about which factors should shape each measure of transition success and predictors that performed best in each equation. There is little reason to expect differences between satisfaction with the government's efforts at controlling corruption and the belief that "most politicians are corrupt." Yet, the first question is a strong predictor (negatively) of satisfaction with the workings of democracy and the market and with trust in government, while people who believe that most politicians are corrupt are more likely to see inequality as rising sharply and to lack faith in their fellow citizens. Where one measure is strong, the other does not achieve significance (and is not included in the final models). High-level corruption is consistently one of the most important predictors of each of the transition indicators, regardless of the measure. For generalized trust, believing that most politicians are corrupt leads to a 19 percent decline in the likelihood of having faith in your fellow citizens—an impact only exceeded by whether you believe that the country is heading in

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the right direction and whether you trust government.¹⁴ Satisfaction with the market also reflects trust in the private sector and the belief that most businesspeople are *not* corrupt (one of the stronger determinants of positive evaluations of the market).

Do informal relations—“extra” (gift) payments or relying on connections shape attitudes toward transition as does high-level corruption? *For each of the measures of transition success: (1) the informal sector plays a minor role in shaping public evaluations; and (2) the institutions that do have some impact are those that are perceived to be most fair and impartial: the courts and the police.* Gift payments are almost always *insignificant* predictors of trust in fellow citizens or government, satisfaction with democracy and the market, and even perceptions of rising inequality. Payments to the courts do *not* aggravate perception of inequality—they do have modest effects on satisfaction with democracy though much greater impacts on generalized trust. Note, however, the asymmetry in how gift payments shape trust. They have *no effect* on trust in government but there are strong impacts on faith in other citizens. Presumably people do not expect the same impartiality from the state as they do from the courts, but they do see making payments to the courts as undermining social solidarity, as Rothstein (2000) argues.

Making gift payments is not associated with increasing inequality. However, several of the measures of connections are, including the total number of ties, connections for medical treatment, and influence with the courts. Medical and legal services are both essential; 71 percent of the sample had contacts with doctors or hospitals and 15 percent with the courts (and an additional eight percent only with the police). If you don't have such contacts, you may get a lower level of service—or none at all or your “gift” payment may be considerably higher. It is hardly surprising that using connections would lead to perceptions of rising inequality—though we

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might not expect that *people with influential ties would admit that these linkages increase disparities*. People who have connections for medical treatments or in courts realize that they have access lacking to most other citizens.

Yet these effects are not large. I dichotomized the inequality variable and computed effects for each type of connection: Court ties increased perceptions of growing inequality by seven percent, medical intermediaries by only one percent, and any connections by five percent. Surprisingly, foreign connections led people to see lower levels of inequality (by seven percent). This runs counter to expectations (so I use a two-tailed test), but the coefficient is large and the impact seems real. It may well be people with foreign ties see themselves as climbing up the economic ladder—and therefore not as badly off as they once were. People with foreign contacts are more likely to see themselves as well off (the correlations with wealth are $\tau\text{-}c = .213$, $\gamma = .493$). But connections abroad do not breed satisfaction with democracy or the market. In both cases, international ties lead to lower levels of satisfaction with political and economic institutions. Foreign networks seem to point to success for individuals, but institutional failures. Democracy and the market should not be dependent upon foreign contacts.

Having connections seems to *increase* satisfaction with democracy rather than decrease it (again, using two-tailed tests). Any connections or connections with the police or for finding a job or getting a bank loan lead to more satisfaction with democratic performance. It seems that people who have connections may realize that this breeds inequality, but also that they make government function more smoothly. These effects are not small: Police connections raise satisfaction by 8.5 percent, bank ties by 7.8 percent, help in finding a job by 10.8 percent, and any connections by 19.5 percent (using a dichotomized measure of satisfaction with democracy).

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But relying on ties outside the country reduces satisfaction with democracy by 2.6 percent—perhaps reflecting the feeling that you need to rely upon friends abroad to get what you want from the system.

Connections, or *pile*, may shape positive views about government, but not about the market. Most of the time, as with gift payments, they are unrelated to views of capitalism. In the two instances of significant coefficients—ties with foreigners and any ties at all—the impact is negative, as initially expected. But these effects are not large (in the area of 1 percent for a dichotomized measure). And there are *no* significant effects for any forms of connections needed to get things done with generalized trust.

Using informal connections is sometimes associated with perceptions of rising inequality, but also with better performance of democratic government (where its effects are moderately strong). People see connections and gift payments as part of the routine of getting by in daily life in contemporary Romania. They do not condemn their fellow citizens for relying on these techniques for making life a little bit less difficult in most circumstances. Support from this argument comes from the *positive* effect (significant at $p < .10$ for a two-tailed test) of gift payments to city hall for trust in government. People with connections in foreign countries have less trust in their own government, perhaps having figured out ways to get around the local (unresponsive) bureaucracy.

What matters most to people in post-Communist societies is government performance—both in managing the economy and in curbing high-level corruption. The informal sector remains a key part of life in these societies, but it is mostly seen as a way of coping with a political and economic system rife with corruption. The informal sector does not destroy social

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cohesion. It does not make people less supportive of government or the market (except for the more “neutral” institutions of the courts and the police). Even as they realize that “gift payments” may be an unfair tax, they are generally minor irritants when political and business leaders may be plundering much larger amounts from the public purse. Citizens in transition countries have lived with the necessity of an informal sector for many years. They see it as a minor factor at best impeding the development of a market democracy. With increasing economic inequality and the harshness of the market, it may be a small price to pay to ensure coping with obtaining public and private services.

Romanian citizens clearly distinguish between grand and petty corruption, between malfeasance by politicians and businesspeople, on the one hand, and lower-level bureaucrats and service providers (doctors, banks, lawyers) on the other. Grand corruption bothers people greatly. Petty corruption violates notions of a well-functioning society but often brings benefits to the person who pays—and in any event it does not make people rich. One of the entrepreneurs in the focus group interviewed by King *et al.* (2003, 145) commented on the demands of politicians:

We need to obtain some road clearances that give us the right to drive in the European countries. They give these to whom they like, though, in exchange for bribes...I, at first, thought that I may offend people by giving them money. They are not, on the contrary; they think they deserve all that money...and believe me, we're talking big money.

Bureaucrats tell businesspeople about the political leaders who are their bosses: “keep out of there; you don't know that the guy is busy building himself a mansion” (King *et al.*, 2003, 153).

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King *et al.* (2003, 147) summarize the comments of their respondents:

...our focus group respondents considered small scale corruption without theft personally rational. Even those who refused to engage in it thought that it was useful, sometimes obligatory, to give a gift or little bribe in order to obtain the government services to which they were legally entitled. Necessity was commonly used to justify or excuse participation in his form of corruption, and to differentiate it from more severe forms of corruption which they did not regularly perform and which they generally considered much more dangerous.

People see a clear link from corrupt politicians to increased inequality (Table 5-2) and rising income disparities lead to less trust both in government and in fellow citizens. Yet, gift payments do not seem to lead to perceptions of increasing inequality. While some connections do make people see rising disparities of wealth, the effects are not large and they do not spill over to less faith in other people, in the state, in democracy, or in the market.

In the equation for generalized trust, there are sharp distinctions among forms of corruption: Most venues of corruption do *not* lead to less trust. Even though having to make extra payments to courts leads to less trust, the 26 percent of Romanians who say that most judges are corrupt are not less trusting—nor likely to believe that inequality has increased. Apparently most people don't believe that judges are likely to get rich—nor do they lose faith in their fellow citizens because they see local councilors as corrupt or even government ministers as dishonest.¹⁵ Nor does any form of “gift payments” other than to courts lead to less trust. And here the issue may not be how much people have to pay but rather being compelled to bribe for justice. The one venue of corruption that does undermine generalized trust is the belief that

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“most politicians are corrupt,” since payments to higher-level officials involve larger amounts of money.

The key determinants of perceptions of rising inequality and satisfaction with both democracy and the market, beyond handling corruption, are people’s evaluations of how well the government and the economy have worked. Both “pocketbook” (personal success) and “sociotropic” (societal prosperity) shape satisfaction with the transition. Yet how well you are doing matters *less* than perceptions of social progress. Neither the quality of life next year nor personal wealth shapes attitudes on increasing inequality—though how well the national economy will fare in three years does. Life satisfaction matters for approval of democracy and especially the market—and approval of the market also is tied to happiness with your income (though not to actual reported wealth). How well you are doing does not matter nearly as much as the most important variable across all three indicators: the performance of the government on the quality of life. For inequality, this is the only area (other than corruption) where government performance matters. Short-term prosperity (the quality of life next year) doesn’t matter nearly as much as success over the longer term (three years). Immediate affluence doesn’t matter at all for perceptions of increasing inequality and has only a moderate effect on support for democracy. It is, not surprisingly, more important for satisfaction with the economy.

For the market and especially for democracy, whether the government keeps the streets safe is also critical (and this is clearly related to Mafia influence and, hence, corruption). How well the government handles public safety is the single most important factor explaining the trust in government scale.¹⁶

Perceptions of increasing inequality mostly reflect negative evaluations of government

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economic performance and of corrupt leaders. Support for democracy reflects expectations of economic performance and perceptions of how well the government is handling large-scale corruption. Support for the market economy reflects similar economic judgments as well as perceptions that private firms are trustworthy and large-scale corruption is being controlled. Trust in other people largely reflects optimism for the future,¹⁷ the belief that politicians are *not* corrupt, and trust in government. People who have made gift payments to courts are less likely to have faith in others, as are people with connections in foreign countries (perhaps because they believe that in a well-ordered society, they should not have to rely upon people outside Romania). Two of the largest effects, amounting to drops in trust of about 12 percent each, are perceptions of rising inequality and the belief that the level of social protection from government programs has decreased. Less social protection and rising inequality both weaken social solidarity—and both point to increased disparities within Romanian society.

The Demands of a Successful Transition

The Romanian public clearly sees connections between high-level corruption and inequality—leading to low trust. Low trust is nothing new in Romania. Communism made faith in your fellow citizens hazardous and the long history of ethnic conflict is a sign that Romanians have been reluctant to reach out beyond their own in-groups.

The transition indicators in Table A5-1 also indicate that Romania is not faring as badly as it is sometimes portrayed. Why should the economic psychology of transition matter when people's opinions are simply too bleak given economic realities? This is a central question—since it applies with even greater force to Estonia and Slovakia, considered in Chapter 6, which are far more advanced in transition indicators than is Romania.

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Attitudes matter, perhaps more than actual economic statistics, because people's opinions shape their social and political world. Romanians have long been pessimistic and they continue to look to the future with trepidation. Some statistics, such as the growth rate, give them cause for great concern. Others may not seem so troublesome in the context of world rankings. However, Romanians are not (and should not be) content with comparisons with Bangladesh or even Mexico. Romania looks to Europe (and to the United States) as its future. Yes, for many people, the Western model is unattractive: It brings with it greater inequality and a lack of respect for traditional culture. But few, if any, want to go back to the Ceausescu era. Yet most Romanians have little faith that the future will lead to more equality and, especially, less corruption. In the World Bank Diagnostic survey, just 6 percent of Romanians believe that parliament wants very much to curb corruption—and 61 percent say “not at all.”

Attitudes matter because they indicate that transition to a well-ordered society demands more than private enterprise and democratic institutions. The democratic transition in Romania is threatened by increasing inequality, persistent corruption, and especially by low out-group trust reflected in ethnic conflicts. These tensions between ethnic Hungarians and Romanians—and the continuing demonization of Jews even as only a handful of Jews remain in the country—hurt the transition in at least two ways. First, low out-group trust, especially combined with rising inequality, hurts the battle to control corruption. When people believe that “outsiders” receive more benefits or wealth than they deserve—as many Romanians believe about minority groups, including the Roma (who have very high levels of unemployment and are often forced into the informal sector)—then asserting the rights of your own group becomes paramount. People may complain about corrupt politicians, but they will continue to support public officials who steal

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from the public purse as long as they espouse the “right” positions on ethnic relations.

“Conspiring” within your own group becomes morally acceptable as people struggle to get by, so people come to accept using connections and even making “extra” payments to public servants, doctors, teachers, and bank clerks.

People see a moral dilemma in having to go outside what should be “normal channels.” Sanda, the Romanian woman talking to the English walkers, said, “Everything in this country is black market. You must pay for everything” (Goodwin, 2000, 152). Yet, they see also see the benefits of such petty corruption by giving them advantages in getting services. And these connections are largely all in the ethnic family: Only a quarter of Romanians ever ask ethnic Hungarians for help (Culic, Horvath, and Rat, 2000, 312-313).

Rising inequality and persistent low trust and high levels of corruption lead to envy and exacerbated social tensions among ethnic groups. There has been a long-standing conflict over maintaining Hungarian-language schools. These conflicts undermine support for universal social policies, which are the most likely to increase trust and combat inequality. Transition countries have now largely forsaken universal social welfare programs, many of which were mired in corruption anyway under Communism, for fee-based programs (European Commission Employment and Social Affairs, 2003). Romania will find it more difficult to escape the inequality trap and to reduce corruption. The long-standing pessimism of Romanians seems realistic.

Uslaner, *The Bulging Pocket and the Rule of Law*, ch. 5 (42)

NOTES

1. Portions of this chapter were originally drafted as a paper with Gabriel Badescu of Babes-Bolyai University, Cluj-Napoca, Romania.
2. The lyrics are available at http://www.lyricskeeper.com/kurt_weill-lyrics/226991-solomons_song-lyrics.htm.
3. See <http://www.timisoara.com/timisoara/r.html>.
4. You (2005b, 203) finds that perceptions of corruption also lead to lower generalized trust in South Korea, though he does not distinguish between grand and petty corruption.
5. This estimate is far greater than the estimate for the mid-1990s by Rosser, Rosser, and Ahmed (2000).
6. The range of the Failed States index is from 16.8 to 108.9, of uneven economic development from 2 to 9.2, of internal conflicts from 6 to 12, and of ethnic tensions from 1 to 6.
7. Here I report dichotomies for corruption; in the analyses below, I use the full four point scale on how many members of each group are corrupt.
8. Brubaker *et al.* (2006, chs. 5, 6, 8, and esp. 10) argue that Hungarian and ethnic residents of Cluj mix freely with each other and pay little heed to nationalistic politics. However, three friends—two Americans who have lived there (Paul Sum of the University of North Dakota and Ronald King of San Diego State University) and a Romanian who is a native and who teaches there now (Gabriel Badescu of Babes-Bolyai University) all see ethnic tensions at the individual level as well.

Uslaner, The Bulging Pocket and the Rule of Law, ch. 5 (43)

9. I do not include trust in government in the generalized trust model. Brehm and Rahn (1997) and Zmerli, Montero, and Newton (2003) argue that the two types of trust are strongly linked. Communist governments *did* seem to destroy generalized trust, yet there is little evidence that democratic governments can create it (Uslaner, 2002, chs. 5, 8)—and the relationship is particularly weak in transition countries in general and in Romania in particular (Badescu, 1999; and Uslaner, 2003a; Uslaner and Badescu, 2005, 46).
10. Frequent interaction with doctors, courts, lawyers, city and county officials, the police, and banks convince people lead people to see less corruption, not more. This may reflect the fact that wealthier people have more contacts—and poor people may simply have to do without such services. But it may also reflect two other dynamics: (1) wealthier people may be able to get things done without having to pay bribes (Kaufmann, Montoriol-Garriga, and Reccanatini, 2005); and (2) service providers may be more reluctant to demand bribes from people with whom they interact frequently. However, more highly educated people view government efforts less positively. Finally and hardly surprisingly, supporters of the governing PSD party are more likely to rate the government's handling of corruption positively.
11. Simple trust in government, based upon a factor analysis of confidence in the President, the parliament, political parties, the courts, the army, the police, and city hall—does not lead people to demand limits on incomes. Simple faith in institutional structures does not matter; specific performance does.
12. I calculated this by multiplying each variable's regression coefficient (see Table A5-4) by

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the range of its values.

13. Trust in government is not the same as perceptions that politicians are honest (though I shall show that the two are related). Most models of trust in government (see esp. Citrin, 1974) are based upon government performance on the economy and on war and peace, as well as on perceptions of honesty and how much faith people have in specific institutions and leaders.
14. Trust in government is a significant predictor of generalized trust here and generalized trust also predicts trust in government. For the more comprehensive model above, I did not include trust in government as a predictor of generalized trust because the effects vanish in a simultaneous equation model (see n. 7 above).
15. Councilor and ministerial corruption may lead to less trust, but the effect may be dwarfed by perceptions that politicians are corrupt: The correlations with “most politicians are corrupt” are .301 (tau, gamma = .643) for local councilors and .286 (tau, gamma = .607) for ministers.
16. Concern for disorder also leads to less confidence in democracy and trust in government: People who believe that Romania needs a strong leader (as in the past) are less satisfied with the state of democracy, as are people who believe that the state should control the media and political parties (who also have less trust in government). Supporters of the ruling (and former Communist) party, the PSD, have *more* confidence in government, while residents of the capital (Bucharest) are less likely to trust government. I expected that young people would have more faith in democracy and the market—this is barely

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supported ($p < .10$) for satisfaction with democracy, but young people are no more satisfied with market performance than others.

17. Instead of the performance of government on the quality of life, I employ the measure of whether the country is heading in the right direction, which has the largest effect on trust. This measure is closer to indicators of optimism I have used elsewhere (Uslaner, 2002, chs. 3, 4, 6). Wealthier people are also more likely to trust others.