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CHAPTER SIX

Half Empty or Almost Full?

Mass and Elite Perceptions of Corruption in Estonia, Slovakia, and Romania

If at first you don't succeed, then try and try again.

And if you don't succeed again, just try and try and try.

Useless, it's useless.

Our kind of life is tough.

Take it from me it's useless. Trying ain't enough.

Since people ain't much good just hit 'em on the hood.

But though you hit 'em good and hard they're never out for good.

Useless, it's useless when they're playing rough.

Take it from me it's useless.

You're never rough enough.

From "The Useless Song," Berthold Brecht and Kurt Weill, *The Threepenny Opera*

Romania's mixed success in the transition to a market economy, together with its legacy of ethnic conflict, poverty, and corruption, makes it easy to understand why its public is so pessimistic. Estonia and Slovakia have had a much more successful transition—especially to a market economy run under the rule of law, democracy, and relatively low levels of corruption.

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Estonia's capital, Tallinn, is a "boomtown," the surging economy called the "the Baltic tiger, the sequel to the Celtic tiger [Ireland] as Europe's success story," fueled by so many high-tech companies such as the Internet phone service Skype that outsiders call the country "E-stonia" (Tierney, 2006). Slovakia is a less prominent success, yet it has largely escaped the high levels of economic inequality that have been a hallmark of most transition countries and fares better than most former Communist states on corruption.

Yet, citizens in Estonia and Slovakia remain pessimistic—and they see corruption all around them even as elites in these countries believe that government and business are much more honest. Not only do ordinary citizens see lots of malfeasance, but they link it—generally more than either government officials or entrepreneurs—to economic inequality.

I examine surveys of the public, entrepreneurs, and government officials in Estonia and Slovakia and of the public and entrepreneurs in Romania in this chapter. The Slovakian and Romanian surveys were both conducted for the World Bank under their Corruption Diagnostic Survey program. The surveys had the same basic design so there are often (though not always) common variables in these polls—making direct comparisons possible. The Estonian survey was conducted for the Government of Estonia's Ministry of Justice under the auspices of the European Union. So while the surveys in the three countries included both masses and elites, only the Slovakian and Romanian studies have many questions in common. Even here, the surveys were not always as comparable as I would like: Government officials in Romania were not asked whether corruption increased inequality, so I cannot use the public officials survey here.

Despite the differences in design and question wording, one key result stands out: In all

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three countries, masses and elites see corruption differently. In Estonia, the public is far more likely to see malfeasance as pervasive, while the elites see themselves as far more honest. And the public links corruption more strongly to trust in other people than do either entrepreneurs or government officials. While there are no questions on inequality in the Estonian surveys, the very different perceptions of the extent of corruption in the country suggest a strong imbalance in how masses and elites perceive the fairness of their state and society.

The comparisons are more direct for Slovakia and Romania. Slovakia has the lowest level of inequality of any transition country—and has long been “a markedly egalitarian society, even by Eastern European standards” before the transition (Verwiebe and Wegener, 2000, 128; see also Table A6-1 below). Romania, as noted in Chapter 5, is relatively egalitarian but inequality has been increasing since transition—and almost all Romanians see this as threatening the already weak social fabric and most demand limits on the incomes of the rich. The informal sector plays a large role in Romania’s economy, but considerably less in Slovakia’s. Either using the transition countries or all nations as a base, Slovakia is relatively prosperous while Romania is not (see Tables A5-1 and A6-1).

Romanians are, not surprisingly, far more likely to link corruption to inequality and to explain the connection between corruption and inequality as reflecting worries about the security of the state and the transition to a functioning market economy, while the more “middle class” Slovaks see this tie as reflecting the society’s moral failures. Slovakian citizens also lose faith in their government when they see it as corrupt and especially when they tie this dishonesty to increasing inequality. Slovakian elites who agree that corruption causes inequality do not necessarily lose faith in their government—and overall corruption matters much less to elites than

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to ordinary citizens.

Inequality matters in two distinct ways for corruption. First, in all three countries, masses see corruption differently from elites—in Estonia as more common, in Slovakia and Romania as more likely to lead to inequality. Masses are more likely to lose faith in other people (Estonia) and in their government (Slovakia) when they see corruption as widespread, especially grand corruption. Second, both masses and elites are more likely to see a tie between malfeasance and inequality where both corruption and inequality are higher—in Romania as opposed to Slovakia.

There are two key lessons from these findings. First, for a country that ranks somewhere in between honest and corrupt (Estonia), ordinary people see the “glass of corruption” as mostly full, while businesspeople and public officials—the key actors in honest versus corrupt dealings—have a more upbeat view of business-government ties. Citizens are bothered by even a “moderate” amount of corruption and may not be so willing to distinguish between a little bit of corruption and a lot. Second, Romanians and Slovaks may not make correct estimates about the total amount of corruption, but corruption and inequality matter more where they are bigger problems. Romanians see far more corruption and are more likely to tie it to inequality than Slovaks.

I show in this chapter that:

- In each country, the mass public is considerably more likely to see widespread corruption than are the elites.
- In Estonia, the belief that corruption has increased leads ordinary citizens but *not the elite* to be less trusting of fellow citizens.
- The Estonian public sees increasing corruption as the result of malfeasance by elites, not

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by ordinary citizens.

- Ordinary citizens are far more likely to see corruption leading to greater inequality in both Slovakia and Romania than are elites—and Romanian citizens are considerably more likely to see inequality stemming from malfeasance than are Slovaks.
- Both Romanian and Slovakian citizens see the link between corruption and inequality as threatening the transition and especially a market economy. However, Romanians see the link between corruption and inequality as reflecting abuses of power as well as the pervasiveness of bribery, while Slovaks link it more to crime and human rights and not at all to petty corruption.
- Romanian entrepreneurs see the link between corruption and inequality in ways more similar to the Slovakian public than they do to their own fellow citizens. In Romania, the public is more likely to see corruption as tied to inequality, but there is no clear pattern in Slovakia. Yet the Slovakian citizenry and its elites are each less prone to make the connection than are the Romanian public and elites. The Romanian elite sees the tie much as the Slovakian public does.
- Slovakian entrepreneurs and government officials see the link between corruption and inequality as weakening the moral character of the society and threatening their own economic well-being; entrepreneurs are particularly likely to see the connection between corruption and inequality as stemming from the dishonesty of public officials *and* the mass public and of their own economic situation.
- Corruption causes ordinary Slovaks to lose faith in their government to a much greater extent than it does for either entrepreneurs or government officials. For Slovaks, the link

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between corruption and inequality leads to less trust in government *only for ordinary citizens, not for elites*—and only grand corruption—and not petty dishonesty—leads ordinary citizens to lose faith in government.

- Slovakian entrepreneurs lose faith in government when they believe that public officials are dishonest, when the bureaucracy is unresponsive, and when public services are lacking. Slovakian officials only lose faith in government when they see direct evidence of dishonesty (bribes or embezzlement) among officials.

### **The Path to Transition in Estonia and Slovakia**

Estonia and Slovakia are among the more successful transition countries (see Table A6-1). In 2004, when its Corruption Perceptions Index was only 4.0, Estonia still ranked first among transition countries on honesty. A year later Estonia's rating soared to 6.4, still relatively modest compared to most Western countries, but far and away the best among transition countries. Slovakia was in the top quarter of transition countries, even as its TI index barely made the top third of all countries. Both countries nevertheless had increases in corruption compared to 1998, but Slovakia's improvement was among the best among all countries and Estonia also fared relatively well.

While neither country has a particularly trusting population, Slovakia has excelled in maintaining low levels of inequality—ranking first in the world (and, of course, among transition nations) by the WIDER and Rosser/Rosser/Ahmed measures and fourth among transition countries on the Dutta/Mishra index. Estonia has not fared so well on economic inequality. It ranks at or below the middle for transition countries and for all nations. Both countries stand out with relatively high gross domestic product per capita and GDP growth among transition

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countries—and they rank in the top third of all countries on GDP per capita but not for growth. Their citizens are living relatively well, according to the scores on the United Nations Human Development Index. Estonia stands out as a leader among transition countries in democratization and the rule of law—and for the fairness of its legal system. Slovakia does not rank quite so strongly, but it is still among the more successful of transition countries.

While both countries rank in the top quarter of transition states on the Failed States index, they stand in bottom third of all nations on this measure of state capacity. Both fare much better on uneven economic development, though here Estonia far outpaces Slovakia, ranking third among transition nations and between 20<sup>th</sup> and 27<sup>th</sup> place (due to ties) among all nations. Given the overall higher level of economic inequality in Estonia, this result is somewhat surprising. It is reflected in the strong performance for Estonia, with Slovakia not far behind, on the ICRG measure of internal conflicts. Nevertheless, both countries have considerable ethnic conflict, even for transition nations. The relatively high level of ethnic conflict in Slovakia is echoed in the 1998 Ethnobarometer that showed Slovaks expressing the greatest concern among 10 countries that ethnic minorities constitute a threat to peace in the country.<sup>1</sup>

Estonia has a relatively robust economy and has fared well on democratization—especially on the rule of law. It has less corruption than any other transition country (though Slovenia is virtually tied with it). Estonia and Slovakia stand out among transition countries on economic performance, even though their growth rates are modest. Other than Slovakia's low level of economic inequality, neither country ranks so highly that it is comparable with Western nations. Among Western European nations, Portugal and Malta in Europe have 2005 TI scores close to Estonia, with Greece far behind tied with Slovakia and Italy somewhat higher. In both

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countries, then, there is still considerable corruption—even if they are relatively “clean” compared to other transition nations.

I focus first on Estonia and then on a comparative analysis of Slovakia and Romania. Of the three countries, Estonia stands out as the greatest success story—outpaced only among transition countries by Slovenia and the Czech Republic. Tierney (2006) attributes Estonia’s success to the free-market policies of Prime Minister Mart Laar, who abolished almost all trade barriers, cut taxes and established a flat tax, and promoted business development and foreign investment with a zeal unheard of in transition countries—and indeed in most of the West. An unfettered market requires the rule of law, fair courts, and honest government and Laar worked hard to promote each. Estonia also had favorable economic conditions at its rebirth as an independent country: It was energy independent and did not depend upon large-scale heavy industry that led a European Union report to claim that the country has had “one of the world’s fastest growing economies since mid-1997” (Panagiotou, 2001, 264). Estonians are more satisfied with their lives overall, according to the 2005 European Social Survey (wave 2), than are people in any transition country other than Slovenia (as well as more than people in Portugal), but the mean score of 5.89 is still considerably below the mean for the 25 European countries (including Israel) of 6.59.

If Tierney is correct, Estonia’s success can be reproduced elsewhere in transition countries if the political will is strong enough. It would be strong testimony to the claim that policies matter—but so do honest and efficient institutions, such as a dominant executive branch. This structural account must be tempered by an explanation that gives more weight to history and culture. Estonia, like Slovenia, had a ready market for its exports in Western Europe. Its



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proximity to the Nordic nations gave it crucial advantages over other transition countries, as did its reform government prior to the break-up of the Soviet Union. The Soviet Union gave considerable autonomy, in both economic and social life, to Estonia (and the other Baltic republics Latvia and Lithuania), permitting them a more liberal economy and contact with the West (Lauristin and Vihalemm, 1997, 75-76).

Most critically, Estonia was culturally tied to its closest neighbor, Finland, much more than it was to the Soviet Union. Panagiotou (2001, 274-275) argues:

..most Estonians felt a strong affinity for Scandinavia, depicted...by the declaration of many Estonians that Finnish, and not Russian, was their second language. Moreover, Estonians' access to Finnish television and interaction with tourists from Scandinavia over the years had lent an important familiarity with western cultures and way of life....upon independence Estonia was better placed to shed the Soviet cultural legacy and deepen and enhance its links with western countries...

Ferries run almost hourly between Helsinki, the capital of Finland, and Estonia's capital, Tallinn, as Finns flock to Estonia for cheaper shopping (especially for liquor)—but also for family visits.

The Nordic countries rank very high on trust and low on both corruption and inequality, so the close ties between them and Estonia clearly shape post-Communist political and social life. The close ties with Finland (and other Nordic countries) lead to a more successful transition than most other countries, and especially those that were part of the former Soviet Union. Yet, these ties do not make Estonia a little Finland. Corruption still persists in Estonia, trust is low, inequality is higher than it was under Communism and middle-range by world

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standards, and ethnic relations are very tense.

The economic boom did not make everyone well off. Raun (2001, 255) argues: that the transition in Estonia "...substantially heightened inequality of income and wealth as well as social divisions." Under Communism, Estonia (and the other Baltic states) had the lowest rates of inequality of any Soviet republic—but the Gini indices rapidly increased after independence to levels similar to Southern Europe; by the late 1990s, 37 percent of the population lived in poverty (Norgaard and Johannsen, 1996, 122, 124). Urban residents and especially young people prospered, while old people on pensions and in rural areas struggled to get by (Raun, 2001, 255). Seventy percent of people born since 1980 said that the economic situation in the past five years had gotten better, compared to about a quarter born in 1940 or earlier. Seventy-three percent of students said that the economy had improved, compared to about a fifth of pensioners.

The ethnic divide has long been a feature of Estonian life. Before the Soviet occupation, 88 percent of the population were ethnic Estonians and eight percent were Russian. The Estonian birth rate fell precipitously in the 1940s; many Estonians were deported or fled to the West following the Soviet annexation, and 100,000 more were killed in World War II. The non-Estonian (mostly Russian) population increased by 2600 percent from 190 to 1989 (Vetik, 2002, 74).

Estonia is marked by strong ethnic tensions between native Estonians and Russians. Estonians resented the deportations of their own and the resettlement of Russians by the Soviet authorities. At independence in 1989, only families who were citizens of Estonian prior to 1940 qualified automatically as citizens. Ethnic Estonians were considered "loyal by birth" or "by inheritance," even if they were not currently living in the country; non-Estonians were considered

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to be “born in disloyalty” and they had to demonstrate “signs of loyalty” by language proficiency and take legal steps to demonstrate that they were “Estonia-minded” and had an “Estonian mindset” (Semjonov, 2002, 115, 119). Russians were stripped of their government positions (Kolsto, 2002, 252).

These ethnic tensions persist, as reflected in the low ranking for the country on the ICRG measure of ethnic tensions. Sixty-one percent of ethnic Estonians have high scores on a measure of “ethnic distress.” Their “prevailing attitudes are related to political and social distrust together with indignation linked to ethnic issues and a fear of competition with non-Estonians” (Semjonov, 2002, 140). Estonians and non-Estonians live apart from each other, with Russians segregated mostly in the eastern part of the country (near Russia), encouraging thoughts of independence should tensions grow too strong (Fearon, 1998, 123). There is little interaction between the two groups and they have almost no contact with each other. People from both groups refrain from using the language of the other (Vetik, 2002, 78). Such residential segregation means that members of each group will not have the opportunity to interact with the other—and this promotes low generalized trust and high particularized trust.

Estonians fare better economically than Russians. In the public survey, 13.7 percent of ethnic Estonians earn more than \$350 a month per person compared to 5.3 percent of Russians. While 45 percent of Estonians said that the economy had improved, only 39 percent of Russians agreed. In the European Social Survey 60 percent of ethnic Estonians expressed satisfaction with life overall, compared to 46 percent of Russians.

Growing inequality and ethnic tensions are recipes for low generalized trust—and the World Values Survey estimate for Estonia of 22 percent believing that “most people can be

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trusted” is in accord with this expectation (though the Ministry of Justice survey indicates far more trust). Yet, Estonia ranks relatively well on the TI Corruption Perceptions Index. Can you have an inequality trap without a lot of corruption? What, then, is a high level of malfeasance—and who determines whether a society is corrupt or not? The TI Corruption Perceptions Index is an elite survey, based upon responses from business people, academics, and other “experts.”<sup>2</sup> The public may—and in Estonia—does see considerably more corruption than either business people or government officials. Even a “successful” transition state such as Estonia may still be subject to an inequality trap. I cannot demonstrate this for Estonia as I did for Romania since the surveys are not as comprehensive. Yet, there is more than a bit of suggestion that Estonia has not escaped this syndrome.

#### **Estonians’ Views of Corruption: Masses and Elites**

I examine surveys commissioned by the Government of Estonia and the World Bank and the United States Information Agency (for Slovakia and Romania).<sup>3</sup> The Estonian population survey used face-to-face interviews with a national probability sample in 2003 (N = 1002 respondents). The public officials and entrepreneurs surveys used Computer Assisted Web Interviewing. The public officials survey (N = 901) used a quota sample for (1) ministries, county governments, and constitutional institutions; (2) agencies and boards; (3) institutions of law and order, (4) politicians; and (5) local government officials (Tavits, 2005, 9). The entrepreneurs survey was stratified by region, size of business, and industry sector (N = 503, TNS EMOR, 2004, 7-8).

The Slovakian and Romanian surveys were conducted in 1999 and 2000, respectively. In Slovakia, the surveys included 350 public officials, 400 enterprise managers, and 1,100

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members of the public (Anderson, 2000, v). The enterprise survey oversampled corporations and the government officials survey balanced local, regional, and national officers in relatively equal proportions, with one manager for every six functionaries (Anderson, 2000, 2-3). The Romanian public sample of 1050 responses was stratified by region and size of community; the enterprise sample of 417 was stratified by region, type of enterprise, ownership type, size, and industry sector (Anderson, Cosmaciuc, Dininio, Spector, and Zoido-Lobaton, 2001, 38-39).

The 2003 surveys of the Estonian public, business entrepreneurs, and public officials were conducted by TNS EMOR by computer-assisted face-to-face design for the general public and by computer-assisted telephone design for the elites. The questions were largely, though not entirely, identical. Some questions were not asked of entrepreneurs. Here I focus on overall perceptions of corruption among each group (some questions were not asked of entrepreneurs) and a simultaneous equation model of perceptions of increasing corruption since the Soviet era and generalized trust.

I present basic descriptive data on perceptions of corruption as well as levels of both trust in people and support for political leaders and democracy in Table 6-1 below. The overall story is clear: The public is far more likely to believe that high-level corruption is widespread, but there are fewer differences, if any, with low-level malfeasance. Even in a country that ranks relatively highly on the TI Corruption Perceptions Index, the mass public believes that grand corruption is common—and both the masses and elites see petty corruption as widespread.

Ordinary people and elites have very different perceptions of how common corruption is and what “dishonest” activities are tolerable. Across a series of measures, *the public is more likely to say that petty corruption is acceptable*. Ordinary people believe that they must be

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corrupt to get by, while entrepreneurs and government officials see themselves as part of a more “modern” and Western European society with different norms. The irony is that the public believes that petty corruption is widespread but inevitable, while the elites see low-level malfeasance as epidemic but unacceptable. We take the small gifts and rely use connections to gain favors, but we really shouldn’t do so, government officials say.

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#### Table 6-1 about here

Most telling is the simple question of whether corruption has increased or decreased since the Soviet era. The public is clearly more pessimistic: 48 percent of the public says that corruption has gotten worse, only 19 percent say the situation has gotten better. Public officials and entrepreneurs are far more optimistic: Only 30 percent and 25 percent, respectively, say that corruption has increased, while 47 and 53 percent say that it has gotten better. The public is convinced that there is more corruption than under Communism and the elites are just as certain that there is less.

All three groups are more likely to say that corruption has gotten better since the 1990s than to make a favorable comparison with Soviet times. Yet, here the differences become even more stark. Just 25 percent of the public says that corruption has decreased since the 1990s—43 percent say it is now worse—compared to 59 percent of bureaucrats and 73 percent of businesspeople.<sup>4</sup> The public, by 56 percent, agrees that corruption is inevitable in Estonia, while only 44 percent of government officials agree (the question was not asked of entrepreneurs). All of these differences are significant at  $p < .0001$ .

Elites are considerably more likely to trust the police. However, there is little difference

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in perceptions of the fairness of the courts. Two-thirds of the public believe that the courts ensure a fair trial, as one might expect in a country marked by high ratings for the rule of law and fair courts. Yet, a significant minority of the general public, 20 percent, is not convinced that democracy is the best form of government, while fewer than 7 percent of either elite is so skeptical. The public is also less convinced than government officials that the economic situation in Estonia is better than it was five years ago. Both elite groups are torn as to whether politicians do their best for the country (a minority in each case). And there are only modest differences in the share of people who trust most people and no significant gaps in perceiving people of different ethnic groups as just as trustworthy as Estonians. The generalized trust question in these surveys is not the same as in most other surveys (notably the World Values Survey) and it thus overestimates how trusting Estonians are (.22 in Table A6-1 from the World Values Survey).

Across the series of questions on how common corrupt acts are, the public is far more likely to see high-level corruption as common than are government officials (the questions were not asked of entrepreneurs). The public sees bribes as very common—for avoiding fines, to expedite procedures, to get a job,<sup>5</sup> for obtaining favorable rulings by administrators and judges, and to a lesser extent to change laws—while government officials say that such payments are rare. Less than one percent of officials say that it is common to bribe people to get jobs or to change laws. Both the public and government officials say that it is common for an entrepreneur to ask a friend in the civil service to expedite procedures or civil servants to order computers from relatives' companies. Are such actions corrupt or do they just represent using connections, which were part of everyday life in Communist (and other) societies where the market does not

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function well? The gray area in which entrepreneurs offer civil servants goods in turn for help—the value of the goods is not specified—is widespread, according to both the public and officials, but more so (by 76 to 65 percent,  $p < .0002$ ) for the former.

While the public is more likely to see corruption as widespread, ironically it is less ready to characterize behavior as corruption or to condemn it as unacceptable. Just about half of the public says that corruption occurs when an official accepts a gift after performing a service, compared to 60 percent of officials and two-thirds of entrepreneurs. While all three groups strongly condemn taking a bribe (as opposed to a “gift”) for performing a service (93, 98, and 97 percent, respectively), the difference is significant at  $p < .0001$ . All three groups also condemn an official taking money for providing information that is not publicly available, but again the officials and entrepreneurs are more critical than the mass public. Seventy-five percent of the public and officials condemn getting a job through a personal connection. Even though strong majorities of each group say that it is not acceptable for entrepreneurs to offer civil servants goods for assistance or for a patient to get faster service because his/her brother went to medical school with the doctor, the public is substantially more tolerant of such low-level corruption—perhaps because ordinary citizens confront such situations more often and may personally benefit from petty corruption.

Why do people take bribes? Ordinary citizens are considerably more likely to say that officials take bribes to be polite—not to offend the citizen who offers small “gifts—because everyone accepts money, and because officials will not be punished. The public sees these payments as part and parcel of daily life. They also say that people are persistent when they offer a bribe, so it is difficult for officials to say no. Here public officials agree with them. Officials



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say that they take bribes because their pay is too low—an argument that the public is less willing to accept and that entrepreneurs find even less convincing.

The larger story is that there is considerable inequality in perceptions of corruption. The public sees far more high-level corruption than either elite, though the differences for lower-level malfeasance are far smaller and generally not significant. The public is also far more likely to say that corruption has increased not only since Soviet times, but also in the past decade—and to say that corruption cannot be eradicated. This pessimism is reflected in the tolerance of much petty corruption. Elites see even small-time dishonesty as unacceptable. Ordinary people are more tolerant, perhaps because they have experienced petty corruption more often. They have fewer connections that might save them from having to pay bribes.

This inequality in perceptions, especially on grand corruption, may lead to strains in the society's social fabric. The social strains that come with increasing inequality and increased ethnic tensions should lead to less trust in fellow citizens, especially when people see high-level corruption as endemic.

I estimate models for generalized trust and perceptions of increased corruption since the Soviet era for the mass public, government officials, and entrepreneurs (see Tables 6-2, 6-3, and 6-4). The surveys did not have any measures of perceptions of inequality; the closest (asked in two of the three surveys) is whether economic welfare is better than five years ago. This is more of a measure of economic performance but it is as close as the surveys get to anything dealing with inequality. The three surveys had substantial overlap in questions, but were not identical, so the models vary from one sample to another. Nevertheless, a clear pattern emerges and it is one of a stronger link between trust and corruption for the mass public than for elites, greater

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effects for economic variables on trust for ordinary citizens, and perceptions of rising corruption that largely reflect grand rather than petty malfeasance. As I summarize the results for each equation, I discuss variables that are not central to my main arguments in endnotes.

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[Tables 6-2, 6-3, 6-4 about here](#)

For the mass public, perceptions of increasing corruption strongly reduce generalized trust—with a t ratio greater (in absolute value) greater than any variable other than the belief that most people are selfish and age (with older people being more trusting). Trusting people are also less likely to believe that corruption has increased since Soviet times, but this relationship is weak and barely significant even at  $p < .10$ . Public officials who believe that most people can be trusted are far less likely to see decreased corruption, but there is no significant effect for entrepreneurs. Public officials and entrepreneurs who see increased corruption are also less likely to have faith in their fellow citizens.

For each elite group, the size of the effect of perceived corruption on trust is markedly less than for the public. The regression coefficients for entrepreneurs and government officials are, respectively, 57 percent and 64 percent of the coefficient for the mass public. There is a weak but marginally significant relationship between generalized trust and saying that procurement given to a relative constitutes corruption for entrepreneurs. Perceptions of increasing corruption, which are far more common for the mass public, have more powerful effects in shaping trust of fellow citizens among this group compared to elites.

Trust also leads people to say that corruption has fallen, especially for government employees (but not for entrepreneurs) and to a lesser extent for the mass public. Here my

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argument stands in contrast to Tavits (2005, 16), who finds no tie between generalized trust and another measure of corruption in this survey.<sup>6</sup> These results provide at best modest support for the idea of an inequality trap. The link from corruption to falling trust is considerably stronger and more supportive of the inequality trap thesis.

The perception of widespread bribery makes the general public less trusting. Petty corruption does not matter: demands from doctors for “gift payments” do not lead to less trust. There is some evidence of an inequality of perceptions: Businesspeople who believe that everyone accepts bribes *are not less trusting of fellow citizens*, but widespread bribery does lead ordinary people to put less faith in their fellow citizens. Government officials were not asked if “everyone takes bribes.” If they believe that bribe takers won’t be punished, they will be less likely to trust others.<sup>7</sup> Government officials and the public trust others when they see the legal system as fair and efficient; entrepreneurs do not make this link. And only the public bases its trust on perceptions of economic well-being. For the mass public, there is a clear link between Estonian nationality and generalized trust. Ethnic Estonians are *less trusting* of people in general, a finding also reported by Kaplan (1995, 248). The lower levels of trust among Estonians reflect the view that other ethnicities, especially Russians, are outsiders in their country.

The corruption equation for the general public shows that perceptions of malfeasance depend more upon grand than petty misdeeds.<sup>8</sup> Ordinary citizens don’t blame themselves for rising corruption—and personal experiences don’t make them more likely to see rising dishonesty. Instead, they blame entrepreneurs for misdeeds. They see offering school officials expensive gifts such as trips to warm places as evidence that corruption has been increasing. If you believe

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that civil servants take bribes because their pay is too low or that it is common for entrepreneurs to trade goods for favorable rulings by bureaucrats, you are also more likely to see rising corruption: The grabbing hands of the bureaucrats and the entrepreneurs are the key sources of corruption, ordinary people say, and it is unfair to blame us. On the other hand, people who believe that it is common for people to pay bribes to police officers to fend off speeding tickets (58 percent of the public) are more likely to say that corruption is increasing. Petty corruption matters in how people evaluate malfeasance, but overall grand corruption seems to play a much larger in shaping people's perceptions of dishonesty.

The model for the general public shows that ethnic Russians, rather than Estonians, who see the greatest increase in corruption. So ethnic Estonians are *less likely to trust strangers, but also less likely to believe that corruption is increasing*. This may reflect the everyday experience of minority group members who are regarded as outsiders: They may not have the resources to obtain what they need in daily life through higher-level contacts without the need for bribes. Because Russians have lower incomes and largely live in ethnically homogenous neighborhoods, corruption may be more prevalent, as it is societies that are both less affluent and marked by greater inequality.

On most measures of corruption in the survey, ethnic Russians are significantly more pessimistic and have had significantly more experience with corruption than people of Estonian heritage: whether you have ever offered a bribe (49 to 35 percent), whether corruption is inevitable in Estonia, whether corruption is a serious problem, whether it is common for a speeder to offer the police a bribe (72 to 54 percent), whether you have personally suffered from corruption (64 say no compared to 75 percent), whether you have bribed the police (16 to 8

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percent), whether you have bribed your child's school (10 to 3 percent), and whether everyone takes bribes (36 to 26 percent). And ethnic Russians are more likely to consider acceptable acts such as offering a police officer a bribe for speeding (31 to 18 percent), entrepreneurs offering school director a trip to a warm place (27 to 16 percent), and civil servants accepting fees for lectures (54 to 45 percent). Groups facing discrimination will see more corruption—and they will also develop a greater tolerance of misdeeds as the cost of getting by and doing business in an imperfect market.

These findings are not specific to this survey. In the 2005 European Social Survey, ethnic Russians were more likely to distrust public officials to treat you honestly (38 percent to 22 percent), to say that you can't always act honestly if you want to make money (45 to 34 percent). And they are less likely to agree that public officials asking for a bribe is seriously wrong (by 53 to 63 percent) and that making a false insurance claim is seriously wrong (by 31 to 42 percent).

The general story for government bureaucrats reflects a division between the majority who believe that corruption has fallen. They report never being offered a bribe and nor facing a conflict of interest. Government officials believe that corruption is not common in Estonia. The majority of bureaucrats reflects the elite view (as reflected in TI's Corruption Perceptions Index) that Estonia is becoming a far more honest country—and very much in the Western European mainstream. The minority have perceptions that are much closer to the general public's views—that Estonia is still a state in transition.

For government officials, personal experience matters mightily and they do not make a clear distinction, as the general public does, between grand and petty corruption (see Table 6-3). If you have been offered a bribe, if you think that it is common for school officials to accept

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warm trips, if you believe that it is common for civil servants to order computers from a relative's firm, if you believe that it is common for a driver who speeds to offer the police favorable service, and if you don't believe that politicians do what is best for the country, you will be more likely to see rising dishonesty. Ironically, whether a government official has ever faced a conflict of interest has no effect on perceptions of rising corruption.

Entrepreneurs' perceptions of rising corruption reflect almost exclusively their willingness to deflect the blame for malfeasance away from themselves (see Table 6-4). If you don't know where to report corruption or believe that telling the police won't do any good, you are more likely to believe that malfeasance has been rising. Businesspeople who say that democracy is the best political system see decreasing corruption—also deflecting the responsibility for malfeasance from themselves to the political system. There is a tie between making a bribe to civil servants and perceiving rising dishonesty, but it is weak and barely significant (at  $p < .10$ ). Payments for state inspections and believing that official proceedings are needlessly expensive have no effect on corruption perceptions.<sup>9</sup>

While these surveys are not ideal for testing for the inequality trap, there is support for some key elements in the mass public survey and less in the elite polls. For the public, economic distress leads to less trust, as does grand corruption, but not petty malfeasance. There is a modest link from generalized trust to perceptions of increasing corruption. Ethnic Russians perceive more corruption, are more tolerant of it, and are more likely to be involved in such activities. Trust also matters for public officials' perceptions of increasing corruption but not for entrepreneurs. There is support for two of the three surveyed groups that corruption perceptions rest upon a foundation of mistrust and that low out-group trust also leads people to see increasing

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levels of corruption.

Ordinary citizens are substantially more likely than elites to see grand corruption as widespread—and such misdeeds make them less willing to trust their fellow citizens. The difference in perceptions in itself suggests an inequality trap. Estonia may be relatively honest compared to other transition countries, but its corruption score still puts it below most Western countries. Even if the public misperceives the level of corruption, we cannot dismiss these perceptions. Especially when overlaid with strong ethnic conflicts and increasing inequality, the belief that corruption is widespread threatens social solidarity and may inhibit economic growth. Estonia ranks highly (third) on GDP growth among transition countries, yet it does not rank so highly among all nations.

### **Corruption and Inequality in Slovakia and Romania**

Slovakia is another “success” story among transition countries, Romania somewhat less so. However, Slovakia’s triumphs are relative. Compared to other transition nations, Slovakia generally ranks in the top third on most measures in Table A6-1; comparisons with the larger group of nations do not put Slovakia in such an exceptional light, especially when compared to its former “partner,” the much wealthier Czech Republic. The key exception is the level of economic inequality, where Slovakia stands out. Slovakia is relatively uncorrupt compared to other transition nations, though hardly distinctive in more general comparisons. For Estonia, I asked if there can be an inequality trap without a lot of corruption—and concluded that the answer was largely positive. But Slovakia poses a more demanding test: Can there be an inequality trap without much inequality?

Alas, I cannot answer this question with the data at hand. The World Bank Diagnostic

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Surveys of corruption were not designed to test hypotheses about the determinants of corruption. Their aims were more modest, mostly to understand what people mean by the term “corruption,” what evils people think malfeasance wrought, what specific steps people might take to report corruption, where and how often they encounter corruption in their daily lives (especially which agencies are more corrupt and which are more honest and how much it costs for gift payments or bribes in various settings), and the quality of service provision. The latter questions are largely filled with missing data, since not everyone visits the doctor or health clinic often and not every doctor demands gift payments. The questions in the surveys that have sufficient responses for analysis are mostly those dealing with the consequences and “definitions” of corruption. The Slovakian surveys also included a question on trust in government that I shall examine as well.

The surveys are useful in three key ways. First, they include rising inequality as a possible consequence of corruption. So while there is no way to test for an inequality trap, I can examine whether people believe that corruption increases inequality—and what factors lead people to make this argument. Second, by comparing responses across masses and elites—entrepreneurs and government officials—I can examine *inequality in perceptions* as I did for Estonia. Are the masses more likely to say that corruption causes inequality than the elites? (Yes in Romania, no in Slovakia). Are the masses more likely to link the belief that corruption causes inequality to declining trust in government than are the elites? (Yes.) Third, although the Romanian survey has fewer relevant variables than the Slovakian polls (and Romanian government officials are not asked whether corruption increases inequality), the overlap in many questions allows comparisons between the two countries. Slovakia is the more successful transition country so far—both on levels of corruption and especially on inequality.



### **Uslaner, The Bulging Pocket and the Rule of Law, ch. 6 (25)**

Slovakia's strong record on keeping inequality in check marks a continuation of the past and was widely considered to be among the best prepared nations for the transition.

Czechoslovakia had a short-lived reformist government under Alexander Dubcek in 1968, who presided over the "Prague Spring" until Soviet troops toppled the regime. Most Westerners—and Czechs—were surprised when the Slovaks insisted upon having a separate state, especially since the Czechs were far more prosperous. A majority of Slovaks, however, saw the Czechoslovak republic as representing "oppression and exploitation" (Vasecka, 1999, ch. 3, 4).

Slovakia was not only less prosperous than the Czech Republic. It also had, according to Vasecka (1999, ch. 2, 4) a "feudal" social structure, with much of its population residing in small towns. Even though the level of economic inequality remained low (and by one account constant), a majority of the public resented the rising inequalities of the 1990s and saw the economic situation as worse than under Communism (Vasecka, 1999, ch. 3, 12). Even as Slovakia ranks in the top third of transition countries on the TI Corruption Perceptions Index in both 2004 and 2005 and on legal fairness (BEEPS), the country's economic elite reported that poor law enforceability was the biggest obstacle to business. More than half of managers agreed with this and three quarters of business analysts assented—and in 2002 they saw the problem as growing rather than receding (Gyarfasova, 2002, 7, 14).

While the basic descriptive questions are different in the Diagnostic Surveys in the two countries, there is clear support for the claim that the public is more likely to be more pessimistic about corruption than the elites. In Slovakia, there are few differences in the shares of the public (60.9 percent), public officials (62.9 percent), and entrepreneurs (66 percent) who say that corruption is a very serious problem in the country. The public is far more pessimistic about the

### Uslaner, *The Bulging Pocket and the Rule of Law*, ch. 6 (26)

control of corruption: Public officials are evenly divided about whether corruption will be higher (28.5 percent) or lower (29 percent) in three years. Entrepreneurs are more optimistic that malfeasance will be decreasing (34.9 percent compared to 22.4 percent for higher). Yet only 12.1 percent of the public expects dishonesty to decrease and 44.4 percent believes that it will grow.

The questions are different in the Romanian surveys, but the overall picture is the same (Anderson *et al.*, 2001, 4). Almost equal shares of the public (67 percent) and businesspeople (70 percent) believe that all or almost all public officials are corrupt; not surprisingly, far fewer officials agree; still 44% assert that this is true. Only a third of businesspeople agree that bribery is part of everyday life; 41 percent of entrepreneurs agree, but so do 60 percent of the mass public.

As in Estonia, there is a difference in perceptions on how widespread corruption is—and what the outlook for curbing it is. There are also divergent views on what the consequences of corruption are. Each survey asked respondents to rank up to three repercussions of dishonesty. I construct a measure of potential effects from the top two ranked answers.<sup>10</sup> I present the share of respondents choosing each consequence in Table A6-2, which shows:

- Where inequality has been rising rapidly-- in Romania--both the mass public and the entrepreneurs see rising inequality (and lowering incomes of the poor) as the major effects of corruption. No other effect even comes close: 53 percent of the Romanian public sees corruption as increasing inequality and a similar share as lowering incomes. Much smaller segments of the public worry that corruption endangers the security of the state (18 percent), infringes on human rights (17 percent), or contributes to moral decline

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(15 percent). Entrepreneurs do worry about moral decline (23 percent) and about corruption leading to less foreign investment (26 percent). Yet, even businesspeople are most worried about the distributional consequences of dishonesty (37 percent about inequality and 41 percent about lowered income).

- Where inequality is much lower, in Slovakia, there is not a significant gap in perceptions of effects between the mass and the elite. The public is as much worried about the effects of corruption on public morality (38 percent) as it is about rising inequality (37 percent). Government officials are slightly *more concerned over economic distribution* than are ordinary citizens (43 percent)—and the levels of concern for lower income are half that of the Romanian samples. Instead, the Slovakian public’s perceptions of negative consequences are not radically different from that country’s elites. All samples of Slovaks are about equally worried that corruption will lead to a loss of confidence in one’s own abilities and will threaten transition, and to a loss in foreign investment (with entrepreneurs naturally the most concerned), with human rights violations, to increasing dishonesty, moral decline, and crime. Elites are more worried about the effects on dishonesty, crime, and human rights, about maintaining order in society. But both the public and elites in Slovakia are worried that corruption will weaken the country’s moral fiber. Overall, we don’t see a sharp disjunction in views as we do in Romania. No group in Slovakia is primarily concerned with economic distribution to the exclusion of other worries. Public officials seem slightly more worried about inequality than are ordinary citizens.
- The Slovakian public is about as concerned that corruption increases inequality as the

## Uslaner, *The Bulging Pocket and the Rule of Law*, ch. 6 (28)

Romanian entrepreneurs, *not the Romanian public*. The Slovakian public looks upon corruption more as a threat to transition and as a moral issue and is less concerned about the distributional consequences. Slovaks have a far more nuanced view of corruption than Romanians do. While elites are more likely to see social problems arising from corruption than the general public, the gap is smaller than one might expect in a society where people see corruption as a major problem—and where ordinary citizens are far more pessimistic about controlling misdeeds.

What leads people to say that corruption increases inequality? I estimate models for Romanians and Slovaks in Tables 6-5 and A6-3 through A6-6 below. First, I present a model for the Romanian public and also estimate it for the Slovakian public (Table 6-5). The model that works for Romanians does not fare well for the Slovakian public. A very different model works far better (Table A6-3). Then I estimate models for Romanian and Slovakian entrepreneurs—which, again, are dissimilar (Tables A6-4 and A6-5) and finally for Slovakian government officials (Table A6-6).

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[Table 6-5 about here](#)

The limited number of relevant questions in the diagnostic surveys means that I have to rely on two sets of predictors. First, I consider some definitions of what respondents say corruption means. Second, I include some other consequences of corruption. Respondents may give up to three responses for both what corruption is and what the consequences are and the measures I have constructed represent positive replies to either the first or the second choice. While alternative consequences are part of the same overall questions, respondents are free to

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choose any two or three alternatives they choose from a list of between 10 and 12 alternatives for each question in different samples. People who see some consequences are unlikely to rate others as critical. In the Romanian public sample, I expect that concern for the security of the state to be negatively related to saying that corruption increases inequality. The tie between corruption and economic distribution emphasizes distributional justice. The link between malfeasance and state security puts state power, rather than economic rights, as primary. I also expect that people who are primarily concerned with the effect of corruption on investment will be less worried about inequality. The transition to a market inevitably leads to some inequalities, since not everyone will prosper equally from a capitalist system, especially an emerging one. Worrying about losing investments should be negatively associated with concerns about the distribution of wealth.

I expect that people who say that corruption is an abuse of power and that it represents favoritism will be more likely to say that dishonesty leads to economic inequality. Both abuses of power and favoritism are associated with giving unfair advantage to some people. An unfair legal system should also lead to increasing inequality, as do perceptions that you can't get anything done without bribery (part of everyday life). Finally, wealthier people should be less bothered by corruption increasing inequality.

The estimates in Table 6-5 largely support these predictions. I estimate equations for perceiving that corruption increases inequality by probit analysis, since the dependent variable is a dichotomy. Only one of the variables in the model for Romania is not significant: whether the courts are considered fair. The two variables with the greatest effects are whether you believe that corruption endangers the security of the state and whether you think that misdeeds lead

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investors to lose confidence in the country. If you worry about the security of the state, you are 25 percent less likely to say that corruption increases inequality; being concerned about investor confidence makes you 22 percent less likely to fret about economic distribution. If you believe that bribery is a part of everyday life, you will be 14 percent more likely to say that corruption increases inequality—and there is a 12 percent greater likelihood that a person will worry about income distribution if she says that corruption is an abuse of position.

Saying that corruption means favoritism increases concern for inequality effects by eight percent and the wealthiest individuals will be eight percent less likely to worry about income distribution compared to those least well off. While the estimated probit  $R^2$  is not high (.150), the model represents an almost 15 percent improvement in predictive power over random guessing. For Slovakia, only one variable—whether corruption endangers the security of the state—is significant in this model and even here its effect (12 percent) is half that for the Romanian public. The Slovakian model does not represent *any improvement over random guessing*.

The Slovakian public, which is substantially less likely to say that corruption increases inequality overall, does not use the same mental heuristic to link malfeasance to the economic distribution. Slovaks are 38 less likely to say that corruption increases economic inequality if they are worried that it causes crime, 36 percent less likely if they are concerned about human rights violations, 28 percent less likely if they worry most about transition, and 13 percent less likely if they link misdeeds with a weaker private sector. Whether bribery is a part of everyday life, whether courts are fair, and social class play no role in concerns over the distribution of wealth. The model performs very well (estimated probit  $R^2 = .520$ , percent predicted correctly =

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75.4, compared to 62.1 percent for a null model).

Romanians link corruption to increasing inequality by the abuse of power and favoritism; the interests of the state and investors are seen as opposed to worries about inequality. This also holds in Slovakia, but people in Slovakia are also place inequality in contrast to order and human rights. Slovaks make the sharpest distinctions between increasing inequality and worrying about social order (crime and human rights). Romanians do not make this distinction. Social order takes a secondary role to economic justice, which is juxtaposed against the state and entrepreneurs.

Entrepreneurs are less likely to see corruption as leading to inequality than are ordinary citizens. However, Romanian businesspeople have views that are closer to the general public in their country than they are to Slovakian entrepreneurs (see Table A6-2). The roots of perceptions of corruption's effects on income distribution are also different in the two countries, reflecting the greater perceptions of rising inequality in Romania. In Romania, entrepreneurs who say that corruption is an abuse of one's position is significant (at  $p < .10$ , just missing  $p < .05$ ) are more likely to say that corruption leads to an inequitable distribution of wealth (see Table 6-4).

Businesspeople who consider corruption as a form of abuse are eight percent more likely to believe that malfeasance leads to unequal wealth, a somewhat smaller effect than for the mass public (12 percent). In Slovakia, believing that corruption is an abuse of position makes an entrepreneur 10 percent *less* likely to hold that it leads to inequality (see Table 6-5).

Entrepreneurs in the two countries have a very different view of what abuse of position means—Romanians link it to economic injustice, Slovaks to misplaced business ethics.

Romanian entrepreneurs are more divided over the economic consequences of corruption

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than is the general public. Businesspeople are less likely to say that malfeasance leads to inequality if they believe that corruption slows the development of the private sector (by 32 percent) or if they say that it leads investors to lose confidence in the country (by 17 percent). Slovakian businesspeople are also divided along economic lines, but the impact of “corruption hurts the development of the private sector” is 15 percent, not very different from the mass public sample (13 percent) and substantially less than in Romania. As with the public, believing that corruption hurts transition also makes one less likely to make the link with inequality (by 20 percent, compared to 30 percent for ordinary citizens). Especially where inequality is greater (Romania), there is a trade-off in entrepreneurs’ views on corruption and the private sector versus how it affects inequality.

Businesspeople in both countries shift the blame for corruption causing inequality. In Romania, they link this effect to competitors who don’t pay their share of taxes (by 12 percent), presumably maintaining that tax evasion robs the state of resources to help the poor, and to the low pay for bureaucrats (by nine percent), so lower-level officials supplement their meager wages by extorting money from the poor. Belonging to a business association seems to reinforce the belief that corruption doesn’t cause inequality (by 10 percent) in Romania. Shifting the blame becomes easier if you have close contacts who agree with you.

In Slovakia, entrepreneurs blame the victims, ordinary citizens, for rising inequality (by 11 percent)—seemingly arguing that the public is the source of its own problems by tolerating petty corruption. Businesspeople don’t limit their blame to the public. Anyone who demands petty corruption affects the income distribution. Entrepreneurs who say that gift payments are an obstacle to business are 21 percent more likely to worry about inequality.



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In both countries, but especially in Romania, the link to inequality is stronger among people who see the government as responsible for handling corruption. The second greatest effect (31 percent) among Romanian entrepreneurs is the belief that the government has the greatest responsibility for fighting corruption and the fourth largest impact is the belief that political instability is harming your company (21 percent). In a society marked by a lot of corruption and rising inequality, the emerging economic elite puts the greatest blame for the link between corruption and inequality on state officials—the ones whom entrepreneurs see as getting rich through extorting the private sector (see Chapter 5). In Slovakia, businesspeople who believe that deputies don't want to solve the problem of dishonesty are more likely to make the connection to inequality—but the relationship is weaker (an effect of 13 percent and a barely significant coefficient at  $p < .10$ ).

Romanian entrepreneurs who worry that dishonesty in government leads to moral decline throughout the society are considerably less likely to say that corruption increases inequality (28 percent), while their Slovakian counterparts who worry about human rights abuses similarly place less emphasis on the distributional consequences of corruption (by 26 percent). In both countries, businesspeople who worry most about what corruption does to the country's moral fiber are least likely to worry about the distributional consequences of misdeeds. Worrying about inequality stands, perhaps ironically, in contrast to concerns about the society's moral fiber. Morality is a worry of the middle and upper classes. Inequality is a concern of those with fewer resources.

This is evident in the strongest determinant of the link between inequality and corruption among Slovakian entrepreneurs. Entrepreneurs from businesses that have lost income over the

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past year are far more likely (40 percent) to worry that corruption causes inequality than businesspeople who have prospered. In Romania, if you think that competitors don't pay their fair share of taxes, you are 11 percent more likely to make the link between corruption and inequality.

Romanian entrepreneurs are far more likely to see the link between corruption and inequality as a conflict between claims on the distribution of wealth and the developing market economy. Slovakian entrepreneurs share these concerns, but they seem to be more worried about the behavior of their fellow businesspeople and the need to ensure human rights. They also blame ordinary citizens for their own plight, which we do not see in Romania.

Slovakian government officials, as the entrepreneurs, don't link inequality with abuse of position, as Romanians do. Again, the coefficient is *negative* instead of positive as expected. The officials who worry most about inequality are least likely to be concerned about the effects of misdeeds on order in the state—crime (32 percent), human rights violations, and the security of the state (both by about 28 percent). They also are less concerned with loss of foreign investment (21 percent) or adjusting to transition more generally (29 percent). *Slovakian officials are concerned about increasing inequality from misdeeds: 43 percent agree that misdeeds do lead to economic injustice, more than any other sample other than the Romanian public.* Yet, there is a clear dichotomy among officials between worrying about the distribution of wealth, on the one hand, and order and the development of a market economy on the other. There is an especially strong trade-off between worrying that corruption causes inequality and that it leads to disorder. If you believe that corruption has been increasing, that it stems from a weak legal system, or that plays a strong role in education, you are no more likely to make the

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link with inequality.<sup>11</sup>

Though the patterns in these five estimations are not always straightforward—owing to the limited number of useful questions in the surveys and the variations in questions asked across the polls—it is not difficult to see a general pattern. Romanian citizens and entrepreneurs are more likely to see inequality as stemming from corruption as a system of abuse and favoritism. Slovakian citizens, entrepreneurs, and government officials are more likely to see corruption as causing inequality if they are less worried about its effects on business and civil order.

In Romania, where inequality has been rising, the public sees corruption as leading to more inequality and lower incomes. In Slovakia, where inequality has historically been low and has remained under control, ordinary citizens are similar to elites in the trade-offs they make on the effects of corruption: People either see corruption as leading to increased inequality or to less order in the society and a weakened market. While these data cannot test the idea of an inequality trap, they do lend support that the link between inequality and corruption is generally more salient for the mass public than for elites and especially where corruption is widespread and inequality is rising.

### **Corruption, Inequality, and Trust in Government**

People trust government when they approve of its performance on the economy and on factors such as corruption (Citrin, 1974). Both play a large role in shaping Romanians' trust in government (Chapter 5). The Slovakian Diagnostic Surveys included a question on trust in government, specifically a five-point question on “how much faith you have in the honesty and integrity of the government of the Slovak Republic.” This is not, of course, the standard trust in government question, but it will suffice to help understand the roots of faith in national

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institutions among the masses and elites in Slovakia.

The honesty and integrity of the government first and foremost depends upon the level of corruption overall and in specific institutions. Beyond malfeasance, performance also matters. When governments deliver the goods, people have reason to believe that officials are honest—that they are using public funds for public purposes rather than lining their own pockets (Hanousek and Palda, 2003).

Since the trust in government question is a five-point scale, I estimate ordered probit analyses for the three samples in Tables 6-6, A6-7, and A6-8 below. I estimate effects, the differences in probabilities, as average changes across the categories.<sup>12</sup>

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### Table 6-6 about here

One result stands out: Perceiving that corruption causes inequality lowers trust in government by an average of three percent and is significant at  $p < .05$ , *but only for ordinary citizens*. The link between corruption and inequality does *not affect trust in government for entrepreneurs or for government officials*. There is some evidence of an inequality trap in these results. The belief that “corruption causes inequality” leads to less trust in government only for the mass public. The effect for “corruption causes inequality” is not very strong (at three percent) but it is greater than most of the variables in the model.

The most important determinant of trust in government is the belief that corruption has increased in the past three years (23.3 percent), followed by the belief that government ministries are corrupt (10 percent) and that the justice system is corrupt (5 percent). Also significant is the belief that corruption is a serious problem (3 percent). *However, no measure of petty corruption*

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*—be it the education system, customs officials, giving gifts, or being asked by workers in the education or medical systems—leads ordinary citizens to be less likely to trust their government.*

Instead, the quality of one key area of public service—health care—leads people to have more faith that their government is honest (by 10 percent).

*As with the Romanian public (see Chapter 5), it is grand corruption—the type of malfeasance that leads to more inequality—that makes people trust their government less. Petty corruption, which does not increase inequality, has no effect on confidence in government.*

There is no evidence that attitudes toward government reflect social status (in the insignificant coefficient for education).

For entrepreneurs, trust in government reflects the belief that public officials are honest and that the state is delivering high-quality services. If you believe that parliament is corrupt, you will be 16 percent less likely to have faith in government. You will also be less likely to have confidence in the state if you think that corruption has increased in the past three years (by seven percent), but not if you think that corruption causes inequality. The other factors shaping businesspeoples' faith in government all relate to how the state advances the cause of business: People who believe that bureacurats stand in the way of business development (presumably by demanding “extra” payments) are 12 percent less likely to have faith in public officials. The quality of services also matters mightily: Believing that the infrastructure is an obstacle to business develops leads to a 9 percent drop in the average level of trust in government, while satisfaction with the quality of services from traffic police and in the energy sector lead to approximate gains of 10 percent in faith in state officials.

*Entrepreneurs base their evaluations entirely on officials' conduct. Their own*

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complicity, as reflected in whether clientelism is an obstacle to business development, is not significant. It may take two to make a corrupt deal—both entrepreneurs and state officials—but businesspeople don't seem willing to accept any blame.

Public officials don't accept this view. They base their own trust in government on how many dishonest officials they see in the bureaucracy—above their own level and at a distance from them. As with entrepreneurs, government officials do not link faith in the honesty of state officials to the belief that corruption causes inequality. The key factors leading to lower trust are the perception of increasing corruption (a decline on average of 15 percent), whether people in the central administration take bribes for influencing decisions (14 percent) or embezzle money (7 percent), and whether ministries are corrupt (7 percent). Each of these questions deflects responsibility from mid-level bureaucrats or lower level elected officials toward people at the top or to the administrators who take bribes or embezzle money—which respondents would certainly say does not include themselves.

Petty corruption is generally insignificant: The education system, traffic courts, being offered small gifts all don't shape trust in government. Corruption in the health system and whether gift payments are common both lower trust in government (by five percent each), but both measures are barely significant at  $p < .10$ . The quality of bureaucrats in the central administration is also insignificant, as is the status (social class) of the officials.

### **An Inequality Trap?**

While these data cannot establish an inequality trap in Estonia or Slovakia, they do suggest that there is an inequality in perceptions between the mass public and elites in these countries. The publics in Estonia and Slovakia is far more likely to see corruption as widespread

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and inevitable than are entrepreneurs or government officials. The publics in Estonia and especially in Slovakia are far more likely to have their trust in either their fellow citizens (Estonia) or the government (Slovakia) shaped by perceptions of high-level corruption and whether corruption increases inequality. For both masses and elites, perceptions of increasing corruption (Estonia) and whether corruption increases inequality (Slovakia) depend far more on grand corruption than on lower-level malfeasance.

Some countries, such as Slovakia and Estonia, may be doing a very good job in the march to transition by restraining either corruption or inequality or perhaps even both, at least relative to other nations in similar circumstances. Yet perceptions of corruption—and inequality—may persist even as elites see the world very differently. As long as there is corruption, ordinary citizens will perceive it as more troubling—and more linked to inequality—than elites. And they will be more likely to base their evaluations of the trustworthiness of fellow citizens and their government on the types of corruption that are most likely to increase inequality.

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### NOTES

1. The countries and the percentages saying that ethnic groups are a threat to peace are: Belarus (14), Bulgaria (29), Croatia (39), Czech Republic (25), Hungary (19), Poland (17), Romania (32), Slovakia (43), Slovenia (10), and Ukraine (15). See Culic, Horvath, and Rat (2000, 293).
2. See the Survey Sources for the 2004 CPI link at [http://www.transparency.org/policy\\_research/surveys\\_indices/global/cpi](http://www.transparency.org/policy_research/surveys_indices/global/cpi).
3. Funding for the Estonian surveys, conducted by TNS EMOR, was provided by the Ministry of Justice and the European Commission (Phare Project "Reducing Corruption in Estonia Number 2003/005-850.01.01). Response rates for the surveys were for Estonia: 52 percent for the public survey, 36 percent for the government officials survey (Tavits, 2005, 9), and 29 percent for the enterprise survey (calculated from TNS EMOR, 2004, 7-8); for Slovakia 52 percent for the public survey, 41 percent for the officials survey, and 38 percent for the entrepreneur survey (calculated from information provided by the Focus Center for Social and Market Analysis). No information is available on the response rates for the Romania surveys.
4. The government officials survey include both elected and appointed officials, but I use the term "bureaucrats" to describe all
5. Whether this is grand or petty corruption is unclear from the question.
6. Tavits's (2005) argues that you will be more likely to engage in corrupt behavior if you believe that others will do so, rather than whether you are trusting. However, perceptions of others' motivations are endogenous to trust, so her claim that trust does not matter is



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not captured in her model.

7. Support for democracy does lead to greater trust in people for entrepreneurs and for public officials, while the belief that government with a strong leader is a better form of government makes ordinary citizens less trusting. Age is significant only for the general public, while education leads to more trust only for entrepreneurs.
8. Older people are more likely to see rising corruption, while employees in the private sector are less likely to see increased malfeasance.
9. For entrepreneurs, older people see rising corruption, but there is no effect for education. Higher paid government officials are less likely to say that corruption is increasing, as are older bureaucrats.
10. Many people did not give third choices and the responses were widely scattered, so I dropped third choices.
11. More highly educated officials are less likely to say that corruption causes inequality—most likely because they see themselves as part of an elite (who would have less reason to perceive inequality).
12. I estimated these changes using the spost package (prchange), from J. Scott Long, for Stata 9.