CHAPTER SEVEN

The Easy and Hard Cases: Africa and Singapore and Hong Kong

Now those among you full of pious teaching

Who teach us to renounce the major sins,

Should know before you do your heavy preaching:

Our middle's empty, there it all begins.

Your vices and our virtues are so dear to you.

So learn the simple truth from this our song.

Wherever you aspire, whatever you may do,

First feed the face and then talk right and wrong.

From "How to Survive," Berthold Brecht and Kurt Weill, *The Threepenny Opera* [1]

The transition countries pose a challenge for the idea of an inequality trap. They rank high on corruption, low on generalized trust, but comparatively low on inequality–though income disparities have been rising, often sharply, in almost all of these countries. Despite this "challenge," I have generally found support for my argument linking perceptions of inequality, low trust, and high levels of grand corruption in transition countries. Especially in Romania, where perceptions of inequality are widespread and lead to demands for redistribution of wealth, the inequality trap argument receives strong support.

How well does the inequality trap account fare in a setting where all three conditions–high corruption, high inequality, and low out-group trust–all hold? African states largely, though hardly universally, meet all three conditions: high levels of corruption and inequality and low generalized trust. Such settings might qualify as a critical test of the framework. Strong support for the argument would bolster my account significantly while negative results would call it into question.

On the other hand, Singapore and Hong Kong stand out as two glaring anomalies, with relatively high levels of inequality and low generalized trust.[2] Yet, Singapore (ranking 5th out of 160 countries, between Denmark and Sweden) and Hong Kong (ranking 15th, between Canada and Germany) are among the least corrupt countries in the world, according to the 2005 Transparency International Corruption Perceptions Index. In the 2004 Global Corruption Barometer, Singapore's citizens were less likely than those of any other country (out of 63 sampled) to see grand corruption as a problem (with a mean score of 3.11 on a four point scale, with 4 indicating that grand corruption is not a problem at all). Hong Kong's citizens ranked ninth, at 2.31, between the Netherlands and Switzerland. Yet, both Singapore and Hong Kong rank high on inequality and low on generalized trust. They are, in many ways, the polar opposite of the transition countries, yet they pose a severe challenge to the inequality trap argument. They have two of the key foundations for high levels of corruption, almost everything but malfeasance itself. Why, then, are Hong Kong and Singapore so honest?

Ironically, the most common arguments for why most African states are corrupt while Hong Kong and Singapore are so much more honest rest on very similar foundations: the strong state. African leaders after independence became all-powerful and all-grabbing, turning their new states into kleptocracies (Mbaku, 1998a, 249). Equally powerful and perhaps more autocratic leaders in Singapore and Hong Kong did not rob their countries' treasuries and deposit the riches in Switzerland or the Cayman Islands. Quite the contrary. *They used the strong arm of the law to impose honest and efficient government*.

I shall argue here that the "nanny state" is not, in and of itself, either the purloiner or the enforcer of morality. The inequality trap seems a more likely explanation. There are insufficient aggregate data to replicate tests such as those in Chapter 3 or even the more limited ones in Chapter 4. However, there is clear evidence in the Afrobarometer surveys that Africans see a clear link between inequality–both economic and legal--and corruption (though the connection to trust is less well supported). I will present models for how well the government handles corruption and how frequently people are treated unfairly from the 2002 (Round 2) Afrobarometer across the 14 countries surveyed.[3]

The data show strong support for linkages between perceptions of corruption and inequality across the 14 countries. A separate analysis of data for Mali in 2002 shows strong linkages between whether corruption is increasing or decreasing and perceptions of inequality, on the one hand, and support for restricting incomes of the rich and high-level corruption on the other hand. I use the Round 2 survey for Mali because it has a broader range of questions than the full Afrobarometer. Mali is hardly the most corrupt country–it is tied with eight other countries for 88th place out of 160 nations in the 2005 TI rankings–but its raw score of 2.9 indicates that it still has a considerable share of malfeasance. I then focus on the 2005 (Round 3) data for Nigeria–tied with the Cote d'Ivoire and Equatorial Guinea in 153rd place in the 2005 TI rankings, establishing it as one of the most corrupt countries in the world.

Nigerians recognize that corruption is an exploitative relationship. Rich men with impeccable English often come to the marketplace believing that they can convince the less educated market women to lower their prices. The market women recognize that they are vulnerable and are not impressed by impeccable language. They turn aside when they see men who are well-spoken: "You de use plenty grammar de cheat."[4]

The data from the Round 3 Afrobarometer indicate that Nigerians see a tight connection between how well the government handles corruption and whether they see more equitable treatment for all people than in the past: I estimate a simultaneous equation model for these two key components of the inequality trap. Measures of equality are among the most important determinants of whether people approve of the government's handling of corruption. Legal fairness is by far the most important factor shaping perceptions of equal treatment, though government handling of corruption is also important. So are democratic rights (free speech), which suggests that in Nigeria the inequality trap *is connected to democratic governance and institutional structures*. The tight ties between inequality and corruption come through loud and clear in Nigeria and any account of corruption that focuses primarily on institutional factors will miss the larger story.

As with transition countries, not all African countries are alike. In Africa, the "honesty leader" is Botswana, tied for 32nd place on the 2005 TI Corruption Perceptions Index with Qatar, Taiwan, and Uruguay with a raw score of 5.9 (slightly worse than Slovenia's 6.1). The next highest African countries are South Africa and Namibia, with scores of 4.5 and 4.3, respectively, above the mean for all 160 countries rated (4.07) and tied (in the case of Namibia) with Greece and Slovakia. While some African countries have lower levels of corruption than others, I shall first examine all countries in the same models as I did for surveys throughout the world in Chapter 3 and in transition countries in Chapter 4. While cross-national data are not sufficiently available to do hierarchical linear models, I control for country-level effects (recognizing that countries are not all the same) by clustering the standard errors at the country level. I then turn to the least corrupt nation, Botswana, and find little support for the inequality trap when I analyze the Afrobarometer data for that country by itself.

Botswana in several key respects resembles Hong Kong and Singapore: It has a strikingly high level of inequality (with a Gini coefficient of .63 from the United Nations Development Program)[5] and very low out-group trust (14 percent believe that "most people can be trusted," see Bratton, Mattes, and Gyimah-Boadi, 2005, 194). It is, to be sure, a democracy. In 2003, its scores on the political and civil rights indices of Freedom House are 2, indicating a well-functioning, if imperfect, representative government. Yet Mali has identical scores from Freedom House (though Nigeria fares worse with scores of 4 on each measure). Yet, despite the high level of inequality and the low generalized trust, Botswana has a relatively honest government. And when I estimate the full model for Round 2 just for Africa, very few of the measures for government handling corruption in the all-Africa model are significant for Botswana, especially those focusing on inequality.

Botswana, Hong Kong, and Singapore are exceptions to my argument about the inequality trap. How do I account for these instances of high inequality, low trust, but low corruption? Case studies of Botswana focus on its democratic government, but Singapore and Hong Kong are not democracies. Most accounts in these two Asian states focus on anti-corruption drives: Singapore's Corrupt Practices Investigation Bureau (CPIB), established in 1960, and Hong Kong's ICAC, the Independent Commission on Corruption, established in 1974. Both anti-corruption agencies were endowed with strong and autonomous investigatory powers (Quah, 2001a; Lo, 2001). The inequality trap does not explain perceptions of corruption in these two city-states: Asian Barometer data for Hong Kong show that peoples' perceptions of corruption bear little relation to beliefs about inequality or about democracy and the salience of both inequality and corruption are low in Singapore–largely because both nations have become very wealthy and inequality has been declining, rather than increasing (as in much of Africa and the transition states).

If anti-corruption commissions are the key to reducing malfeasance in office, we need not worry about deeper structural problems such as high levels of inequality and less tractable issues such as raising out-group trust. What we need is elite political will and while this may not be in abundant supply, surely it offers a more manageable solution to the problem of corruption than redressing what are likely long-standing grievances about economic and legal inequality.

Establishing an anti-corruption agency will not be sufficient to reduce malfeasance. Nigeria has established an Independent Corrupt Practices Commission and an Economic and Financial Crimes Commission. There is little evidence that either has reduced corruption and more than half of the respondents to the 2005 Nigeria Afrobarometer disapproved of the performance of the Independent Corrupt Practices Commission. Approval of the commission's performance is not simply a reflection of overall attitudes toward corruption. Instead, it reflects other conflicts in society, including trust in both other people and institutions and on economic fairness.

Many of the reasons for the success of anti-corruption efforts in Singapore and Hong Kong also apply to Botswana, especially the need to develop a robust economy to fend off external threats by opening markets and inviting foreign investment. Also, size matters. Each of the three nations found it easier to initiate anti-corruption campaigns because they have small populations. Singapore and Hong Kong are also city states. Singapore is an island, as is much of Hong Kong. Finally, even though each of the three states ranks low on generalized trust, all have strong government policies designed to produce greater social solidarity across groups, thereby reducing the tendency of strong in-group trust to support corruption. I turn first to a discussion of corruption in Africa and then to how malfeasance has been largely eradicated in Singapore and Hong Kong.

Corruption, Inequality, and Low Trust in Africa

Africa is a ideal case study for the inequality trap thesis. The 37 black African countries rated in the 2005 TI Corruption Perceptions Index had the lowest mean score (2.79) and the smallest standard deviation (.88) of any region. The mean Gini index for 14 African nations for which there are data is 50.3, compared to 39.7 for non-African states; black African nations have a mean score of 7.96 on the Failed States uneven economic development index, compared to 6.56

for other countries. And trust is considerably lower in Africa, with a mean of 18.5 compared to 31.8 elsewhere. [6]

Many Africans see corruption everywhere in their society. They view it as troublesome, enriching the elite, and perpetuating economic, legal, and political inequality. Yet they also see it as unavoidable and ineradicable. The story of corruption as Africans express it and in the literature on corruption on the continent is very much that of the inequality trap. Few people more than the Nigerians see themselves enmeshed in this economic and moral quicksand.

Nigerians, like many people in high inequality/low trust societies, “view participation in politics as an investment, similar to putting money in the bank or buying stock in a firm” and “capturing an important political position is like winning the lottery: the new political office can be used to amass wealth for oneself and also reward one’s supporters” (Mbaku, 1998b, 59). Nigeria’s oil wealth should have made its citizens wealthy, but most of the income disappeared to the West “to establish comfortable retirement positions for the crooks who were busy cheating present and future Nigerians” or to providing “privileges...for a bloated, inefficient, and parasitic and corrupt bureaucracy” (Mbaku, 1998b, 69)–even as the country’s per capita income fell to $240 US a year, making it one of the world’s twenty poorest countries (Riley, 2000, 148).

Similarly, in Kenya, income from sugar production was diverted to political leaders and their friends in the private sector. Over two-thirds of the civil service roster of Zaire (now once again the Democratic Republic of the Congo) in the late 1970s was said to be fictitious, yet comprising almost half of the country’s annual budget. Cameroon’s President Ahmadou Ahidjo made the civil service, the military, labor unions, and universities his personal fiefdom, appointing and dismissing employees at will and enriching himself in the process (Mbaku, 1998b, 43, 61-62; Riley, 2000, 148).

Corruption in Africa, as elsewhere, has enriched the political elite, especially heads of state. Africans see corruption as tightly connected to inequality. Leaders such as Zaire's "kleptocrat" Mobutu Sese Seko amassed fortunes; Mobutu had mansions in Belgium, France, Morocco, Spain, and Switzerland (Riley, 2000, 149), while ordinary people saw their incomes plummet. African states had a score of 7.03 on the State Failure project's measure of sharp and severe economic decline compared to 4.86 for other countries. The Democratic Republic of the Congo and Mali had among the highest scores (above 8.0), while citizens of Botswana, with cleaner government (and especially South Africa and Mauritius) fared far better economically.

Mbaku (1998b, 27) points to the connection between corruption and inequality in Africa:

> ...corruption has allowed some groups to enrich themselves at the expense of the rest of the people, and, as a result, has been quite instrumental in exacerbating inequalities in the distribution of income and wealth.

Williams (1987, 130) is even more emphatic: "In the conditions of underdevelopment, with their attendant shortages and paucity of resources, corruption tends mostly to accentuate and aggravate the political and economic inequalities which have characterized so may African states for so long."

Ordinary citizens see the link clearly. In Lagos, Nigeria (Packer, 2006, 69, 70) people talk of the prevalence of corruption and the dependency of ordinary people on patrons that shapes all transactions, from the oil industry to the street merchant:

> [A young itinerant trader said]: "Most of the people who lead us embezzle instead of using that money to create factories," he said. "Our parents' generation was O.K. But this generation is a wasted generation--unless God comes to the aid. Because we know there is money in Nigeria."
>
> ...almost no one works for himself. Everyone occupies a place in an economic hierarchy and owes fealty, as well as cash, to the person above him–known as an *oga*, or master–who, in turn, provides help or protection. Every group of workers--even at the stolen-goods market in the Ijora district--has a union that amounts to an extortion racket. The teen-ager hawking sunglasses in traffic receives the merchandise from a wholesaler, to whom he turns over ninety per cent of his earnings; if he tries to cheat or cut out, his guarantor--an authority figure such as a relative or a man from his home town, known to the vendor and the wholesaler alike--has to make up the loss, then hunt down his wayward charge. The patronage system helps the megacity absorb the continual influx of newcomers for whom the formal economy has no use. Wealth accrues not to the most imaginative or industrious but to those who rise up through the chain of patronage. It amounts to a predatory system of obligation, set down in no laws, enforced by implied threat.

Clarno and Falola (1998, 175) summarize the effects of this patron-client system: "Thus develops a system of two distinct classes working with and against each other in order to make the most of the situation. Though they support each other, it is an inherently unequal relationship that reinforces the division between classes." Much as the young man on the tram in Zagreb, Croatia told me about power relations in transition countries, the rich justify their misdeeds as a legitimate perquisite of power (or *kom-yan*) while similar behavior by the poor is called "theft, cheating, and shameful sneaking around" or *zey-yan* (Olivier de Sardan, 1999, 42). The elite not only justify their own misdeeds, but often point to petty corruption as society's scourge. Nigerian General Sani Abacha, one of the more corrupt recent leaders, waged many campaigns against street-level corruption to deflect attention from his own misdeeds (Smith, 2006, 31).

This tight link between inequality and corruption leads to both pessimism and to low levels of trust outside of one's own circle. The sign as you enter Lagos simply says, "This is Lagos" and a sawmill worker said, "We understand this as 'Nobody will care for you, and you have to struggle to survive" (Packer, 2006, 64). Packer's (2006, 71) portrait of Lagos as a failed city with dispirited inhabitants echoes the gloom one sees in the subways in Russia, where people spend their days playing the slot machines because they have lost faith that hard work will bring economic success and that corruption or connections were the only way to get rich:

> Folarin Gbadebo-Smith, the chairman of a district on Lagos Island [said]: "The work ethic was...substituted by a lottery mentality. You were going to make it, not because you put in all this work but because you were lucky. You knew someone, or your ticket came in."

Patron-client relations reflect strong in-group ties. Those at the top of the economic pyramid have an obligation to support his clan, tribe, religious group, family, and his circle more generally. Africans don't identify with the larger society as readily as do people in other societies, especially in the West or in Asia. National boundaries are largely the creation of colonial powers, so loyalty to "the state" or the "society" of a country is weaker. The obligation of patrons to support their own kind further divides the society between in-groups and out-groups, who do not benefit from the largesse of a patron (Clarno and Falola, 1998, 175; Mbaku, 1998b, 65). As Smith observes of Nigerians (2006, 219): "The focus on personal morality and loyalty to one's group, however–whether it is family, a church congregation, or an ethnic association–tends to deflect attention from the larger political structures that are most directly culpable in producing and reproducing social inequality."

Many Africans see themselves as trapped in a system of corruption that they acknowledge is wrong (Smith, 2006, 65), but envelopes their lives. Smith (2006, 65, 217) argues: "Although Nigerians recognize and condemn, in the abstract, the system of patronage that dominates the allocation of government resources, in practice people feel locked in....In a society where so many people suffer and struggle in order to survive, it is hard to begrudge people anything that offers help, hope, and solace....Nigerians perceive the world of politics and the realm of the state as operating without morality." Nigerians "tap into electrical lines, causing blackouts and fires; they pay off local gangs to provide security, which means that justice in the slums is vigilante justice" (Packer, 2006, 71). People see themselves as the victims of a corrupt system where everyone is forced into corrupt behavior in order to survive (Olivier de Sardan, 1999, 35). Your obligation to the *oga* (as Nigerians call the "master") reinforces strong in-group ties and a lack of concern for out-groups."

John Githongo, formerly head of Kenya's anticorruption agency and now in exile at St. Antony's College at the University of Oxford after exposing graft at the highest levels, sees a direct link between corruption and inequality: "What's special about Africa's coruption is the starkness of the inequality....That is unique–just how extreme the divide between those who have and those who don't is" (Cowell, 2006, A4). And he links corruption to inequality *among ethnic groups* in his native Kenya (Githongo, 2006, 20-21, emphasis in original):

> ...the post-independence patrimonial state has disbursed resources to favour a ruling `minority.' When the political traumas of the post-independence era are overlaid on these economic realities driven by patronage it creates particularly potent perceptions of inequality among ethnic groups...it's not the corruption in itself that people object to but the fact that it is perpetrated predominantly by an elite from one ethnic group to the exclusion of others, *especially theirs*."

Below, I provide strong empirical support for Githongo's argument. People in Africa (though Botswana is an exception) clearly link corruption and inequality to each other. In the one survey (for Mali)–the only country where this question is posed so starkly--people who say that the President favors his own region in providing services are considerably more likely to say that corruption has been increasing.

As Russian mobsters take over control of legitimate businesses by brute force, Nigerian con artists engage in a wide range of scams (including many of those e-mail messages we get promising us riches if we send back our bank account details) under the rubric of "419" (four-one-nine), from the Nigerian criminal code on financial fraud. Scammers offer poor people's houses for sale and the poor warn potential buyers by painting signs: "This House Not for Sale: Beware of 419" on their outside walls (Packer, 2006, 72). As in Russia, there is little recourse. The police are not the purveyors of justice, but rather are complicit in illicit deals (Mbaku, 1998a, 258, 274-275). In the Afrobarometer, the police are considered to be the most corrupt public officials, with judges in third place behind customs officials (Bratton, Mattes, and Gyimah-Boadi, 2005, 233). The Economist Intelligence Unit legal fairness (imputed) measure indicates that African nations have a less fair legal system, with an average score of 2.0 on the five point scale, compared to 3.06 for all other countries. In a 1992 survey in Sierra Leone 80 percent of the respondents believed that "there are two interpretations of the law in Sierra Leone– one for the rich and one for the poor" (Kpundeh, 1998, 129).[7] The partiality of the justice system makes ordinary people especially upset because the police are often very highly paid, so extortion by officers is not simply a matter of supplementing meager salaries with small bribes (Fombad, 2000, 245).

Nor is seeking redress through media exposure a likely means to end corruption. Fombad (2000, 248-249) argues that journalists who try to expose corruption face intimidation, torture, and jail. Newspaper stories about corrupt officials are often politically inspired, designed to score political points against public officials and most of all to sell newspapers (much as in Romania). The press is often less of a watchdog than a participant in the great game of corruption.

The inequality trap begins with a highly inequitable distribution of wealth throughout the continent, which is clearly a legacy of colonialism. The most "equal" countries, Tanzania and Mozambique, are slightly above the international average on the Gini index. Comparable levels of inequality are only found in Latin America.. This inequality helps to solidify the strong in-group trust that has played such a powerful role in African culture. Attachment to your ethnic, religious, clan, tribal, or family group is not necessarily inimical to a larger, more generalized sense of trust (Uslaner, 2002, 26-32).

When people feel strongly bound *only* to their own group and believe that outsiders may be responsible for their economic plight and that they will not be treated fairly throughout society's institutions, they will be more likely to mistrust out-groups. Group loyalty and the struggle for basic survival will overwhelm concerns about the rights and wrongs about corrupt behavior. Ordinary people confront petty thievery, not grand corruption, so their ethical dilemma is not as stark, especially if believe that: (1) their leaders, from the *oga* to the President, steal large amounts of money and get away with it; (2) the perpetrators of grand corruption are far less likely to face justice than they are; and (3) playing at the edge of moral acceptability is the only way to survive.

African corruption, some argue ultimately rests upon a foundation of a grabbing state. On the other hand, Olivier de Sardan (1999, 42) argues that democratic governments in Africa are not barriers to corruption. Githongo (2006, 22) agrees, arguing that democratization "has not disrupted the corrupt networks established in the one-party era" and corrupt elites gather support from their own tribes or ethnic groups by dispensing patronage (cf. Mbaku, 1998, 274-275).

Initially, there is some support for the claim that democratization leads to less corruption: The correlation between the Freedom House measure of political rights in 2003 and the 2005 TI Corruption Perceptions Index for 2005 is -.678 (N = 35), where high values on the Freedom House measure indicate lack of democratic rights. There is less evidence that *change in political rights* from 1973 to 2003 leads to less corruption; the correlation is only -.319 (N = 30) and the change in corruption from 1996 to 2005 is barely related to changes in democratization (r = .076, N = 13), with the correlation not in the expected direction. So while there is support for the claim that institutions matter in the cross-sectional data, there is less evidence for the idea that *democratizing government* will lead to more honesty.

Sindzingre (2002, 453) makes an alternative argument about how the state promotes corruption: "The lack of state welfare schemes forces individuals into a perpetual quest for resources to protect themselves in case of adversity, which always looms on the horizon." This is a compelling argument and is consistent with the inequality trap argument. While there is no direct way to test the claim without better data on welfare policies, my analysis of Afrobarometer data strongly supports the claim that government performance on policies, especially welfare policies, shapes attitudes to both corruption and inequality.

Despite the uncertainty about institutional effects across countries, it may well be the case that *people's attitudes toward their institutions* tell us much about how they judge corruption in their societies. In the analyses of survey data below, I thus include measures of how satisfied people are with democracy, freedom of speech, trust in government and independent newspapers, trust in government institutions such as the courts and the police, how secure people believe that property rights are, and, following Sindzingre, how satisfied people are with social welfare–if not social welfare policies more specifically.

It would hardly be surprising to find evaluations of institutional performance also shapes approval of how the government is handling corruption.[8] However, I expect that perceptions of inequality will have greater effects on evaluations of how well government is handling corruption than will attitudes toward institutions. I move now to the models for how well the government handles corruption and whether groups are treated equally in a society.

Testing the Inequality Trap in Africa

The Afrobarometer is a face-to-face survey based upon national probability samples in 15 African countries in 2002.[9] I use respondents from 14 nations in this analysis (see n. 2) initially and then move to separate analyses for Mali and Nigeria (Round 3 data for 2005). For the 14 countries I estimate ordered probit models of how well the government handles corruption and how frequently people are treated unequally. These estimations ideally should be estimated by simultaneous equation models since these I posit that these two variables jointly shape each other. However, estimating such a model without controlling for variations within countries would lead to overestimating the significance of many, if not all, of the variables in the model. So I decided to use ordered probit analysis with robust standard errors, clustered across the 14 countries.[10] For Mali, I focus on whether people believe that corruption has been increasing since one-party rule and for support for limiting the incomes of the wealthy. For Nigeria, I estimate a simultaneous equation model for how well the government is handling corruption and whether equal treatment for all is better now. Since this is a single-country survey, a two-stage least squares model does not risk overestimating significance levels.

For the ordered probit analyses, the "effects" are more complicated than for ordinary probit analyses. For a dichotomous probit, the effect is simply the change in probability of the dependent variable from the lowest to the highest level of a predictor. Such an interpretation makes little sense for ordered probit, since the dependent variable is not a simple dichotomy but a categorical (four or five category) variable. The effect in the tables is the *average* change in probability across the categories of the dependent variable. [1] 1

The models I formulate focus on variables most clearly connected to the inequality trap argument and how well the economy is performing more generally and whether the government is delivering services to the people (rather than simply pocketing state revenue). I also include variables that test, as in transition countries, whether grand corruption has a greater impact on how well the government handles corruption than does petty corruption, as well as attitudes toward the police, the legal system, the press, democracy, property rights, and measures of trust.

I present the results of the 14 country estimations in Tables 7-1 and 7-2. As in previous chapters, I focus on the key variables of interest to the inequality trap argument, as well as those that reflect attitudes toward institutions, and leave discussion of other variables (especially demographics) to notes. The simple story of these two estimations is: (1) Government performance matters most for attitudes about corruption, but perceptions of equal treatment matter and rank very highly on statistical significance; (2) Approval of how well the government handles corruption depends on perceptions of grand corruption and not petty corruption (as in transition countries); (3) Perceptions of government performance also strongly shape attitudes toward how well the government handles corruption; (4) Perceptions of grand corruption, though not petty corruption in general, shape beliefs on how frequently people are treated unfairly.

Tables 7-1 and 7-2 about here

Overall, 46.8 percent of the sample used for the estimation believe that government is handling corruption well or very well and 48.5 percent say that people are treated unequally either often or always. Both figures are greater than one might expect given the severity of corruption and inequality among African countries. Yet, people see corruption and inequality as strongly interrelated.

How well the government handles corruption depends most strongly on government performance: A government that delivers the goods (specifically handling the economy) is perceived to be more honest and no other variable comes close to the effect of this one. For each increment in how well the government manages the economy, a respondent will have a .216 unit increase in her probability of approving handling of corruption. Approval of service delivery, as Sindzingre argues, also makes people more positive toward governmental honesty (an average of .05 increase). The significant variable with the third largest effect (eight percent) is whether people feel safer from crime and violence than under the military regime. Performance matters most of all.

If people believe that they are treated unequally, they will be less likely to approve of the government's handling of corruption. Both how frequently people are treated unequally and whether equal treatment is better now than under the military lead to significant increments in perceptions of government honesty. While the effects are not large, the significance of how frequently people are treated unequally is the fourth greatest in the model.[12] Unequal treatment does lead to greater dissatisfaction with government performance on curbing corruption. If better service delivery leads to less inequality, there is additional support for the inequality trap argument. If you believe that your identity group is treated unfairly, you will also be less likely to approve of government handling of corruption (though the effect is small). Particularized trust, as estimated by whether people identify more with their tribe or clan than with the country, is not significant. And whether people see poverty and inequality as the most important problem also does not shape attitudes toward corruption (perhaps because such a large share of the sample, over 72 percent, see these problems as critical).

A key result from transition countries that underlies the inequality trap receives striking confirmation in the Afrobarometer data: It is grand corruption, not petty corruption, that shapes whether people think that the government is handling corruption well. The second biggest effect in the model (with an average change in probability of .108) is whether people think that the President is corrupt. Perceptions of low level corruption (whether teachers are corrupt) or demands for bribes for the police or to get documents are insignificant. Paying a bribe to get into school is significant, but barely so (at $p < .10$). Petty corruption doesn't bother people as much as high-level corruption, indeed corruption at the very top matters most.

Attitudes toward institutions matter as well. People who are satisfied with democracy are, on average, five percent more likely (for each category) to approve of government handling of corruption. There are similar effects for trusting the courts and for believing that property rights are more secure. The other variables in the model–both demographics and attention to the media–are all insignificant.

People believe that strong institutions such as democracy, the courts, and secure property rights will lead to less corruption. But they also believe that malfeasance has a strong basis in inequality–in unfair treatment of groups and individuals and in misdeeds committed by the powerful rather than by ordinary people. Government performance seems the key (which is not surprising since the corruption question available asks about how well government handles malfeasance)–but even here there is a tie between economic performance and less inequality: The correlation (tau-c) between government management of the economy and whether equal treatment for all is better now is .327. Improved service delivery is also linked to more equal treatment (tau-c = .297). And trust in the police is at least modestly related to progress in equal treatment (tau-c = .190). So good government occurs when the state helps the most vulnerable and seems serious about reducing economic disparities and making people less dependent upon their *oga.*

Support for the inequality trap argument is even more powerful in the equation for how frequently people are treated unequally. By far the strongest predictor of unequal treatment is the belief that the President is corrupt (with an average effect of 8.7 percent). Believing that the government is handling corruption well is also significant, though only one measure of lower-level corruption (paying a bribe to get a document) increases inequality. Corrupt police or teachers and bribes to get into school or to avoid a problem with the police don't matter. Nor, perhaps surprisingly, is whether corruption is the country's most important problem–perhaps because only 10.5 percent of the sample said so. But social inequality seems to matter mightily. If you believe that there are violent conflicts between groups in the country, you will be 8 percent more likely across each category to say that people are treated unequally–and this variable ranks second in statistical significance in the model. Right behind is particularized trust–identification with your in-group rather than with the nation and belief that your identity group is treated unfairly. Government performance matters as well, though not everywhere. Management of the economy and of the income gap are significant, though not whether government provides food for all.[13] Perceptions of inequality thus reflect social tensions and government performance, but most of all the belief that the President is corrupt. Almost three quarters believe that some or all of the people in the office of the President are corrupt–and high-level corruption means grand theft, not petty larceny.

Corruption is widespread but not endemic in Africa. Botswana has a relatively clean government and it there is little support for the the inequality trap thesis there. I estimated the same ordered probit model for government handling of corruption for Botswana as I did for the full set of 14 countries in Table 1.[14] The model is striking for how few of the variables in this model are significant. The only exceptions, in order of their significance, are trust in the courts, the security of property rights, whether poverty and inequality are the most important problems, how well the government manages the economy, and particularized trust.

Overall, the model–except for poverty as a problem–approximates what one might expect for a developed democracy. The rule of law and government performance dominate the few significant predictors. For the unequal treatment model, the only variables that are significant are unfair group treatment, particularized trust, how well the government is handling the economy, and whether people believe that schools should be free for all. All of these relate to economic and social tensions. None of the corruption variables predicts attitudes toward equal treatment significantly. Even though Botswana has a high degree of economic inequality, it has much lower corruption than other African countries. So it does not succumb to the inequality trap.

Botswanans are more concerned about progress on inequality than are people in any other country other than Nigeria in the 2002 Afrobarometer. Yet, Botswanans are less likely to make a link between corruption and inequality than are people in most other countries. The simple correlation between perceptions of how well the government handles corruption and rising inequality is twice as high in Nigeria ($r = .340$) as it is in Botswana ($r = .177$).

Why does Botswana escape this trap? Botswana is a vibrant democracy with an active civil society (Holm, 2000, 290). But so is Mali, which does not escape the inequality trap (see below). Botswana has tremendous mineral wealth, but so does Nigeria. It also has a government committed to economic growth and foreign investment (Guest, 2003, 26; Riley, 2000, 153). Its economy has one of the world's highest growth rates, averaging between 8 and 10 percent a year (Holm, 2000, 295-296). It is landlocked, surrounded by Namibia, Zimbabwe, and South Africa–all of which were in the early years of Botswana's independence (1966) run by white racist regimes. So Botswana was rather vulnerable and its free market policies that relied heavily upon foreign investment served to bolster its economic and institutional security.

As a country with a very small population, “less than the population of a single slum in Lagos” (Guest, 2003, 26), its economic growth was more manageable. Botswana has a clean government because it could not afford corruption. Foreign investors would not put their resources into a country where corruption ran rampant and Botswana would be vulnerable, because of its location (landlocked) and its size, without a strong economy. This story is remarkably similar to the one I shall tell below about Singapore and Hong Kong. (Economic) Necessity may be the mother of (moral) subvention.

Corruption and Inequality in Mali and Nigeria

I turn now to an examination of the linkage between corruption and inequality in Mali in Round 2 of the Afrobarometer and between how well the government is handling corruption and perceptions that the government is handling corruption well and whether equal treatment for all is better now than under military rule in Round 3 (2005) for Nigeria.

I focus on Mali because the 2002 survey there included several questions not available in other countries in the Round 2 surveys, most notably limitations on incomes of the wealthy, the generalized trust question, trusting members of other tribes, perceptions of corrupt behavior among other people in the country, and beliefs about who should have access to or own resources such as education and public land. I focus on Nigeria in part for similar reasons–the 2005 survey included the generalized trust question as well as a much wider range of questions about petty corruption and questions on legal fairness. Most critically, Nigeria may be the classic case of the inequality trap–ranking as tied for the sixth most corrupt country in the world in the 2005 TI index as well as having very high levels of inequality and low levels of trust (a Gini of 50.5 and only 15 percent agreeing that "most people can be trusted").

I examine whether people see corruption increasing or decreasing since the period of one-party rule and whether the government should limit incomes of the rich among Malians. This permits comparisons with Romania, where I found support for a linkage between perceptions of rising inequality and disapproval of government handling of corruption and between perceived high levels of malfeasance and demands for limiting the incomes of the rich (see Chapter 5). People link corruption to inequality and in Romania (and other transition countries) say that the only way to get rich is to be corrupt, so many people demand the state limit the incomes of the (corrupt) rich. While there are no similar questions in Afrobarometer surveys, much of the literature on corruption in Africa points to a similar line of thought. Mali, with a relatively high level of corruption (2.9 on the TI 2005 index), considerable inequality (a Gini index of 50.5), as well as low generalized trust (.13) should be a good case to test this dynamic in Africa. In Mali, 60.6 percent believe that there has been an increase in corruption since the end of one party rule following a 1991 coup, but surprisingly only 14 percent favor limiting the incomes of the rich.

Mali is a multiparty democracy with generally good relations among its ethnic groups, but it is one of the world's ten poorest countries with a per capita income of just $250 US a year. Democratic elections were held in 1992 although the 1997 elections were annulled by the courts; in 2002 General Amadou Toumani Toure, the former head of state during the 1991-92 transition following the coup, was elected in a multiparty election for a five year term.[15] Almost two-thirds of its land is either desert or semidesert, 10 percent of its population is nomadic, and 80 percent subsists on farming or fishing. [61]

Mali's poverty and great inequality suggest that there should be a strong connection between inequality and corruption–and between corruption and demands to limit wealth, even though only a small share of Malians favor restricting the incomes of the rich. And Malians do think about corruption, inequality, and limiting the incomes of the rich as the inequality trap would suggest–and in ways similar to Romanians. I present the ordered probit analyses for perceptions of increasing corruption and for supporting limiting incomes of the rich in Tables A7-1 and A7-2.

Issues of inequality and access to basic needs such as electricity are, together with beliefs about specific forms of corruption, the strongest determinants of perceptions of increasing corruption (see Table A7-1). The effect for more equal treatment (nine percent) is the second strongest in the model, following police corruption. Believing that government policies hurt most people(six percent) and that electricity is difficult to get because it is too expensive (seven percent) are among the strongest determinants of corruption perceptions. Malians clearly make the link between malfeasance and inequality.

Perceptions about whether specific actors are corrupt lead to beliefs about rising malfeasance. The greatest impact is for police corruption (with an effect of .125), even more than believing that elected leaders or civil servants are corrupt (effects of .089 and .066). People who say that the President favors his own region in providing services are also more likely to say that corruption has been increasing–as are respondents who say that bribery is common among public officials (by average effects of about .05 for both). But there is no effect for businesspeople, teachers, customs officers, or for having to make a small bribe to get routine services. Malians, like Africans more generally as well as people in transition countries, seem concerned more by high-level, high-cost corruption than by petty dishonesty.

Even for variables reflecting institutional positions, there is evidence of an inequality trap. The police in many African nations earn far more than many ordinary people even before extortion–so constant harassment for "extra fees" may seem particularly offensive. Presidential favoritism also contributes to inequality by favoring some Malians over others. The strong effects on corruption perceptions for high-level malfeasance compared to petty bribery adds support to the inequality trap thesis.

So do two other variables with strong impacts. If you believe fellow citizens can get services without paying, you are acknowledging that some people have privileged access–and this leads to perceptions of increasing corruption. And if you can get cash through illicit sources, you either acknowledge your own favored position or admit that going outside normal channels is the only way to get by. Generalized trust doesn't matter nor does trust in the courts. Generalized trust may not matter because it is so low in Mali–and the courts may seem less biased to average Malians than do the courts.

Support for limiting the incomes of the wealthy (see Table A7-2) predominantly reflect perceptions of government performance in helping the poor as well as values for who should benefit from government policies. However, believing that bribery is frequent and that government is not handling corruption well are significant factors shaping demands to limit the incomes of the rich. No specific types of corruption–neither police, elected leaders, police, foreign businesspeople, or teachers–have significant impacts on limiting incomes. Nor does petty bribery, trust in the courts, or even tax evasion. However, when Malians get services without paying, they are violating norms of fairness and this leads to demands for redistribution (by an average effect of seven percent, the second largest effect in the model).

Support for limiting incomes stems from other beliefs about economic policy and justice. People who say that education should be free for everyone and who believe that the community rather than individuals should own land are more likely to support redistribution (by averages of 7.5 and five percent, respectively). Believing that the government has reduced the income gap, that equal treatment has improved since miltary rule, and that individuals rather than government is responsible for the health of the economy all lead to less support for limiting incomes.

These effects are similar to the model for limiting incomes for Romania in Chapter 5 (see Table 5-1). In Romania, the most important factor shaping support for redistribution is the belief that people don't get sufficient support from the state. High-level corruption also makes people more sympathetic to limiting incomes. In Romania, wealth and the ability to afford "luxuries" such as a cellular telephone and a vacation away from home also shape support for limiting incomes–but they do not do so in Mali. Expectations for the next year or personal attacks do not lead to harsher judgments against others. But feeling safe makes people less likely to demand redistribution as does a sense of generalized trust–trust in members of other tribes. If you express faith in people unlike yourself, you will also be more willing to put faith in people with higher incomes. And if you feel safe walking alone, you may have a more positive view of human nature and find it easier to resist demands for retribution.

Malians link corruption and inequality and those most concerned with corruption are also more likely to demand limiting the incomes of the rich. While most Malians oppose such mandatory redistribution, there are clear links as my argument suggests.

The Inequality Trap in Nigeria

I turn now to the model for Nigeria. Corruption is "endemic in Nigeria," Dike (2005) argues. "Nigeria is a society where national priorities are turned upside down; hard work is not rewarded, but rogues are often glorified in Nigeria.....In Nigeria, you can hardly enter an office and get your 'file signed except you drop' some money. Even the security personnel at the door of every office will ask for (bribe) tip." Despite Nigeria's status as a major oil exporter and an official unemployment rate of only 2.9 percent, per capita GDP in 2005 was just $1400, 60 percent of the population lives below the poverty line. [7][1]

The first factor Dike (2005) cites as a cause of corrupting is the "great inequality in distribution of wealth....The brazen display of wealth by public officials, which they are unable to explain the source, points to how bad corruption has reached in the society. Many of these officials before being elected or appointed into offices had little or modest income."

Former President Sani Abacha reportedly stole as much as $1 billion from the country's treasury (Dike, 2005). Abacha's successor, Olusegun Obasanjo, promised a strong anti-corruption effort. Yet, his administration has also fallen prey to dishonest dealings. In 1999, Senators extorted approximately $6,000 in exchange for votes for Evan Enwerem's nomination as Senate President. Four years later, ministerial nominee Mallam Nasir el-Rufai claimed that 54 senators demanded almost $400,000 to back his appointment. Despite President Obasanjo's promise to clean up the government, he has failed to order investigations into charges that state governors and the Inspector General of the Police have skimmed millions of dollars of public funds into their own pockets (Odunlami, 2005).

Nigeria has been marked by ethnic conflict–there was a civil war in the late 1960s when Christians in the East, the Ibos, tried to secede as an independent nation (Biafra). After that failed attempt, Nigeria has been wracked by sporadic, often very deadly, inter-ethnic and inter-religious violence spurred on at least in part by jealousy over economic status and sectarian conflicts. These conflicts have contributed to Nigeria's low out-group trust and strong in-group identification–as well as jealousy over group economic and political success.

I estimate a simultaneous equation model (using two-stage least squares) for how well the government is handling corruption and whether equal treatment for all is better than under military rule. The Round 3 Afrobarometer for Nigeria includes the generalized trust question–however, it was insignificant and led to a loss of cases. Instead, I use the measure of particularized trust that I used in the all-Africa model in Table 7-2 (whether a respondent identified more with her tribe than with the nation). The Round 3 data has a much wider battery of questions on petty corruption: whether people made bribes to obtain a public document, a school placement, a household service, medicine, or police protection. I constructed a bribe index by factor analysis of these questions . The survey also contained questions on how likely people believed the law would be enforced if they or high officials were charged with a serious crime. I constructed a measure of law enforcement bias from these two measures, ranging from seeing yourself as less likely to be prosecuted to equal likelihoods of prosecution or evading the law to believing that high officials would be less likely than yourself to face the wrath of the law.

The Round 3 survey for Nigeria asks the usual questions on how well the government is handling inequality and the economy. It also has a question on how well the government is handling the AIDS crisis. Since AIDS primarily effects poor people and its devastating effects can rob a family of its breadwinner and leave it even more vulnerable (McGeary, 2001; AVERT, 2006), dealing with AIDS fundamentally affects the level of economic inequality in Africa (as elsewhere). How a government chooses to respond to this health crisis tells us much about who benefits from government policies.

I present the model in Table 7-3. Nigerians see clear linkages between corruption and inequality. By far the strongest factor shaping views of how well the government is handling corruption is government performance on AIDS. At the bivariate level, 38 percent of Nigerians say that the government is handling corruption very badly (and 20 percent say that it handles the AIDS crisis very poorly); 82 percent who say that the government is handling AIDS badly also say that it is doing very poorly on corruption. Only 4.5 percent say that the government is handling the AIDS crisis badly and corruption well. The next two variables, by levels of significance, are how well the government handles the economy and whether equal treatment for all is better than under military rule. Right behind equal treatment is whether local government does a good job in collecting taxes–which is also likely to reflect attitudes toward inequality, since evading taxes is far more consequential (and perhaps frequent) among the wealthy. Another measure of inequality–whether the government is handling it well–also is a strongly significant predictor of approval of government efforts on corruption.

Table 7-3 about here

Nigerians who do not believe that the government is working hard enough to combat inequality overwhelmingly say that the state is corrupt. And they put the blame at the top–with the President ($p < .0001$) and not with teachers, whether they are forced to make bribes, or even whether providing favors for services is wrong. Surprisingly, law enforcement bias *has the wrong sign*–indicating that people who believe that high officials would be treated more leniently than they would are more likely to approve government performance on corruption. [81]

The equal treatment equation also supports the inequality trap argument. Two of the three variables with the strongest impacts on whether equal treatment for all is better now relate to the fairness of the legal system and to government handling of corruption. People who believe that there are fewer unjust arrests are far more likely to say that equal treatment for all is better now. Twenty-one percent believe that unjust arrests are now *more frequent* than under military governments and 19 percent say that inequality has gotten much worse. Half of the people who say that unjust arrests have increased a lot also say that inequality has gotten much worse. Of the three percent who say that there are far fewer unjust arrests, 28 percent say that equality has gotten much better (compared to an overall share of four percent). While there is little nostalgia for the military regime, Nigerians believe that things have not improved under democratic government.

The fairness of the legal system is the central factor shaping people's views of how equally people are treated. Trust in the police is also strongly related to perceptions of equal treatment ($p < .0001$). Also significant is whether the government is handling corruption well ($p < .0001$). When people believe that the police are a law unto themselves and can arrest anyone for any reason (including shaking them down for bribes), where people don't trust the police, and where they believe the political system is corrupt, they see unequal treatment. Again, petty corruption (from teachers and health care workers) doesn't matter, but higher-level malfeasance, in the office of the President, is significant (though only at $p < .10$).

Institutions matter as well. The second most important factor shaping equal treatment is whether free speech is more respected now. Also significant are government performance on the economy–whether people expect the economy to be better next year, whether more goods are available now, and whether people have no cash income. Identity with one's own tribe rather than with Nigerians more generally also leads people to say that equal treatment has worsened. Particularized trust is based upon–and leads to–envy of groups that may fare better than your own–and this mistrust of out-groups is a central part of the inequality trap.

Nigeria may be one of the strongest cases for the inequality trap among African nations–and there is clear evidence for my thesis here. The Nigerian evidence is even more dramatically supportive than the all-Africa models or those for Mali. The evidence for African nations is in many ways similar to that for transition countries, which have much lower levels of inequality and generally less corruption. There are, of course, exceptions, as the case of Botswana clearly shows. It is relatively clean politically and even though it has low levels of trust and high inequality, it seems to escape the inequality trap.

The models for Africa do offer somewhat more support than I have found previously for institutionalist accounts. There is a strong bivariate relationship between political rights and corruption across African countries. And people throughout Africa judge the honesty of their governments and in some estimations how equally people are treated by the quality of their democratic institutions, especially freedom of the press and the quality of the legal system. This greater support for institutional effects than in previous chapters does not take away from the evidence for the inequality trap. In many African countries, weak institutions and high inequality contribute to the grabbing state. The survey evidence indicates that people link poor institutional quality to both economic and legal inequalities. It is not simply democracy that matters, but rather democratic institutions that work to reduce corruption and inequality together.

I now turn to two cases that are even more dramatic exceptions than Botswana and pose perhaps the most severe challenge to my argument about the inequality trap–and that seem to suggest far more support for a distinctly institutionalist perspective: Singapore and Hong Kong.

Singapore and Hong Kong: The Great Exceptions

Singapore and Hong Kong are the most prominent exceptions to my argument linking high inequality and low trust to high levels of corruption. Singapore and Hong Kong rank among the most honest countries in the world, according to the TI Corruption Perceptions Index. Singapore's Gini index is at the mean of both the World Bank and the Wider data sets, with a value about 39. Hong Kong has a less equal income distribution, with a score of 45 for the World Bank measure (in 1991) and of 48.5 in the more recent WIDER data. The two states rank relatively low on generalized trust–with 27 percent in Hong Kong and 28 percent in Singapore believing that "most people can be trusted"–about the same share as in Estonia but higher than almost any African nation. [9] 1

What makes Singapore and Hong Kong so clean? Certainly it is not Asian exceptionalism. Quah (2006, 177) tells of the long history of corruption in Mongolia, Thailand, and South Korea (see also You, 2005), while Manion (2004, 29) discusses the historical roots of malfeasance in China and attributes the temporary rise in corruption in Hong Kong in the 1950s and 1960s to large-scale immigration from the mainland (see also Lo, 2001, 23). The reduction in corruption in Asia seems to be unique to Singapore and Hong Kong (Quah, 2006, 177).

For many years "corruption was common" in Hong Kong and "believed to have originated from traditional Chinese culture" (Lo, 2001, 21). In Singapore (Lee, 2003):

> Gangs disrupted the lives of many people here, from big business to small shopkeepers...The fledgling police force could do only so much since few wanted to be policemen....Extortion, blackmail, kidnapings, murders, rapes, you name it, they did it in Singapore....Murders took place with alarming regularity–in the streets, coffee shops, and in housing estates...we have changed dramatically, almost metamorphosed from a society caught in the grip of criminals...to the orderly and secure haven we have today.

Corruption was "a low risk, high reward activity" and the chief agents of enforcement, the police, were (as in many other countries) more part of the problem than of the solution (Quah, 2001b, 29, 30).

In Hong Kong, corruption reflected strong in-group ties. Lee (1981, 358, 359, 361, 362) argues:

> ...in the indigenous Chinese social setting particularism is a valued goal in itself, regardless of its possible function....The emphasis on personal relatios is strengthened by a long-standing characteristic of Chinese society–i.e., the dominance of social and moral norms over legal norms....In the mind of most people...official status and wealth are very close....in traditional China people tended to accept certain `corrupt' practices as a normal way of life.

Corruption was deeply rooted in society in both Singapore and Hong Kong. How did Singapore and Hong Kong change from lawless societies to model city-states?

Most accounts focus on Singapore's Corrupt Practices Investigation Bureau (CPIB) and Hong Kong's ICAC, the Independent Commission on Corruption. These anti-corruption agencies have been granted extraordinary powers of investigation and prosecution. Singapore's Prevention of Corruption Act, passed in 1960, gave the CPIB the power to arrest people and to investigate the bank records of officials and their families or agents–and required someone found guilty to repay the amount of the bribe as well as any other penalty (Quah, 1995, 395). Lee (2003) credits Singapore Prime Minister Lee Kuan Yew, who took office in 1959 committed to ending crime and corruption: "His brass-knuckle, kick-butt approach was the only way to purge the scourge."

In Hong Kong, ICAC has broad powers of investigation, search, and seizure, with a staff of 1,200 (for a population of 6.5 million) and a police force of 35,000. ICAC has "draconian powers" and the Hong Kong law had a loose definition of corruption that permitted it to cast a very wide net. Further, "it is assumed that a person in possession of money which could not reasonably have been earned given his her or job, and which cannot reasonably be explained in court...commits an offense" (Lo, 2001, 24).

Singapore and Hong Kong battled corruption largely through political will and strong leadership (Lo, 2001, 27; Quah, 2006, 177). While much of the literature on corruption links clean government to democracy, Hong Kong and Singapore show that authoritarian states may be better situated to fight the demons of corruption (Root, 1996, 171). Neither Hong Kong or Singapore relies exclusively on the strong arm of the law. In both city-states, the anti-corruption agencies engage in extensive public education. In Hong Kong, posters all over town (especially in the subway) exhort people to report any suspected incidents of corruption. ICAC also conducts public education programs in the school system so that youngsters learn the importance of clean government (Manion, 2004, 47). The Singapore police also rely upon public support–community policing (Quah, 1998, 118). In both city-states, a strong crackdown on corruption went hand-in-hand with public education–campaigns designed to win support for the government's campaign for greater honesty.

The anti-corruption agencies in Singapore and Hong Kong were dramatic success stories. Are they models for other countries? Could we reduce malfeasance by establishing similar agencies throughout the world?

It is not so simple. In Africa, among other places, there has been a long history of anti-corruption agencies that have failed. Sometimes the punishment of corrupt leaders is rather dramatic, as when Ghana's Flight Lieutenant Jerry Rawlings and Liberia's leader Samuel Doe ordered the execution of corrupt officials almost three decades ago. In Uganda, Kenya, Tanzania, Malawi, Zimbabwe, and Nigeria, anti-corruption agencies patterned after ICAC have been established but met with little success: "...the ICAC operates within a relatively well-regulated administrative culture, alongside a well-equipped police force" (Kpundeh, 2000, 134-135). The chief enforcers of the anti-corruption efforts, the police and the courts, are tainted by dishonesty themselves and there is no effective independent media that can hold authorities accountable (Manion, 2004, 31; Mbaku, 1998a, 274-275).

Return briefly to Nigeria. The 2005 Afrobarometer included a question on whether people trusted the country's anti-corruption agency (see Table 7-4). About half the survey respondents approved of the commission's performance and half did not. The ordered probit analysis of support for the commission shows that Nigerians base their approval mostly on whether they believe they will be getting the straight story about prosecutions. By far the most powerful determinant of support for the anti-corruption commission is whether people believe that they can trust independent newspapers (only 44.5 percent do). Of the small number who trust independent newspapers, two-thirds approve of the work of the anti-corruption commission–while two-thirds who don't have faith in the press disapprove of the work of the agency. The effect is .435–so that a one unit increase in trusting the independent press will lead to an expected increase in approval of almost half a point *on average*. This is a powerful impact and can easily push someone from a negative view of the commission to a positive view by support for the press alone if one becomes more favorable to the media.

Table 7-4 about here

How well the government is handling corruption also matters, but it is far from the key factor shaping attitudes toward the commission. The ordered probit effect for approval of the government's handling of corruption (.081) is not even a fifth as large as that for trusting the independent media–and is less than for trust in the governing party (.117). Attitudes toward the commission seem largely reflective of whether people believe that the government will not interfere with the agency's mission. However, strong performance–a robust economy and making it easier to get a place in school–also builds confidence in corruption fighting. So does a sense of social solidarity: Generalized trust builds confidence in anti-corruption agencies–likely reflecting trusters' more optimistic view of human nature. And believing that equal treatment for all has gotten better also makes people believe that the government may be serious about a key consequence of inequality–corruption. Perhaps ironically–or perhaps not–demands for petty corruption (as represented by the bribes factor score) have no effect on approval of the anti-corruption commission. People don't expect anti-corruption agencies to deal with petty corruption. They understand that leaders such as Nigeria's Abacha–like those in transition countries–claim to be rooting out street-level dishonesty while continuing to line their own pockets (Smith, 2006, 31).

The roots of support for the anti-corruption commission in Nigeria tell us much about how Hong Kong and Singapore succeeded, though hardly the whole story. Both Hong Kong and Singapore have independent newspapers, but ICAC and CPIB have focused more on public education campaigns than on the press. But winning the hearts and minds of the public has been key to the success of these two agencies. An ICAC poster in the Hong Kong subway is displayed below.


爛咗會自動還原？
貪污會自動消失？
世界邊有咁完美。
Problems don't solve themselves.
Corruption won't vanish on its own.
Fight corruption. Act now.
25 266 366
ICAC

Perhaps most important factor in fighting corruption, as in Botswana, has been the outside threat. Both Singapore and Hong Kong faced strong communist movements after the Chinese revolution. These radical groups linked up with organized crime to create violent conflict (Lee, 2003) and instill feelings of solidarity with mainland China among the dominant ethnic Chinese populations in both city-states. The high level of economic inequality led to a radicalized labor movement, especially in Singapore, and local authorities (since Singapore was still ruled by Malaysia) feared a wider war in the region (Campos and Root, 1996, 30-31, 38).

In both Singapore and Hong Kong, the leaders fought the external threat by adopting a mix of free market and state-centered economic policies designed to increase wealth and reduce inequality. They also focused on efforts designed to reduce identification with China and to build separate, more inclusive, Singapore and Hong Kong identities. If people were wealthy, they would have little interest in Communism–and if inequality were falling, they would not be strong targets for radical groups. Singapore felt particularly vulnerable: Malaysia set it adrift in 1965 and the island's residents worried about external threats, especially as the war in Vietnam bolstered China's poilitcal and military might in Southeast Asia.[20] The conflict also threatened Hong Kong, but it was still under the wing of Great Britain, which had left Singapore and Malaysia in 1963.

Economic policies focused first on drawing international investors to the two city-states, to provide both an engine for economic growth and to give outside interests a stake in the independence of the two nations (Quah, 1997, 306). Hong Kong became "the world's closest approximation to a free market, private enterprise, capitalist, laissez-faire economy" (Lo, 2001,

22) and both city-states attracted large international companies. All of the largest 25 banks in the world have offices in Singapore and 24 have branches in Hong Kong. Half of the largest corporations have outlets in Hong Kong, 60 percent in Singapore (Quah, 1997, 305).The two city-states had among the highest growth rates of any country in the world form 1965 to 1989, achieving a higher growth rate than Japan (Quah, 1997, 304-305). And the share of the GDP from private investment was higher than for any high-performing Asian economy (Campos and Root, 1996, 9-27). The honesty of the two city-states' governments led to investment from the West and from Japan, the economic powerhouse of Asia and a bullwark against China.

Singapore and Hong Kong started out relatively poor. The real gross domestic product per capita (from the Penn World Tables) in 1960 for both countries was below average for the entire world in 1950, with Singapore at $482.54 and Hong Kong at $681.42, compared to an average of $690.55 for all countries. The two city-states did not catch up until approximately 1970 and then their economies took off. I present trajectories of the rise in real GDP for Singapore and Hong Kong in Figure A7-1 and the take-off point corresponds for Hong Kong with the establishment of ICAC. Singapore's economic rise strongly parallels that of Hong Kong, so it appears that the effect of the anti-corruption efforts there were somewhat delayed after the founding of the CPIB. There is a strong linear trend in the growth rates for both city-states: For Singapore, the regression coefficient for the variable year (from 1950 to 2000) is 708.8 (r^2 = .886) and for Hong Kong it is 763.3 (r^2 = .917), so that each year the two city-states had a predicted increase in their real GDP per capita of between $700-800. This is not simply a case of a worldwide trend. The regression coefficient for the full sample of 168 countries is only 188.3

($r^2 = .244$). The rates of increase in GDP per capita for Hong Kong and Singapore were the third and fifth highest in the world.

Figure 7-1 about here

Singapore and Hong Kong both still have relatively high levels of inequality, but the rates have been cut by almost 20 percent from 1965 to 1990 (though they increased by 40 percent in Hong Kong–from 37.3 to 52, by 1996 according to the WIDER estimates). Other high performing Asian economies only reduced their (lower levels of) inequality by 12 percent. Unemployment by 1990 was almost non-existent. Singapore has increased education spending by a factor of 90 in the effort to produce a social safety net (and to defuse political tensions) amidst a high level of inequality (Quah, 2001b, 291). While Hong Kong has favored a less active welfare state than Singapore, it has succeeded in sharply increasing the share of its income that goes to the middle class (Lo, 2001, 22; Campos and Root, 1996, 46).

In Table A7-3 I present some political and demographic comparisons based upon data sources I used in the aggregate models in Chapter 3. I compare the standings of Singapore and Hong Kong with all nations and especially with Sweden. I choose Sweden because it is the classic case of high trust, low inequality, and low corruption (Uslaner and Badescu, 2004). The data clearly point to the economic prowess of both city-states, which are almost on a par with Sweden and considerably better than the mean for all nations on the United Nations Development Program measures. For the Penn World Tables indicators, the two city-states were already very strong by 1989 (with Hong Kong almost at Sweden's level of GDP per capita). By 2002, both had surpassed Sweden. And both city-states outrank Sweden on the openness of the economy, in 1989 and in 2000, both by Penn World Tables and Freedom in the World measures. All three countries have much higher risk ratings from the InterCountry Risk Group than average, as well as higher growth in GDP.

All three countries have relatively strong performance on hidden trade barriers and very little bureaucratic red tape. Hong Kong lags behind the others on the World Economic Forum's effective lawmaking–because the status of Hong Kong's legislature is under a cloud as China attempts to restrict the island's autonomy. Nevertheless, in the 2000 Gallup Millennium survey, the same share of people in Hong Kong said that the government was run by the will of the people (40 percent) as in Sweden–though Singapore residents were even more upbeat (61 percent). In all three countries, very few people called their government corrupt (only one percent in Singapore) and in all three business executives said that most firms were ethical, far more than among other countries. In both Singapore and Hong Kong, more executives said that businesses were involved in charitable works than even in Sweden (which, surprisingly, had a lower score than average).

The two city-states rank highly on most legal and property rights measures–not as strong as the Swedish "gold standard" but very much ahead of the rest of the pack.–although Hong Kong rates even higher than Sweden on the impartiality of its courts. All three countries also score above average on ethnic tensions (from the ICRG), though not so dramatically as we might expect. And Hong Kong and Singapore lag behind Sweden and most other countries on democratic accountability–even as their citizens see government reflecting the will of the people.

Even without democracy, Hong Kong and Singapore have flourished economically by opening their markets.

Both city-states have fostered a sense of greater social solidarity across ethnic groups. Hong Kong is marked by "a feeling of community and a sense of neighbourhood in the streets" (Quah, 1997, 316). Singapore is an immigrant society of multiple ethnicities, so it had to create a sense of "national identity." Its schools have a formal policy of bilingualism (Chinese and English) and the history of each of the major ethnic groups is taught to instill a sense of social cohesion–and to combat earlier violent ethnic conflicts (Quah, 1997, 314-315). Young Singaporeans interact with each other across ethnic lines; and 80 percent of Singaporeans say that they have friends in each of the major ethnic groups–Malay, Chinese, and Indians (Kong, 1998, 66-67; Quah, 1998, 15). Education is central to building both a sense of identity and a commitment to opposing corruption (in Hong Kong as well).

What does all of this have to with corruption? It is difficult to sustain high levels of economic growth over a long period of time if your government is corrupt and if there are high levels of ethnic tensions. A country seeking external investment may find international businesses turning away if the leaders insist upon bribes. In a competitive international environment, corruption becomes a red flag for investors. Control over corruption–and over crime rates–becomes a *sine qua non* for rapid and sustained economic growth, especially for states that are small (as both Singapore and Hong Kong are), feel threatened by a nearby power, and are isolated (Singapore and Hong Kong are islands). Especially if the states are small and heavily populated and have few natural resources and little if any agriculture, they will be dependent upon international trade. Singapore and Hong Kong, if they were to survive, had little choice but to push for rapid economic development and to fight both crime and corruption. To garner support for the anti-corruption drives, the governments had to create a wellspring of public support–and this meant that social tensions had to reduced. In Singapore, the efforts to create an inclusive "Singaporean identity" were combined with the message that people should treat others with respect and honesty.

Singapore has produced a society where people feel content with their state. In the Asian Barometer for 2004, only 16 percent of Singaporeans say that economic inequality in their society is a cause for worry, lower than in Japan and less than half as many as in Malaysia or China and almost a third as many as in Indonesia. Eighty-seven percent of Singaporeans say that their government is faring very or fairly well in combating corruption (only Thailand is there a majority agreeing among Asian nations) and only one percent hold that corruption is widespread (compared to 18 percent in Thailand and over 40 percent in South Korea and the Phillippines). Singaporeans are pleased (71 percent) with their government's efforts in combating unemployment, in supporting human rights (77 percent), in providing public services (87 percent), and especially in fighting crime (90 percent).[21] The high crime rate in Singapore is now a thing of the past with rates lower than most big cities in the world–and American states of approximately the same population (Lee, 2003; Quah, 1998, 117).

I present a probit model for perceptions of corruption in the Hong Kong government in Table 7-5, using the Asian Barometer for the city-state. (The data for Singapore have not yet been released for independent analysis.) Fewer than 25 percent believe that all or most government officials are corrupt. Only 2.6 percent say that they or anyone they know has witnessed an act of corruption or bribery. Fifty four percent say that people were more likely to be treated equally under British colonial rule.[22] There is overwhelming trust in key governmental institutions: 82 percent trust the courts and 69 percent have confidence in civil servants.

Table 7-5 about here

Neither equal treatment nor generalized trust is a significant determinant of perceptions of corruption in Hong Kong. Nor are beliefs about democratic governance: People who say that Hong Kong is democratic, who say that Hong Kong *ought to be* democratic, or that democracy is more important than economic development are no more likely to judge the island's government as honest than people who care little about institutional structure. There is also no evidence of any "jealousy" effect: People who are at the bottom of the economic, class, or educational ladder are no more likely to see malfeasance than those at the top. Nor do people who say that the Hong Kong government should own key enterprises–a surprising 73 percent in this haven of free-market capitalism–see government as more corrupt. [32]

What matters most is the belief that officials are trustworthy. If you have a lot of faith in the courts, you are 46 percent less likely to see government corruption than if you have little confidence in the justice system. If you trust civil servants a lot, you will be 28 percent less likely to see lots of malfeasance than if you have little faith in bureaucrats. And the handful of people who know someone who have witnessed a bribe are 31 percent more likely to see lots of corruption. Finally, people who strongly agree that wealth and poverty, success and failure are all determined by fate are 25 percent more likely to see widespread corruption than people who believe that your destiny is determined by your own efforts. Believing that your lot in life is controlled by fate is part of a pessimistic world view in which people are merely tools, often of the same dark forces underlying corruption. Free will includes the capacity to resist corruption–so people who accept this worldview will see less malfeasance. The 61 percent of Hong Kong respondents who endorse this view of free will are a testimony to the city-state's capacity to change from a highly corrupt society to an overwhelmingly honest one.

By 2004, the people in Hong Kong have come to expect honesty in their government and clean, efficient jurists and bureaucrats–and who have faith in people's capacity to act for themselves. Hong Kong respondents care less for democracy than for prosperity and don't believe that could be (or is) responsible for the success of anti-corruption policies. The Singapore story is likely very much the same–though the focus on a sense of national identity has loomed much larger there so generalized trust is more likely to be a significant determinant of perceiving corruption there. Inequality matters less for corruption in Hong Kong and Singapore than elsewhere because it is less of a salient issue–and indeed by now there is widespread condemnation of corruption and almost no evidence that it affects people's daily lives. When there is little corruption, especially grand corruption, to worry about, there is little reason for people to be jealous of officials who are not, after all, enriching themselves.

Why Singapore and Hong Kong Are Not Easily Replicable

Even though Hong Kong and Singapore do not follow my story of the inequality trap, this does not mean that they offer a model for other countries seeking to combat corruption. Institutions clearly mattered in the two city-states. The anti-corruption commissions were the main vehicles for curbing malfeasance. Yet, this does not provide an institutional blueprint that can readily be adopted as the way out of corruption. The experiences of Singapore and Hong Kong are not easily transferred to other high corruption countries because:

- Many authoritarian leaders are more concerned with enriching themselves than their citizens. Countries with high levels of corruption generally have less to spend on social services, especially education. Singapore put a high premium on funding all social services to weaken the threat from Communists and their supporters in labor unions–and education, which is a major factor in producing generalized trust (and hence less corruption) was especially important.

- The relatively small populations and especially the sizes of Hong Kong and Singapore–and their remote locations (as islands) made control of corruption–and development of a thriving economy. While corruption levels are uncorrelated with population size (especially if we omit two outliers, India and China), once a country commits to taking action against malfeasance, it is easier to *control and root out* corruption if there are fewer total miscreants.

- A strong commitment to social inclusion such as we see especially in Singapore helps overcome the particularized trust that we find in many countries with high levels of inequality–and high corruption. In both Singapore and Hong Kong, the drive to root out corruption by early socialization is closely tied with similar campaigns to instill a sense of inclusiveness within the society.

- The presence of an external threat was a key stimulus to the anti-corruption campaigns in both city-states. Perhaps more than anything else, the threat from both outside and within was a major force in initiating the anti-corruption campaigns.

- The anti-corruption agencies were part of grander development strategies. The campaign against dishonesty was both a drive to generate wealth and a movement to impart values of honesty and responsibility within the Hong Kong and Singaporean publics. As such, the citizens had direct stakes in the success of these programs. In many other cases, in Africa and elsewhere, anticorruption campaigns are either disguised campaigns to purge political opponents, as some claim underlies anticorruption campaigns in Nigeria and China (The Economist, 2007; Yardley 2007), or pure shams. The head of the Afghanistan's anti-corruption campaign was arrested and jailed in Las Vegas in1987 for selling heroin (Associated Press, 2007).

- Finally, living with an unequal distribution of wealth may not inhibit drives against corruption if: (1) people see that inequality is declining; and (2) especially if people can clearly see their living standards rising. While inequality rose substantially after 1980 in Hong Kong, it fell substantially from 1963 (before the anti-corruption campaign began) to 1980, according to WIDER estimates. Inequality in a wealthy land may be less consequential for corruption than an inequitable distribution of resources in a poor country. This is *not* to say that inequality doesn't matter and income is everything. The survey results in transition countries and in Africa provide clear support that perceptions of inequality are strongly linked with beliefs about the prevalence of corruption. Rather, inequality may be more strongly tied to corruption when people are most likely to feel envy–that is, when they have little themselves.

Singapore and Hong Kong are among the few countries that have escaped the scourge of corruption, which is generally widespread in both Asia and especially in Africa. Botswana stands out as the African exception. The reasons are in many respects similar to the story for Singapore and Hong Kong: despite low trust and high inequality, Botswana experienced a period of sustained economic growth with declining inequality (Riley, 2000, 153). Between 1966 and 1990, income per capita rose at the fastest rate in the world (Guest, 2003, 26). It is a small country facing an external threat: It is not an island, but is landlocked between what used to be apartheid states that could easily have toppled its fragile government. So it sought foreign investment and, following Singapore and Hong Kong, had to ensure honesty in government and in private enterprises to get there. Yet, Botswana is not quite Singapore: Its per capita income is still only $3000, far below the level of the rich city-states and its level of inequality is still much higher–so it is not surprising that its battle against corruption is still a work in progress.

The data from the Afrobarometer, across a range of countries and specifically in Mali and Nigeria, provide strong support for the inequality trap argument. The deviant cases of Hong Kong and Singapore indicate that the fight against corruption needs strong institutions such as ICAC and CPIB, but anti-corruption campaigns are not likely to succeed unless they rest upon a firm social and economic foundation–and especially upon the confidence of the public.

Institutions matter in Africa and especially in Singapore and Hong Kong. In many African countries, weak institutions are part of the inequality trap, not alternative ways to combat corruption. Africans see corruption and inequality not simply as problems stemming from bad leaders, but from weak democratic institutions. When people (in Africa or anywhere else) lament weak democratic institutions, it is unclear whether they distinguish between the political structures and the office-holders. People may quite reasonably fail to make this distinction, since they have seen a never-ending succession of high-ranking leaders stealing from the public purse and legal systems and police that have long been key sources of corruption. In Singapore and Hong Kong, it took strong institutions to combat corruption, but these structures were part of broader economic and political strategies that largely eminated from an external threat. What ultimately made these policies successful was their almost universal acceptance throughout the societies of the two countries–something that has not occurred in other parts of the world (especially Africa). The story of Singapore and Hong Kong, as well as Botswana, is that just as we should not discount institutions, we should not presume that agencies can do the job without a supporting political and economic infrastructure.

NOTES

1. The full text is available at: http://www.amateurgourmet.com/the_amateur_gourmet/2006/05/how_to_survive.html.

2. Hong Kong is not an independent country, though its economic system and its political culture have largely been autonomous from its former and present rulers, the United Kingdom and China. For ease of language, I will often refer to Hong Kong as a "nation."

3. The data are available at www.afrobarometer.org. Several of the key questions in my models were not asked in Zimbabwe, so I exclude Zimbabwe's respondents from this analysis. I am grateful to Michael Bratton of Michigan State University and Director of the Afrobarometer and Tetsuya Fujiwara, Data Manager of the Afrobarometer, for providing me with advance access to the Round 3 data on Nigeria.

4. I owe this quote to Kems O. Adu-Gyan, Assistant Researcher, School of Business, Economics, and Law, Department of Business Administration, Goteborg University, private discussion at the Conference on "Measuring Diversity," Milan, Italy, January 27, 2006.

5. The Gini indices for Africa can be found at: http://hdr.undp.org/reports/global/2005/pdf/hdr05_HDI.pdf, 271-273, accessed December 2, 2006.

6. The African data come from Bratton, Mattes, and Gyimah-Boadi (2005, 194). Non-

African data come from the imputed trust values reported in Chapter 4.

7. The sample only had 300 respondents, but the results seem realistic.

8. Bratton, Mattes, and Gyimah-Boadi (2005, 232-233) argue that perceptions of corruption shape institutional trust and are often the strongest determinants of such confidence. This approach is similar to mine in Chapters 5 and 6, but here I focus on approval of government handling of corruption. I focus on trust in only specific institutions of justice.

9. For the properties of the survey methodology, see http://www.afrobarometer.org/methods.html, the full list of countries is available at http://www.afrobarometer.org/countries.newmap.html, and a summary of results is available at http://www.afrobarometer.org/results.html.

10. I also tried estimating fixed-effects models with dummy variables for the countries, but this still led to far higher significance levels than using robust standard errors with clustering.

11. For a four category variable, the effect is the average change in probability from category 1 to 2, 2 to 3, and 3 to 4. The sign reflects the same direction as the ordered probit coefficient The estimations were carried out using the prchange command in the spost routine for Stata 9, from J. Scott Long and Jeremy Freese, at www.indiana.edu/~jslsoc/spost.htm. The prchange for ordered probit reports these

average changes as absolute values.

12. As determined by the MLE/SE (maximum likelihood estimate–or ordered probit coefficient divided by its standard error), which is analogous to a t-test in regression.

13. Personal living condition, age, income, and gender are not significant, while the country's overall economic position was barely significant (at $p < .10$). Whether the poverty is the country's most important problem and whether schools should be free for all are also insignificant. More highly educated people are less likely to say that people are treated unequally–perhaps reflecting the higher status of people with education (though income is not significant).

14. .I do not present the estimates here. They are available upon request.

15. http://www.state.gov/r/pa/ei/bgn/2828.htm, accessed December 31, 2006.

16. .https://www.cia.gov/cia/publications/factbook/geos/ml.html, accessed December 31, 2006.

17. https://www.cia.gov/cia/publications/factbook/geos/ni.html, accessed January 1, 2007.

18. I thought that this unusual result might stem from multicollinearity, but checks indicated otherwise–and the relationship holds at the bivariate level. Also in the model and significant are whether people trust government media (the source of much information about corruption) and how knowledgeable they are (the more knowledgeable would be

more likely to be aware of anti-corruption efforts). Both are significant.

19. These data come from the Aarhus Social Capital surveys underway at Aarhus University, Denmark, and were provided to me by Kim Sonderskov. Asian Barometer figures for 2004 give a somewhat higher share of trusters (34 percent) for Singapore (Inoguchi et al., 2004, 445) and an almost identical 29 percent for Hong Kong. The two African nations ranking higher are Namibia (34 percent) and Malawi (45 percent), as reported in Bratton, Mattes, and Gyimah-Boadi (2005, 194).

20. On the history of Singapore and its split from Malaysia, see http://www.aseanfocus.com/publications/history_singapore.html.

21. These figures come from Inoguchi et al. (2004), 473, 494, 495, 504.

22. The Asian Barometer is a set of surveys across 17 Asian nations (see http://www.asianbarometer.org/newenglish/introduction/). The Hong Kong survey in 2004 is a representative survey targeting "Hong Kong people aged 20 to 75 residing in permanent residential living quarters in built-up areas" who speak Chinese (Asian Barometer, 2004). The Hong Kong sample is 811. Questions on corruption and inequality were limited (compared to the surveys in other Asian countries) because these are less salient issues in Hong Kong. I am grateful to Kai-Ping Huang, Assistant Director, Asian Barometer, National Taiwan University, Taipei, Taiwan, for making the Hong Kong data available. The government corruption question is a four category Likert scale. However, there were so few cases at both extremes that I collapsed the four

categories into a dichotomy.

23. I expected that people who more closely follow news in the newspapers or on television would be more likely to be aware of cases of corruption, but this does not hold. As expected, people who see Hong Kong's economic situation as good are 11 percent less likely to see corruption than those who say that it is very bad. I calculate the effect here excluding the one percent who say that the economy is very good.