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CHAPTER NINE

Therefore do all stand fast where you are standing.

And lift your voices in the choral anthem, devoted to the poorest of the poor.

For in real life the ending isn't quite so fine.

Victorious messenger does not come riding often.

And the reply to a kick in the pants is another kick in the pants.

So pursue but not too eagerly injustice.

From "Finale: The Mounted Messenger," Berthold Brecht and Kurt Weill, *The Threepenny*

Opera

The Threepenny Opera has a happy ending. The small-time criminal Macheath is freed from prisoner and given a lordship and a huge fortune. A thief living at the margins has been rewarded with the great riches ordinarily reserved for big-time plunderers. The lessons of this parable are that crime (and corruption) pays—and that you cannot eliminate small-time thievery or petty corruption. Yet, the final song, "The Mounted Messenger," warns that this is just a story and in the real world, petty thieves neither become rich nor respectable. Macheath was supposed to be executed, as demanded by his antagonist (and father-in-law) Jonathan Peachum. Yet Peachum ultimately pleads (successfully) for a pardon for the prisoner for an uplifting end to the

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drama, but he cautions: "Happy endings only really happen on stage, and people are saved from poverty only rarely."¹ The rich stay rich, the poor stay poor and messengers from the throne do not reward the latter with unexpected fortunes, much less social status.

Starting at the ground level and working one's way up to the top does not seem a fruitful way of combating malfeasance. We are thus thrown back to the inequality trap—and this means attacking the social roots of corruption. I offer some speculation about how one major American city, New York, may have reduced corruption, ending petty corruption, through the very sort of universal social welfare policy that marks the Nordic countries. Ironically, the institution that probably did more to undo corruption than any other, the City University of New York (CUNY) with its free tuition, was established by city officials elected by a strong political machine mired in corruption. While my argument is speculative, it fits in well with the empirical findings I have presented here and elsewhere. I conclude with a discussion of what we know and what we don't about how corruption changes over time.

Broken Windows, Broken State?

The Threepenny Opera's real demons are the rich who exploit the poor and turn them to crime and petty corruption in order to survive. The story of *The Threepenny Opera* brings us back to a widely heralded proposed solution to both crime and corruption: Eliminate petty corruption and grand corruption will be sure to decrease as well.

Wilson and Kelling (1982) argue that disorder in the legal system can be traced, at least in part, to disorder on the street. Their "broken windows" thesis holds that failure to fix one broken window leads to another and the neighborhood quickly descends into a state of disrepair, sending a signal to potential predators: "Muggers and robbers, whether opportunistic or professional,

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believe they reduce their chances of being caught or even identified if they operate on streets where potential victims are already intimidated by prevailing conditions. If the neighborhood cannot keep a bothersome panhandler from annoying passers by, the thief may reason, it is even less likely to call police to identify a potential mugger or to interfere if the mugging actually takes place” (Wilson and Kelling, 1982, 5). Just as you need to fix broken windows to reduce crime, you should clean up petty corruption first and this will make it easier to tackle grand corruption.

The evidence I presented on pickpocketing as well as the survey data on petty corruption I considered in Chapters 3, 5, 6, and 7 suggests that cleaning up small-time criminals and ending “gift” payments will not suffice to curb grand corruption. Pickpocketing and other crimes are most common when grand corruption is greatest; petty corruption is largely restricted to countries with high levels of grand corruption (see Chapter 3). And people in transition countries and in Africa seem most troubled by high-level corruption, with its big stakes and its perceived connection to inequality.

Cleaning up the streets, as many corrupt countries have done, largely diverts attention from grand corruption and its roots—high inequality and low trust. Ironically, by robbing people of their only source of income, routing out petty corruption might even increase inequality, though this is hardly a reason not to fight pickpocketing and other street crime. Reducing petty corruption—and fighting street crime—are worthy goals. Yet, they are unlikely to “solve” the problem of malfeasance at the top.

The evidence on pickpocketing, as well as the sorry history of campaigns high level officials start to clean up petty corruption, suggests that this strategy will not work.

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Pickpocketing is greatest when people see high levels of corruption at the top. Stealing wallets is far less critical, if at all, in making leaders more likely to rob the public purse. Cleaning up the street will not deter high-level corruption, as envisaged by advocates of the “broken windows” thesis.

Only four percent, on average, saw their countries marked by petty corruption but *not* grand corruption across the 62 countries in the TI Global Corruption Barometer and some of these responses seem almost random (such as the 10-20 percent of respondents in Luxembourg, Great Britain, Iceland, and the Netherlands who gave this response). In most Western countries (also Israel, Taiwan, Estonia, and the Czech Republic in the top 20 countries on this measure), 20 percent say that they see only grand corruption. However, except for Estonia and the Czech Republic, these are countries that have largely eliminated grand corruption as well (almost all have TI index scores above 8).

Trying to fix broken windows (street crime, petty corruption) is a worthy goal, but it is taking aim at the wrong target. Of course, arrest the pickpockets and fight people who try to extort money for routine services. But don’t fool yourself into thinking that this is simply the first step in ending grand corruption. The gains from grand corruption are too great and it persists even where petty corruption has been eradicated or greatly reduced.

The End of a Machine?

The United States now ranks relatively highly on the TI Corruption Perceptions Index, in 20th place (out of 163 nations) in 2006. Yet, for much of the 19th and early 20th centuries, corruption was perceived as widespread in the United States, especially in big cities (Josephson, 1963; Steffens, 1931). Yet, we know relatively little about how the decline of corruption in the

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United States—when it occurred and what led to it.

I offer some speculation about the decline of corruption in one American city, New York, and the waning of the political machine once led by George Washington Plunkitt. My argument focuses on rising living standards and especially educational attainment for immigrant groups that had long relied upon the corrupt machines for their livelihood. I suggest that the New York City machine may have inadvertently set the seeds for its own destruction by providing “too generous” benefits for the immigrants it served—thereby reducing inequality and the dependence of ordinary people upon elites for their livelihood.

Merton (1968, 131) and Scott (1969, 1150) detail how political machines, especially in urban America but also in the South (Cornwell, 1964, 29), were essential in both maintaining power for the wealthy—and whites in the South. At the same time, they helped provide basic services for the poor—Irish, Italian, and Jewish immigrants in large American cities such as New York and African-Americans in the South. These machines, provided both “honest” and “dishonest” graft. Dishonest graft involved very rich no-bid contracts, pay-offs for government favors, and the selling of justice—and judicial positions—for rather large sums of money (Caro, 1975, 712; Sayre and Kaufman, 1960, 539). Caro (1975, 712) writes: “it almost seemed as if being on the [police] force was synonymous was being on the take—and in which sacred justice was sold in the very temples of justice.” Civil service reforms had largely passed New York City by; when city officials were required to follow the law on merit selection, they manipulated the tests and the results to reward their loyal followers (Caro, 1975, 71).

Lowi (1964, 175-76) tells of the testimony of a leader (or “boss”) of New York City’s Democratic Party, Richard Croker, before a special committee of the New York legislature at the

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turn of the 20th century:

Mr. Moss: So we have it...that you, participating in the selection of judges before election, participate in the emolument that comes...at the end of their judicial proceeding, namely, judicial sales.

Mr. Croker: Yes, sir.

Mr. Moss: And it goes into your pocket?

Mr. Croker: I get—that is part of my profit.

Mr. Moss: Then you are working for your own pocket, are you not?

Mr. Croker: At the time, same as you.

Just as critical to the machine was the provision of jobs and services to the poor, who would then demonstrate their political loyalty to the party (usually the Democratic Party) that provided such “honest graft.” Scott (1969, 1150) argues that the machine depended upon a large immigrant population that was both poor and unfamiliar with the political system and a small middle class that might become more politically active and pose a threat to the reigning political order.

Cornwell (1964, 30) describes how the machines functioned:

Above all, [immigrants] needed the means of physical existence: jobs, loans, rent money, contributions of food or fuel to tide them over, and the like. Secondly, they needed a buffer against an unfamiliar state and its legal minions: help when they or their offspring got in trouble with the police, help in dealing with inspectors, in seeking pushcart licenses, and in other relations with the public bureaucracy.

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In New York City, “Offices were filled with so many clerks and secretaries that supervisors couldn’t possibly provide work for all of them” (Caro, 1975, 71).

Political bosses provided these services in return for the electoral loyalty of the immigrants. They were not above some “subtle” manipulation to insure that their clientele remained dependable. Ivins (1970, 20) noted: “..the voting [in primaries] is usually done at the liquor store, cigar store, livery-stable, or other place where the contestant favored by the leader can best control the house, its exits and entrances, and can most easily and speedily gather his votes together.” In 1884, 72 percent of the political meetings in New York City were held either in saloons or right next door (Ivins, 1970, 21). The machines were devoted to the political incorporation of immigrants such as the Irish, *but not their economic or social advancement*—which would have made them less dependent upon the political organizations (Erie, 1988, ch. 7).

Over the course of the twentieth century, machine power waned in most American cities (Chicago seems to be a notable exception). Challenges to political bosses were nothing new in New York City: Reform mayors were elected following scandals in the city in 1901, 1913, and most notably in 1933, when Fiorello La Guardia was elected for the first of three four-year terms. LaGuardia ran what might have been the most honest administration in the city’s history (Caro, 1975, 712). When LaGuardia retired in 1945, the machine was back: “The party was on again. New York was again a city in which *SCANDAL* and *GRAFT* and *FRAUD* blared bold and black out of the headlines stacked on newsstands” (Caro, 1975, 712, italics and capitals in original).

In the 1950s a nascent Reform movement began challenging the Democratic party establishment, winning victories here and there, mostly in Manhattan. By 1961, Reformers had won a series of victories for city, state, and federal offices. Mayor Robert Wagner, Jr. had fallen

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out of favor with the machine and became a born-again reformer in his quest for reelection.

Former First Lady Eleanor Roosevelt endorsed Wagner and the mayor startled many observers by winning the Democratic primary and reelection. The 1961 election marked the end of the career of the last head of Plunkitt's Tammany Hall organization and its leader, Carmine deSapio (who in 1969 was convicted of conspiracy and bribery). The machine was no longer the dominant force in city politics, although it did resurface in 1973 to elect another mayor (Abe Beame).

Even though it was out of power in the mayor's office following the elections of 1901, 1913, and especially under La Guardia (for twelve years), the machine controlled virtually all of the lower-level offices in the city until the 1960s. Reform mayors had no political base of their own, since all but Wagner ran on Fusion tickets of disaffected Democrats, Republicans (who were a minuscule force in city politics), and assorted third parties—through the mayoralty of John V. Lindsay in 1965-1973. The civil rights and peace movements of the 1950s and 1960s mobilized many New Yorkers into activity in the Reform wing of the Democratic party. Over time, the reform movement shifted from a small group of upper-middle-class Protestants and Jews based in lower and midtown Manhattan into a powerful political force in city politics.

While Reformers only controlled Manhattan and parts of Brooklyn, the regular organizations that dominated the other boroughs were a shell of their former self: In 1933, there were 1000 political clubs in the city; by 1972, there were only 262. Patronage jobs did not vanish. Even Lindsay had more than 25,000 jobs to dispense at the end of his term in 1973 (Shefter, 1985, 99). The regular organizations still offered lower-level jobs in the mid-1980s; however, the hiring became entwined in a larger corruption scandal. Courts held that the machine's distribution of jobs discriminated against minorities and was terminated (Mollenkopf,

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1992, 123-124). The regular organization had shifted its focus from mobilizing voters through civic jobs to a “new patronage” focused on the higher stakes of “honest graft”—awarding contracts for community organization programs (Mollenkopf, 1992, 80, 227, n. 24). New York had not been taken over by liberal activists, but the machine no longer dominated city politics. Only a tiny share of the city’s electorate at any time was dependent upon political bosses for their livelihoods.

Corruption hardly vanished. The 1964 World’s Fair was a veritable bonanza for politically connected construction and insurance firms, with city contracts totaling at least \$60 million (Caro, 1975, 1087-1091). In the 1980s, one county leader channeled expensive city contracts to an nonexistent firms he owned and another took kickbacks on a different city business deal (Mollenkopf, 1992, 123). It is still hard to read local publications such as the *New York Times* or even *The New Yorker* with any regularity and not see reports of major scandals in city government, even under the mayoralty of Michael Bloomberg, a billionaire who hardly needs any gains he might accrue from political life (Mead, 2005).

Nevertheless, it is likely—though impossible to verify—that grand corruption is considerably less than when machines were dominant. It is indisputable that petty corruption has largely vanished.

Why? People in the city became less dependent upon the machine for their sustenance. Even before the organization atrophied, the middle class had grown—they were the base for reform politics in the city—and the poor had become less dependent upon political leaders for their livelihood. Much of this is attributable to the social welfare policies enacted in Franklin D. Roosevelt’s New Deal in the 1930s. Of at least equal importance was the spurt in educational

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levels among city residents and across the nation (Cornwell, 1964, 34; Lowi, 1964, 194).

Education is perhaps the strongest route to upward mobility—and to a more equitable distribution of wealth in a society (Rothstein and Uslaner, 2005, 47-51). Goldin (1998, 362, 364) shows that high school attendance rates in the Northeast peaked in the 1940s. Graduation rates surged in the 1950s, but had been growing at a fast—and almost linear—rate since the 1920s. The success of reform politics in New York occurred just as the graduation rate was spiking.

As more people became educated—and especially went to college—their economic mobility rose and they were no longer dependent upon political machines. At the end of World War II, the U.S. Congress passed the G.I. Bill of Rights, which provided scholarships to colleges and universities for veterans of the war and greatly expanded the share of young people who attended university (Mettler, 2005).

However, free—not just subsidized—education was available to New York City residents long before the G.I. Bill. The City University of New York (CUNY), founded in 1847, provided free education for all city residents who were admitted (though modest tuition charges were instituted when New York City went bankrupt in 1976). CUNY boasts of its world-famous faculty (with one of the highest number of Nobel Prize winners in the world).² It was clearly a means of advancement for the ethnic minorities in the city from the 1930s onward as enrollments rose dramatically. Immigrants poured into New York City from Europe from the late 19th century through the first third of the twentieth century. They lived in tenements, worked hard, and were often dependent upon the machine for their livelihood. The free education at CUNY meant that their children's university education would not be a burden on them. Thousands took advantage of this as the City College became a magnet for many students who could not get into

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Harvard because of ethnic and religious discrimination. Two new branch campuses, Brooklyn College and Queens College, were founded in 1930 and 1937, respectively.

The political machine that expanded CUNY's role and enhanced its status as a "social benefit" for the immigrant communities could not have realized that it may have been preparing the seeds of its own downfall. As more people became educated, not only did they have greater opportunities for social mobility. They also became more trusting: Education is one of the strongest determinants of generalized trust. The gains to trust from education come primarily through university education (Uslaner, 2002, 98-100). Scott (1969, 1150) argued that the political machine flourished when "the sense of community was especially weak, and when the social fragmentation made particularistic ties virtually the only feasible means of corruption." More educated people are more likely to trust others—and trust leads to less corruption. The activists in the Reform movement were political idealists who "were far more likely than machine politicians to be well-educated, to be employed in the professions, and to have acquired the cosmopolitan demeanor and views of the social stratum they had entered" (Shefter, 1985, 45).

The machine thought it was providing a material benefit to its clientele—a university education. The plan worked well as long as only a handful of people—mostly the elite—went to the university. When, as in the mid- to- late 20th century, more and more people graduated from high school and attended university and inequality in the United States was beginning to decline (Piketty and Saez, 2003), the machine's lifespan was doomed. Not only were the children of immigrants who received degrees from CUNY no longer dependent upon the machine for jobs, but many were surely among the law school graduates who put Tammany leaders such as DeSapio in jail.

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As the children of immigrants received university educations, there were fewer immigrants for political leaders to court. In 1920, almost 40 percent of the American population was born abroad, including 64 percent in New York (Cornwell, 1964, 29). Prior to World War I, more than eight million people a decade were immigrating to the United States—a figure that dropped to less than 1.5 million from 1915 to 1930 and dropped to “a mere trickle” after that (Cornwell, 1964, 34). By the time immigration picked up again in the latter part of the 20th century, the machine had already atrophied and the new poor relied more on governmental programs for support than on political leaders.

New York City political leaders in the mid-19th century clearly envisaged free tuition as a benefit for a tiny elite, the well-endowed who desired a college degree. There were few immigrants in the city in 1847 and the demand for admission to the City College was limited.³ They certainly could not see free tuition as a threat to their own political survival—not even in the early 20th century, when most immigrants depended upon city largesse for their survival. Yet, the growth in government programs designed to combat the effects of Depression, the economic boom during World War II, and especially the demand for higher education by the children of immigrants laid the foundation for a new era of greater economic equality, more political activism, and less corruption.

Poverty Reduction and Economic Equality as an Anti-Corruption Tool

The big question remains: How might we reduce corruption? To answer this, we would need time series data on corruption, inequality, trust, legal fairness, and institutional quality (among other variables) for a large number of countries. There is a paucity of data to examine the determinants of *change in corruption*. There are only data for 42 countries on corruption levels

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in 1980-85 and there are only complete data for 18 countries (Argentina, Australia, Belgium, Canada, Denmark, Finland, Hungary, Ireland, Italy, Japan, Mexico, the Netherlands, South Korea, Spain, Sweden, the United Kingdom, the United States, and West Germany) on corruption, inequality, and trust measured in both the 1980s and early 21st century. This is hardly sufficient to do any multivariate analysis. The bivariate correlations strongly support the inequality trap thesis, especially if I exclude the one transition country (Hungary: The average (absolute) correlation between the corruption indices, trust, and the Gini is .700. But the sample excludes most countries with high levels of corruption and thus cannot answer the key question of how we might break out of the inequality trap.

We lack data on legal fairness over time. While there are good data on strangling regulation over time from the World Bank—and there is considerable evidence that countries can escape from bad policies—the r^2 between the 2005 and 1996 indices of regulation is “just” .655 ($N = 182$). The biggest gains in regulatory policy have come in the transition countries—with 12 of the 26 most “improved” countries being transition countries—and ones with high levels of corruption. However, less strangling regulation from 1996 to 2005 does not lead to a decline in corruption. Across 151 countries, the r^2 is a paltry .078—and it is actually weaker for countries where economic regulation has improved. There is a somewhat stronger link in transition countries ($r^2 = .206$, $N = 33$).

Bad policy can lead to higher levels of corruption, but changes in policy do not seem sufficient—especially in transition countries with rising inequality—to overcome the dilemma of dishonesty in public life. Even in transition countries, even large changes in regulatory policy have modest effects on corruption overall. Yet, there are some countries where changes in

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regulatory policy do track improvements in corruption, even if modest: Armenia, Bulgaria, Lithuania, Serbia, Turkmenistan, and Tajikistan seem to have benefitted from policy changes—even if most other countries in the world have not. All of these countries have a long way to go in combating dishonesty, especially as inequality has been rising and people see the legal system as unfair. Yet, there is some evidence that policy changes do matter.

Not many states succeed in moving from high to low corruption. In the shorter time frame of 1996 to 2005, the World Bank corruption measures (covering more countries) shows an even stronger level of stability than the 1980/85-2005 comparison in Chapter 2. Across 151 countries rated in both years by the World Bank, the r^2 is .827. While there is movement in individual country scores, almost all of the largest changes reflect movement within the clusters of honest and corrupt countries. Few countries move from negative scores (highly corrupt) to positive values—a pattern that is replicated in the smaller sample of countries in the Transparency International samples in both years.

With relatively little movement over time and with a paucity of longitudinal data, statistical analysis is unlikely to be the best tool to uncover whether there is a way out of the inequality trap. The way to see how some countries have succeeded is to focus on case studies—but such research is in its infancy. The stories of Hong Kong and Singapore are the best known because they seem to have come the farthest. Yet, these cases seem to be more exceptions than the rule and they both faced external threats. Yet, the escape from high levels of dishonesty in public life also came about because Hong Kong and Singapore linked anti-corruption campaigns to economic growth and a commitment to raising living standards for all.

You (2005b, 117-139) suggests that this pattern may be critical elsewhere. South Korea

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and Taiwan both promoted land reform after World War II, but the Philippines resisted pressures to do so. Land reform was coupled with a vast increase in the enrollment in elementary schools and in universities—rises of 800-1000 percent, which in turn led to greater economic growth and a more equitable distribution of income—and ultimately to less corruption. However, there was a reversion to greater inequality in South Korea (largely due to the influence of large conglomerates called *chaebols*) and a corresponding rise in corruption. Taiwan followed a path closer to that of Hong Kong and Singapore—but with an even greater commitment to an equitable distribution of income. Both South Korea and Taiwan were threatened by China—and these external pressures made it easier—and more imperative—to develop corruption-free markets that would fight Communism from within. Without such external pressures, the Philippines never promoted either economic transformations or anti-corruption campaigns (You, 2005b, 118-141).

Inequality is clearly not the whole story of why corruption is so persistent. There are clearly exceptions to my argument even beyond Hong Kong and Singapore. Spain moved from a moderately uncorrupt position to much cleaner government from 1996 to 2004 on both the TI and World Bank measures, even as inequality rose slightly. Its neighbor Portugal showed little change in either corruption or inequality during the same period. Both countries had democratic transitions in the early 1970s from authoritarian regimes. Portugal's democratization led to a strong spurt toward greater honesty in government from 1980 to 2004, but there was little change for Spain—which already had a relatively low level of corruption. Both countries have moderate levels of inequality (Ginis around .35) that have not changed much over time. Nor have their economies taken off as in Hong Kong, Singapore, Taiwan, and South Korea.

While Spain and Portugal seem to be exceptions to my argument, each faced an internal

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threat from Communist parties and radical labor unions that threatened their early transitions to democracy—and in this sense, the pressures toward a corruption-free market economy were similar to those in Hong Kong, Singapore, Taiwan, and South Korea. In each of these cases, support for the left (as in transition countries) reflected political and social tensions arising from inequality and poverty. Threats from Communism seem to play a role in leading some countries to more honest government. However, with Marxist ideology out of favor throughout most of the world, the threat from leftists is unlikely to be a guide to curbing corruption in the 21st century.

The aggregate analysis suggests that inequality and especially uneven economic development can lead to low levels of out-group trust and then to high levels of malfeasance. The survey evidence from transition countries and much of Africa suggest that people see corruption and inequality as inextricably linked. Even if elites do not see this connection—as in Estonia—rising inequality will cement the link in people’s minds. People’s perceptions of corruption are rarely so out of sync with “reality”—and without an engaged and supportive public, anti-corruption campaigns as in Hong Kong and Singapore will be difficult to sustain. Corruption thrives when elites control the economic fate of ordinary citizens—and where people believe that they have no alternative in getting by. The sort of corruption that engulfs ordinary citizens—petty corruption—is not as morally troubling as the grand thievery of the rich and powerful.

Institutions are essential to combating both corruption and the inequality that underlies much of malfeasance. In Singapore, Hong Kong, Botswana, Taiwan, South Korea, and New York City, the drives to reduce corruption either were linked directly to economic growth and greater equality—or came as the result of policies that fostered both growth and a more equitable

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distribution of resources. The social welfare policies that play a key role in fighting inequality are not cheap and in each case there was a critical role for the state. The most egalitarian, most trusting, and least corrupt societies are the Nordic nations, where universalistic social welfare policies originated. There is thus little support for the claim that the route to ending corruption is through a reduction in the role of government, as Alesina and Angeletos argue (2004, abstract):

Bigger governments raise the possibilities for corruption; more corruption may in turn raise the support for redistributive policies that intend to correct the inequality and injustice generated by corruption.

I found little support for a connection between the size of government and corruption (Chapter 3). As the measure of strangling regulation indicates, greater opportunities for grabbing hands leads to higher levels of malfeasance. Strangling regulations are not the same as a strong state—many of the countries with the most expansive public sector (such as the Nordic nations and other Western countries) rank very well on the World Bank regulation measure.

Universalistic policies in Sweden came about, most analysts argue, because of a strong state and an independent and fair civil service. Civil servants designed and implemented these policies (Hecló, 1974, 40-42). What made these policies work—and what led to their acceptance by the Swedish public—was that they were administered *fairly* by honest civil servants (Knudsen and Rothstein, 1994; Rothstein, 1998, 141). This argument brings us full circle to the argument that you can't get strong policies to fight inequality just by hiring lots of well-qualified—or even well-paid—civil servants (see Chapter 3). Civil servant pay doesn't lead to less corruption, nor does efficient government. To combat inequality, you need *clean* government (see Chapter 3; Rothstein and Uslaner, 2005, 57-58). *Yet, to reduce corruption, you need to start with battling*

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inequality (see Chapter 2). This is the heart of the inequality trap.

It is not so easy to break out of this trap by creating new institutions exogenously. Path dependency speaks to why it is so difficult to break out of any equilibrium, be it good, bad, or middling. Not only are there strong incentives to follow the policies of the past, but political leaders may have erected strong institutional barriers to changing course so that they can commit their predecessors to policies (Pierson, 2004, 42-44).

Arguments based upon path dependence differ from my thesis in at least two key ways. First, most discussions of path dependence suggest that change is possible. Change can occur either by “blunt” events such as an earthquake in the physical world or a major exogenous shock to a political system or gradually and imperceptibly (Pierson, 2003; Rothstein, 1996, 29). On such accounts, a major event such as the collapse of Communism could have led to reductions in corruption in the transition countries. It did not (see Chapter 4). The two most prominent shock events were the anticorruption campaigns in Hong Kong and Singapore, which: (1) did not involve democratic transitions; and (2) were hardly exogenous, but well planned and designed by leaders who realized that they needed the support of their citizens.

There may be evidence of “slow-moving” effects, as Pierson (2003) argues. Democracy may not matter in the short run. Testing for the “immediate” effects of democracy after “only” twenty years, as I did in Chapter 4 for transition countries, may be unfair. Democracy may need much longer to take root and to have strong effects on corruption. I have argued elsewhere (Uslaner, 2002, 227) that long-standing democracies have more trusting citizenries—but that it takes 46 years of democracy to move a country from well below the mean in trust to above it. The level of continuous years of democracy is also strongly related to corruption ($r = .848$, $N = 39$),

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but even more powerfully related to the level of GDP per capita ($r = .908$). The problem with “big slow movements” over long periods of time is that lots of things happen over time and it is usually extremely difficult to disentangle one effect from the other.

Second, path dependence arguments almost always start with an initial choice of an outcome or a policy. When we are trying to explain changes in programs or transformations of institutions, this is perfectly appropriate. It is far more difficult to trace the historical roots of corruption and even when we focus on the adoption of specific policy choices, it is not clear that the initial choice of a program should be considered to be an exogenous event. Sweden was a pioneer in enacting universalistic social welfare policies. The social basis for a universalistic social welfare policy go back centuries. Swedish peasants, like their brethren in Norway, never endured the brutalities of feudalism (Trägårdh, 2001, 141-142; cf. Rothstein and Uslaner, 2005, 57):

Because the Swedish peasantry largely escaped feudalism and even retained its rights to be represented as a separate estate in the *Riksdag* [parliament], it could play a role unparalleled elsewhere...the Swedish political culture came to be cast in a mold very different from that of other Western democracies...it was a process of universalizing the egalitarianism of the peasant community...

Denmark, by contrast, did have a feudal past with a highly unequal distribution of income. In the early late 18th and early 19th centuries, extensive land reforms and the establishment of universal primary education came about in a peaceful revolution. The development of farmers' cooperatives, the expansion of trade, strong economic growth, and rapid industrialization led to a greatly more egalitarian distribution of income within a relatively short period of time (Paldam,

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1991, 70-71).

The enactment of universalistic policies in Nordic countries was based upon a long-standing set of beliefs in an egalitarian social order. Civil servants in such societies had fewer incentives to act dishonestly: They would be immediately suspect if they became rich—but the egalitarian social order gave them little reason to envy others in the society—and thus to provide justifications for acting corruptly. The commitment to an egalitarian society persists today, although there has been some erosion of social solidarity in recent decades (Rothstein, 1998, 192-195).

Many of the countries with the highest levels of corruption also have been former colonies (since the 20th century). The mean TI Corruption Perceptions Index for former colonies is 3.86; for other countries, it is 6.65 ($r^2 = .319$, $N = 89$). Former colonies also have higher levels of inequality ($r^2 = .553$, $N = 50$ for the 2000 WIDER measure excluding former and present Communist nations) and uneven economic development ($r^2 = .369$, $N = 62$, also excluding nations with a history of Communism). So the levels of corruption and inequality in many former colonies may not be traceable to “policy choices” they made as much as by choices made for them.

I am not arguing that the path along the inequality trap is always—or even generally—shaped centuries in the past. The Swedish (and perhaps other Nordic) cases may be exceptions. Nor am I arguing that whatever equilibrium a country lands in (top, middle, bottom) is like quicksand. Surely one can trace Swedish history back long enough to find evidence of corruption. In the United States, changes in corruption are likely to be far more recent.

The history of government honesty and dishonesty may not be a different story than the

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current equilibrium in the inequality trap. We have a far better idea of why countries rank where they do now than how they got there. Some stories go back centuries (as in Sweden, Norway, and many former colonies). Others' histories are not so long, while a handful of cases (Botswana, Hong Kong, and Singapore) provide us with enough information to tell compelling stories—that we know are atypical.

Path dependence may be better able to explain how countries such as the United States and Hong Kong stay free of corruption even as one might expect them to slide backwards. Inequality in the United States was high in the early twentieth century and began to decline in the 1940s before rising again in the 1980s (Pikety and Saez, 2003). A more equitable distribution of income in the 1940s laid the foundation for the decline of patronage-based politics in some cities, notably New York and to the ultimate elimination of much of petty corruption. In Hong Kong the anti-corruption drive was linked to a program of social welfare legislation that led to a sharp reduction in inequality, but after corruption had been curbed, inequality rose—but corruption remained low (see Chapter 7). Countries with lots of grand corruption also have a great deal of petty corruption (as seen by their publics). Once petty corruption had largely been eviscerated, it became more difficult to “reestablish” widespread grand corruption, even as inequality was increasing. Here is a perhaps modest lesson in optimism: Once reduced, corruption may not “return” to its previous levels. But the reduction in corruption is a Herculean task in itself.

Conclusion

The key to reducing corruption seems to involve making people less dependent upon it. Of course, the demise of the machine had its most notable impact on petty corruption. Petty corruption, however, was not an end in itself. It served to keep in power leaders who robbed the

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public purse and made themselves and their conspirators wealthy. This is why in so many contexts, ordinary people resent elites and believe that they got rich only because they are corrupt. In so many cases, they are correct and corruption not only depends upon inequality, but exacerbates it. Once people find a way to succeed in life without depending upon corrupt leaders, they are more likely to turn their backs on malfeasance in public life.

The key mechanism to make people less dependent upon corrupt leaders is a universal social welfare regime—and especially one based upon education for all. My speculation about New York City focuses on making university education available to all citizens, something that is also firmly established in Sweden. Denmark marked the end of feudalism by adopting universal education. Botswanan officials confronted a highly inegalitarian educational system after independence from Great Britain; in 1997, the government introduced universal education and now 90 percent of Botswanan children are enrolled in elementary school, education now consumes over nine percent of the state budget, and “[t]he goal of universal free education (up to junior secondary level) has been more or less achieved.”⁴ Singapore, Hong Kong, and South Korea all provide free education to all children and this has been a key component in their economic growth.⁵

It will not be easy. Countries that have low levels of inequality, high levels of trust, and honest governments will be much more likely to adopt policies that reduce inequality. People pay their taxes without hesitation because they believe that their money will actually go to the programs they see as important in maintaining—or producing—a more equitable distribution of resources (Rothstein and Uslaner, 2005). In states with high levels of inequality, low trust, and elevated rates of corruption, people won’t pay their taxes to fund the programs that would

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alleviate poverty, the health and education system are rife with demands for “extra gift” payments, and employees may be tempted to steal books or medicines from the schools or hospitals. As I have argued in Chapter 2, clean government seems to be a key determinant of government policies that might reduce inequalities, especially universal education. This is the essence of the inequality trap—and even if we know what path to take, we may not know how to get there.

People who do see a clear link between corruption and inequality blanch at the solution of universal education. When I have broached this solution in talks in China and Bangladesh—countries where there is much concern for both corruption and inequality—audiences ranging from undergraduate students to members of Parliament have grimaced. We cannot afford such programs, they say, and when I counter that they cannot afford *not* to have universal education—for reasons of economic growth as well as combatting corruption—they just sigh and seem resigned to their fate.

Rothstein (2007) argues that the adoption of universal education in Sweden in the mid-19th century was central to the long-term decline in corruption. We don’t have sufficient evidence to cement the claim, but the circumstantial evidence has begun to add up. Yet, there are exceptions. Communist states and their successors as transition nations may face rising inequality. However, they have historically had greater levels of equality as well as universal education. Universal social welfare programs—and even inequality—are not sufficient to ensure a path toward honest government.

Did universal education and education fail to curb corruption under Communism because of weak institutions? Of course, communism, with its persistent shortages and its privileges for the leaders, was rife with corruption. But malfeasance has not gone away with the adoption of

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democratic constitutions and neither Singapore nor Hong Kong can be called effective democracies. A more likely explanation for *when universal social welfare programs and equality work* to overcome corruption might be based upon economic growth and people's expectations for the future. People in Communist countries were poor and they had little expectation that they could better their life chances. After transition, there was a spurt in optimism that quickly faded as inequality rose and corruption proved persistent—and social welfare benefits often demanded fees. To be sure, many “universal” services were not “free” under Communism since many, perhaps most, people had to make “gift” payments to receive these services, including good grades at school and admission to universities.

In every other case I have considered, universal education was not only a key to more equality, but also to economic growth more generally—and to upward mobility for people who became educated. This growth, both societal and personal, freed ordinary people from the grips of corrupt patrons and gave them the hope for the future that underlies generalized trust (Uslaner, 2002, chs. 2, 4).

Perhaps it takes, in Rothstein's (2007) felicitous phrase, a “big bang” to curb corruption—a major shift in government priorities that reflects rising social tensions *together with* the emergence of bold leaders and new institutional designs, all at the same time. This seems to be the story of how the Danes ended feudalism and how people in Hong Kong, Singapore, and Botswana were rallied to join their leaders in the fight against malfeasance. Such a perspective offers both hope—we know it can be done—but also more than a bit of despair, since “big bangs” cannot be easily engineered by social reformers.

Reprise

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The decline of the political machine in New York seems to tell a story that is at variance with my larger argument: Petty corruption was eliminated while grand corruption persists, even if less widespread. Wouldn't an assault on petty corruption accomplish the same goal—and doesn't this count against my claim that ordinary people, including pickpockets, take their cues from their corrupt leaders? No for two reasons. First, it seems that the amount of high-level malfeasance in New York City declined substantially by the late 20th century.

Second, the key issue is how petty corruption largely disappeared. There was no frontal attack on gift payments or patronage. Rather “clients” became less dependent upon their “patrons” *as the power of the machine atrophied*. Cutting the umbilical cord that ties ordinary people to their leaders is the first step in reducing corruption. A more prosperous citizenry rebelled against the dominant political class. The revolt succeeded because the leaders no longer controlled access to livelihoods. Reduced petty corruption goes hand-in-hand with lower levels of grand corruption (see Chapter 1). Most attempts to rid societies of petty corruption are either foils to protect grand corruption—or are based upon a giddedly optimistic expectation that pushing away street vendors is the first step toward eliminating kleptocracies.

Strong institutions clearly matter, but they do not emerge from constitutional conventions and often not even from anti-corruption commissions. The citizens of many transition countries believed in an institutional magic wand, where constitutional engineers would turn their societies into democratic Cinderellas, all dressed up for the ball and ready to take their place among the rich nations of Europe. The transition countries are almost all in the European Union now, but their citizens realize that democracy is not a cure-all. The market created lots of inequality and increased social tensions. Elected leaders can pilfer the public purse just as the Communist

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dictators did. Strong institutions depend upon strong societies and public policies that work to reduce social tensions.

The battle against corruption ultimately rests upon public support. Even a determined leader such as Singapore's Lee Kwan Yew could not engineer a reduction in corruption by police work and a powerful court system alone (Quah, 2004, 4). In a world of inequality and low trust, the agencies of justice—the police and the courts—are likely to be among the most corrupt. Unequal justice and seeing the corrupt become rich leads people to be cynical—of other people, especially people unlike themselves—and of institutions as well.

Of course, we should put the bad guys in jail and try to eliminate petty corruption and street crime. These measures are not *the solutions* to the problem of malfeasance in public and private life (cf. Merton, 1968, 135). Democracy makes it more difficult for miscreants to hide their bad deeds because public officials no longer have a monopoly on information (Warren, 2004, 331-332). Voters sometimes punish corrupt politicians—as in the 2006 elections in the United States (see Chapter 8) and sometimes don't (as in Italy, see Chapter 2).⁶ Sometimes the public is so dependent upon patrons that turning them out could be very costly. And sometimes authoritarian states find it easier to mobilize the public to fight corruption (as in Singapore and Hong Kong).

Effective government depends upon low levels of both poverty and ethnic tensions, both of which are (directly or indirectly) related to corruption (see Chapter 3). And we need clean government to lay the foundation for the equity that indirectly leads back to clean government. The persistence of corruption over time and the close linkages people make with inequality where both malfeasance and inequity are high suggest that stronger medicine is necessary.

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NOTES

1. See <http://www.altoncollege.ac.uk/news.php?id=148>, accessed January 18, 2007.
2. On the history of CUNY, see http://portal.cuny.edu/portal/site/cuny/?epi_menuItemID=840a1e9cd3eccca64bef4d5178304e08&epi_menuID=a00e05b73704d3407d840d5541a08a0c&epi_baseMenuID=a00e05b73704d3407d840d5541a08a0c, accessed January 20, 2007.
3. I have no firm data on this. City College and City University officials maintain no historical records (before the 1970s) on enrollment figures (personal communications, March, 2007).
4. <http://ubh.tripod.com/bw/bhp6.htm>; see also: <http://www.nationsencyclopedia.com/Africa/Botswana-EDUCATION.html> and <http://education.stateuniversity.com/pages/185/Botswana-CONSTITUTIONAL-LEGAL-FOUNDATIONS.html>, accessed July 16, 2007.
5. See http://www.moe.gov.sg/speeches/2004/sp20040526_print.htm, http://www.yearbook.gov.hk/2004/en/07_04.htm, and especially Manzo (2007).
6. Of course, not all public officials accused of—or even convicted of—corruption, have been defeated. In 2006, Representative William Jefferson joined a long list of (New Orleans) Louisiana officials who have been charged with wrong-doing (in his case, bribery, with \$90,000 found in his home freezer) but won another term anyhow.