Corruption, Inequality, and Trust*

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Corruption flouts rules of fairness and gives some people advantages that others don't have. Corruption transfers resources from the mass public to the elites–and generally from the poor to the rich (Tanzi, 1998). It acts as an extra tax on citizens, leaving less money for public expenditures (Mauro, 1997, 7). Corrupt governments have less money to spend on their own projects, pushing down the salaries of public employees. In turn, these lower-level staffers will be more likely to extort funds from the public purse. Government employees in corrupt societies will thus spend more time lining their own pockets than serving the public. Corruption thus leads to lower levels of economic growth and to ineffective government (Mauro, 1997, 5). The roots of corruption lie in the unequal distribution of resources in a society. Economic inequality provides a fertile breeding ground for corruption–and, in turn, it leads to further inequalities. The connection between inequality and the quality of government is not necessarily so simple: As the former Communist nations of Central and Eastern Europe show, you can have plenty of corruption without economic inequality. The path from inequality to corruption may be indirect–through generalized trust–but the connection is key to understanding why some societies are more corrupt than others. When we trust people who may be different from ourselves, we will be more predisposed to treat them honestly–and profiting from corruption will seem unseemly. When we distrust strangers, especially if we believe that they are trying to cheat us, our moral compunctions against corrupt behavior become less compelling. Corruption and inequality wreak havoc with our moral sense. della Porta and Vannucci (1999, 146) argue that pervasive corruption makes people less willing to condemn it as immoral. As coruption becomes widespread, it becomes deeply entrenched in a society (Mauro, 2004, 16). People begin to believe that dishonesty is the only way to get things done (Gambetta, 2002, 55).

The argument from inequality to low trust to corruption–and back again both to low trust and greater inequality (what I call the "inequality trap")–stands in contrast to the more common approach to explaining corruption as stemming from deficient institutions. The roots of corruption are largely *not* institutional, but rather stem from economic inequality and a mistrusting culture, which itself stems from an unequal distribution of wealth. There is one institution that does shape corruption: the *fairness of the legal system*.

The most compelling argument for the notion of an inequality trap is that corruption is *sticky*. There is little evidence that countries can escape the curse of corruption easily–or at all. The r^2 between the 2004 Transparency International (TI) estimates of corruption--I use TI measures in the aggregate analyses to follow--and the historical estimates for 1980-85 across 52 countries is .742. Any theoretical perspective on corruption must take into account its persistence over time.

My argument stands in contrast to more traditional institutional accounts of corruption, which often suggest that the cure for malfeasance is to put the corrupt politicians in jail. If we do so (and we ought to do so), they will be replaced by other corrupt leaders. Nor do we need a reformed system of government that either centralizes power to herd in independent "entrepreneurs" who extort businesses or average citizens (Treisman, 1999) or decentralizes power to prevent an all-powerful "grabbing hand" (DiFrancesco and Gitelman, 1984, 618; Fisman and Gatti, 2000). In contrast to corruption, political institutions are not so sticky. The r^2 for political rights from 1973 to 2003 is .165 and for civil liberties it is .263 (both $N = 77$). Even excluding countries that were Communist in 1973, the respective r^2 values increase only to .264 and .375 (N = 67). More critically, changes in political rights and civil liberties from 1973 to 2003 are unrelated to changes in corruption from 1980-85 to 2004 (r^2 = .007 and .038 respectively, N = 38). Moving the democratization measures forward to 1988 does not improve the fit with changes in corruption (r^2 = .004 and .0005 for political rights and civil liberties, N = 39).

My argument on the sources of corruption is largely pessimistic: Corruption is not easy to eradicate if it is largely based upon the distribution of resources (economic inequality) and a society's culture (trust in people who may be different from yourself). Changing institutions may not be easy, but its difficulty pales by comparison with reshaping a society's culture or its distribution of wealth (and power). Corruption, inequality, and trust are all "sticky": They don't change much over time. Yet, all is not lost: Policy choices that countries make also shape corruption. Countries that have very high levels of regulation of business have more corruption. In turn, the level of regulation is shaped by the fairness of the legal system, the openness of the economy, and whether the government is military or civilian.

Inequality and Corruption

The link between inequality and corruption seems compelling. Corruption is exploitive. Not all corruption is linked to inequality. "Grand" corruption refers to malfeasance of considerable magnitude by people who exploit their positions to get rich (or become richer)–political or business leaders. So grand corruption is all about extending the advantages of those already well endowed. "Petty corruption," small scale payoffs to doctors, police officers, and even university professors, very common in the formerly Communist nations of Central and

Eastern Europe (and many poor countries) is different in kind, if not in spirit. Petty corruption, or "honest graft" as New York City political boss George Washington Plunkitt called it (Riordan, 1948), does not enrich those who practice it. It may *depend upon* an inequitable distribution of wealth–there should be no need to make "gift" payments in a properly functioning market economy.

It does not exacerbate the gap between the rich and the poor--and may actually narrow it by providing some small benefits to the middle class bureaucrats, teachers, and doctors who benefit from it. With the sort of aggregate data we have on corruption indicators, there is no clear way to separate either the causes or effects of inequality on big and little corruption. Survey data can help us do so (see Kornai, 2000; Miller, Grodeland, and Y. Koshechkina, 2001). But the distinction is not so critical to an examination of the factors underlying corruption at the aggregate level for two reasons.

Inequality promotes corruption in many ways. Glaeser, Scheinkman, and Schleifer (2002, 2-3) argue:

> ...inequality is detrimental to the security of property rights, and therefore to growth, because it enables the rich to subvert the political, regulatory, and legal institutions of society for their own benefit. If one person is sufficiently richer than another, and courts are corruptible, then the legal system will favor the rich, not the just. Likewise, if political and regulatory institutions can be moved by wealth or influence, they will favor the established, not the efficient. This in turn leads the initially well situated to pursue socially harmful acts, recognizing that the legal, political, and regulatory systems will not hold them accountable. Inequality can

> encourage institutional subversion in two distinct ways. First, the havenots can redistribute from the haves through violence, the political process, or other means. Such Robin Hood redistribution jeopardizes property rights, and deters investment by the rich.

Similarly, You and Kaghram (2005, italics in original) argue: "The rich, as interest groups, firms, or individuals may use bribery or connections to influence law-implementing processes (*bureaucratic corruption*) and to buy favorable interpretations of the law (*judicial corruption*)."

Inequality breeds corruption by: (1) leading ordinary citizens to see the system as stacked against them (Uslaner, 2002, 181-183); (2) creating a sense of dependency of ordinary citizens and a sense of pessimism for the future, which in turn undermines the moral dictates of treating your neighbors honestly; and (3) distorting the key institutions of fairness in society, the courts, which ordinary citizens see as their protectors against evil-doers, especially those with more influence than they have (see also Glaeser, Scheinkman, and Schleifer, 2003; and You and Khagram, 2005).

Economic inequality creates political leaders who make patronage a virtue rather than a vice, since it provided jobs for ordinary citizens. These leaders *help* their constituents, but more critically *they help themselves*. Inequality breeds corruption–and to a dependency of the poor on the political leaders. Inequality leads to *clientelism*–leaders establish themselves as monopoly providers of benefits for average citizens. These leaders are not accountable to their constituents as democratic theory would have us believe.

There may well be the trappings of democracy, with regularly scheduled elections, so that the link between democratic and honest government may not be as strong as we might initially expect.[1] The political boss is well entrenched in his position. His party reigns supreme in the area. Potential opponents don't have the resources to mount a real challenge–and, even if they tried, the boss can count on the support of the legions whose jobs he controls through his patronage machine.

Unequal wealth leads people to feel less constrained about cheating others (Mauro, 1998, 12) and about evading taxes (Oswiak, 2003, 73; Uslaner, 2003). Where corruption is widespread, people realize that they are not the masters of their own fate–and they lose faith that their future will be bright. People become resigned to their fate. In the World Values Survey waves 1-3 (1981, 1990, 1995-97), respondents who believed that corruption was widespread in their country were significantly *less likely to believe that they could get ahead by hard work rather than by luck or having connections*. The zero-order correlation is modest (as we might expect with a sample of almost 60,000, tau-b = .061)–but 34 percent of people in societies where corruption was seen as widespread thought the only way you could get ahead was by luck, compared to 29 percent in honest societies.

If people feel that they have been treated unfairly by the police or in the courts, they are less likely to have faith in the legal system. The justice system is especially important for two reasons. First, a corrupt court system can shield dishonest elites from retribution. Second, the courts, more than any other branch of the polity, is *presumed to be neutral and fair*. We appeal "unjust" decisions to the judiciary–and our vernacular includes the phrase "court of last resort," suggesting that *somewhere there must be justice*. Rothstein and Stolle (2002) argue that there are two dimensions to the legal system: fairness and efficiency. Fairness, I argue, is the key to the connection between law and corruption *because it reflects the advantages that some people have* *over others*. The efficiency of the courts should not matter so much for corruption–since rounding up the corrupt leaders and putting them in jail only makes room for a new group of miscreants, doing little to address the underlying causes of corruption.

When people have little faith in the fairness of the legal system, there are few incentives to obey the law. When Russian oil entrepreneur Mikhail Khodorkovsky confessed his sins of relying on "beeznissmeny" (stealing, lying, and sometimes killing) and promised to become scrupulously honest in early 2003, Russians regarded this pledge as "startling." When he was arrested and charged with tax evasion and extortion under orders from President Vladimir Putin ten months later, the average Russian was unphased: About the same share of people approved of his arrest as disapproved of it (Tavernise, 2003). The arrest of Khodorkovsky stands out as exceptional: Corrupt officials and business people are rarely held to account. While crime spiraled in Russia after the fall of Communism, *conviction rates plummeted* (Varese, 1997).

Since trust rests upon a foundation of fairness and especially equality, the link from inequality to low trust to high corruption is straightforward.

Some Preliminary Evidence

Fairness of the legal system is not equivalent to economic inequality–and the connection between the two is not as strong as we might suppose. I use a measure of legal fairness developed by the Economist Intelligence Unit; it only covers 60 countries, so I derived estimated values for other countries by imputation.[2] Economic inequality is measured by the Gini index from Deininger and Squire (1996). Overall, the fit between these two indicators of equality (equal treatment before the law and equal distribution of wealth) is not strong. For 88 nations, $r^2 = .131$. The correlation is depressed by the former and present Communist nations that largely have unfair legal systems but more equitable distributions of income.[3] For many years, this equality was imposed from above by a command economy–but even as inequality has grown sharply, it has not approached the level of capitalist economies. Overall, we see relatively high economic equality matched with both low and high levels of judicial fairness. When I remove the East bloc countries, the r^2 rises to .279–still rather modest. Fairness of the legal system is *not* the same as economic inequality.

The plot of inequality and corruption is striking: Across 85 countries, there is a weak (at best) relationship. The r^2 is a paltry .082, suggesting no relationship at all between inequality and corruption. When I remove the former and present Communist regimes, there is a moderate fit between the two indicators ($r^2 = .246$, N = 62) when the former and present Communist countries are excluded. With a bivariate r^2 of this magnitude, it should not take much effort to see it vanish in a multivariate analysis.

The connection with fairness of the legal system is far stronger–and this is hardly surprising. While I took care to find an indicator of the fairness of the legal system that is *not* based upon an underlying measure, it is hardly surprising that corruption flourishes where the courts give special treatment to some over others–and where court procedures are not transparent. The least fair legal systems have a mean corruption score of 2.82, while the most fair systems have a mean of 8.78 (high scores indicate greater transparency, less corruption). The fit between legal fairness and corruption is very strong: $r^2 = .722$ for the 55 cases of the original EIU data and .733 for the 86 cases including the imputed scores.[4]

There are good theoretical reasons to believe that corruption stems from economic inequality as well as the fairness of the legal system. But the evidence does not seem compelling.

Have we reached a dead end?

Trust, Inequality, and Corruption

Not at all. There *is* a link between inequality and corruption, but it is not direct, at least not in aggregate analyses. Inequality leads to corruption because it leads to resentment of out-groups and enhanced in-group identity. Generalized trust, the value that is predicated upon the belief that many others are part of your moral community, is the foundation of the "well-ordered society." When we believe that "most people can be trusted," we are more likely to give of ourselves and to look out for the welfare of others. When we believe that "you can't be too careful in dealing with people," we are likely to be on our guard and to feel little compunction in taking advantage of others who may not have our best interests in mind.

Generalized trust is predicated on the notion of a common bond between classes and races and on egalitarian values (Seligman, 1997, 36-37, 41).[5] Faith in others leads to empathy for those who do not fare well, and ultimately to a redistribution of resources from the well-off the poor. If we believe that we have a shared fate with others, and especially people who are different from ourselves, then gross inequalities in wealth and status will seem to violate norms of fairness. Generalized trust rests upon the psychological foundations of optimism and control and the economic foundation of an equitable distribution of resources. Optimism and control lead people to believe that the world is a good place, it is going to get better, and that you can make it better. Economic equality promotes both optimism and the belief that we all have a shared fate, across races, ethnic groups, and *classes*.

Corruption, of course, depends upon trust–or honor among thieves. As it takes two to tango, it takes *at least two to bribe*. Corrupt officials need to be sure that their "partners" *will deliver* on their promises (Lambsdorff, 2002). Corruption thrives upon trust, but it cannot be based upon the notion of widespread goodwill and common interests in a society underlying generalized trust. Entrance into a corruption network is not easy. Members of a conspiracy of graft cannot simply assume that others are trustworthy (as generalized trusters do). Treating strangers *as if* they were trustworthy (also as trusters do) can be hazardous at best.

Instead, corruption thrives on *particularized trust,* where people only have faith in their own kind (or their own small circle of malefactors). Particularized trusters strongly distrust outsiders. They fear that people of different backgrounds will exploit them–and in a dog-eat-dog world, you have little choice to strike first before someone exploits you. Plunkitt saw his opportunities and took them–worrying that someone else might get there first and leave nothing for him. Gambetta (1993) argued that the Mafia took root in Southern Italy because there were strong in-group ties and weak generalized trust there.

Where is generalized trust high and where is it low? *Across a wide set of nations, across the American states, and over time in the United States–the only country with a long enough time series on the standard survey question on trust*[6]*–the strongest predictor of trust is the level of economic inequality.* As economic inequality increases, trust declines (Uslaner, 2002, chs. 6, 8; Uslaner and Brown, 2005). Optimism for the future makes less sense when there is more economic inequality. People at the bottom of the income distribution will be less sanguine that they too share in society's bounty. The distribution of resources plays a key role in establishing the belief that people share a common destiny–and have similar fundamental values. When resources are distributed more equally, people are more likely to perceive a common stake with others. If there is a strong skew in wealth, people at each end may feel that they have little in common with others. In highly unequal societies, people will stick with their own kind. Perceptions of injustice will reinforce negative stereotypes of other groups, making trust and accommodation more difficult (Boix and Posner, 1998, 693).

Seligman (1997, 36-37, 41) argues that trust *can not* take root in a hierarchal culture. Such societies have rigid social orders marked by strong class divisions that persist across generations. Feudal systems and societies based on castes dictate what people can and can not do based upon the circumstances of their birth. Social relations are based on expectations of what people must do, not on their talents or personalities. Trust is not the lubricant of cooperation in such traditional societies. The assumption that others share your beliefs is counterintuitive, since strict class divisions make it unlikely that others actually have the same values as people in other classes.

A history of poverty with little likelihood of any improvement led to social distrust in the Italian village of Montegrano that Edward Banfield (1958, 110) described in the 1950s: "...any advantage that may be given to another is necessarily at the expense of one's own family. Therefore, one cannot afford the luxury of charity, which is giving others more than their due, or even justice, which is giving them their due." Montegrano is a mean world, where daily life is "brutal and senseless" (Banfield, 1958, 109), much like Hobbes's "nasty, brutish, and short" existence. All who stand outside the immediate family are "potential enemies," battling for the meager bounty that nature has provided. People seek to protect themselves from the "threat of calamity" (Banfield, 1958, 110).

Inequality leads to low levels of trust in strangers. What trust remains is entirely within your group, so there are few moral sanctions for cheating people of a different background. Inequality thus breeds corruption indirectly–by turning people inward and reducing the sanctions, both external and internal, of taking advantage of others. So I posit an indirect link from inequality to corruption:

inequality –> low generalized trust & high in-group trust –> corruption

Trust and corruption *are* linked. I show the connection in Figure 1 below (see also Uslaner, 2004). The graph is a bit difficult to read, since it is difficult to fit the country abbreviations into the graph since many countries have similar values on both variables. The trust question comes from the World Values Survey–and to increase the number of cases, I imputed values on this measure as well.[7] Here we see a more robust fit than in the connection between inequality and corruption: $r^2 = .420$ for 83 cases.[8]

<u>Figure 1 about here</u>

Just as corruption is "sticky," inequality and trust do not change much over time, either. The r^2 for the most commonly used measures of economic inequality (Deininger and Squire, 1996) between 1980 and 1990 is substantial at .676 for a sample of 42 countries. A new inequality data base developed by James Galbraith extends measures of inequality further back in time and across more countries. The r^2 between economic inequality in *1963* and economic inequality in *1996* is .706 (for 37 countries). The r^2 between generalized trust, as measured in the 1981, 1990-1995 World Values Surveys across between 1980 and the 1990s is .81 for the 22 nations included in both waves—the r^2 between generalized trust in 1990 and 1995 is also robust (.851, N = 28). The persistence of corruption follows the stability of inequality and trust over time. Institutions seem far more malleable than either inequality, trust, and especially corruption. This is the foundation of the inequality trap.

A Summary of the Evidence

I can do little more here than to summarize the evidence I have marshalled for the inequality trap in Uslaner (2007). I present evidence from both aggregate-level statistical models and from the analyses of surveys. Most critically, I present a simultaneous equation model of corruption, trust, inequality (as well as the level of strangling regulation of business, the overall risk level of an economy, and a measure of government effectiveness). I find strong support for the inequality trap argument across 61 nations (see Figure 2 for the full model). Economic inequality strongly lowers the level of generalized trust and trust in turn is the most powerful determinant of corruption. A measure of particularized trust–whether countries prevent conversion to minority religions–also leads to higher levels of corruption, as does an unfair legal system.

Figure 2 about here

Policy also matters, however: Strangling regulations on business (requiring permissions from many officials) presents more opportunitites for corruption. However, the level of democracy does *not* matter. In turn, corruption has a powerful effect in leading to more inequality. Across a wide range of policy outcomes–ranging from economic competitiveness to the ethical behavior of business firms to multiple measures of social expenditures (especially on education and public health) and the quality of life, an honest government matters more for better performance than an efficient state. For the American states, there is also a powerful relation between both levels of inequality and trust and reporters' perceptions of corruption (see also Uslaner, 2006).

I also consider corruption perceptions across a range of countries and blocs, focusing especially on transition countries. While former Communist nations have traditionally lower levels of inequality, the disparity between the rich and the poor has been increasing sharply since transition. In transition countries, most people believe that the only way you can become rich is by being dishonest. So people link grand corruption, but not petty corruption, to inequality and here there is a more direct link between perceptions of corruption and beliefs about the inequitable distribution of resources. There is also a link from perceptions of inequality to lower trust–and people who are less trusting also perceive far more grand corruption. Perceptions of rising inequality and high levels of corruption also lead to demands of redistribution of income from the rich to the poor, as I show from a survey of Romanians. In Estonia, Slovakia, and Romania, elites are far less likely to see high levels of corruption than are ordinary citizens–and in Estonia, trust and corruption perceptions are more strongly linked for ordinary citizens than for elites (especially entrepreneurs).

Similar results hold for Africa, especially Nigeria, when I analyze Afrobarometer surveys. Africa is a classic case of the inequality trap–with persistent high inequality, low trust, and high corruption. Perceptions of grand corruption, but not petty malfeasance, lead people to perceive greater inequality–and where people see a less equitable distribution of wealth and an unfair legal system they are more likely to see high-level corruption. Corruption creates social divisions between the rich and the poor–and thus less trust across classes and groups–but in turn people who are disadvantaged are most likely to perceive corruption.

Where corruption is weaker, the link to trust and especially to inequality is far weaker, generally insignificant. The Nordic countries (Denmark, Finland, Norway, and Sweden) have the most trusting populations in the world–and have very little corruption and a strongly egalitarian distribution of wealth. So it is not surprising to see little connection among trust, perceptions of inequality, and views about corruption. There is also no link in Hong Kong (where trust is moderate, as is inequality) and Botswana (where trust and egalitarianism are both low)–both countries that have escaped the inequality trap and have honest governments. While both countries–as well as Singapore–have reduced (even eradicated) malfeasance by strong anti-corruption agencies, their success is not easily replicable. Each of these countries has worked hard to develop a sense of social solidarity by reducing high levels of inequality and promoting multicultural (or multitribal) cooperation in the face of external threats. In contrast anti-corruption agencies in many other countries, especially in Africa, have not been successful in fighting corruption–sometimes they even cover it up–and Nigerians' faith in their commission reflected both their perceptions about high-level corruption and economic inequality–as well as low trust in people generally. When people have lost faith in each other and in believe that their leaders are corrupt and inequality is rampant, they will have little faith that another bureaucracy could combat corruption.

Reprise

Corruption is "bad social capital." It is dishonesty, to be sure, but it is more than that. It exploits the poor and powerless to grant more riches and power to people who already have great wealth. There is no easy way out of this inequality trap. Few countries become markedly less corrupt over time–and inequality and trust are also remarkably sticky. Institutional change seems to have little effect on corruption: The two great "success stories" in combatting corruption, Hong Kong and Singapore, are not democracies. Combatting corruption means tackling inequality. And the policies that work best to reduce inequality and promote trust–universalistic social welfare policies–also depend upon honest governments to deliver the goods and upon a social compact to provide benefits such as universal education and health care to the rich and the poor alike. High levels of corruption means that services may not be provided and the inequity underlying grand corruption will lead to more radical demands for redistribution–and policies that might alleviate, but not resolve, fundamental inequalities (Rothstein and Uslaner, 2005). "Bad social capital" seems self-perpetuating.

Figure 1

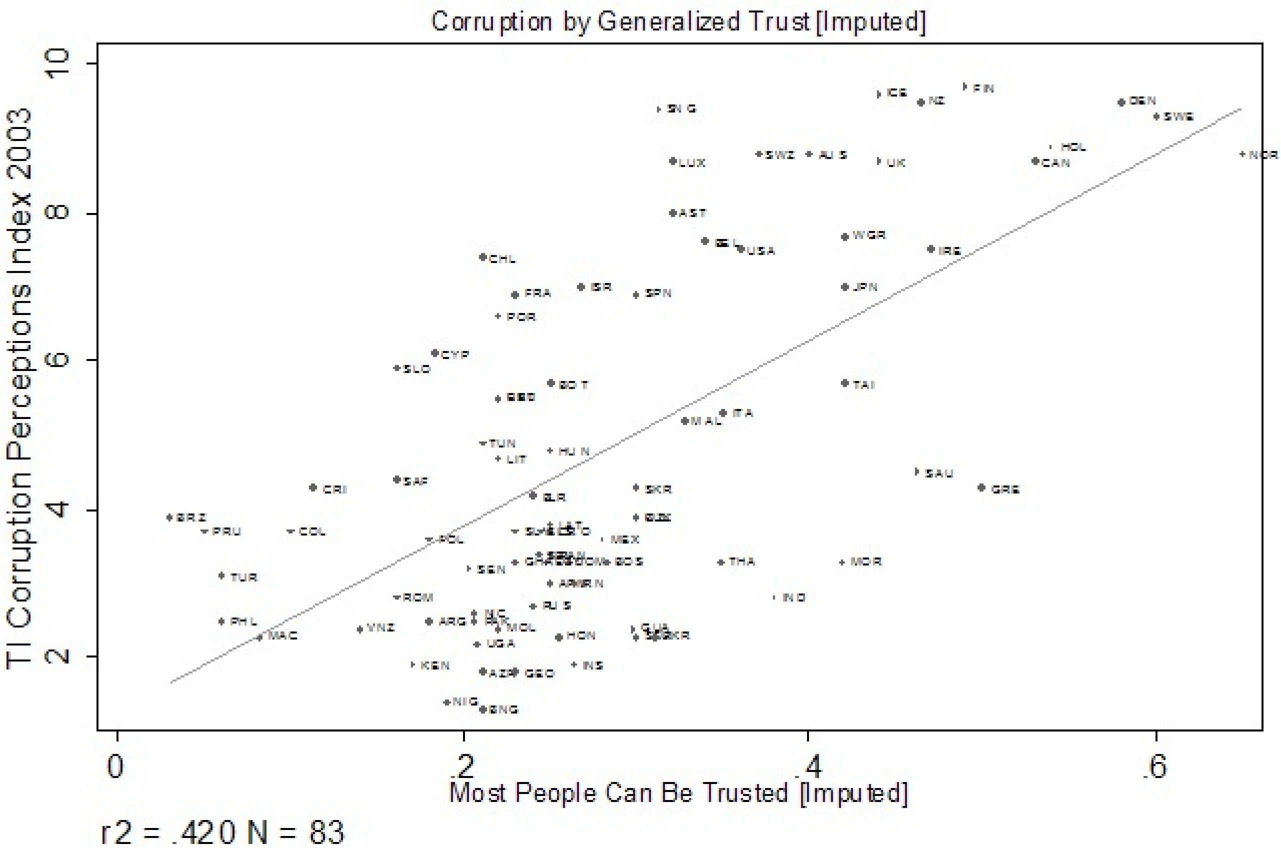
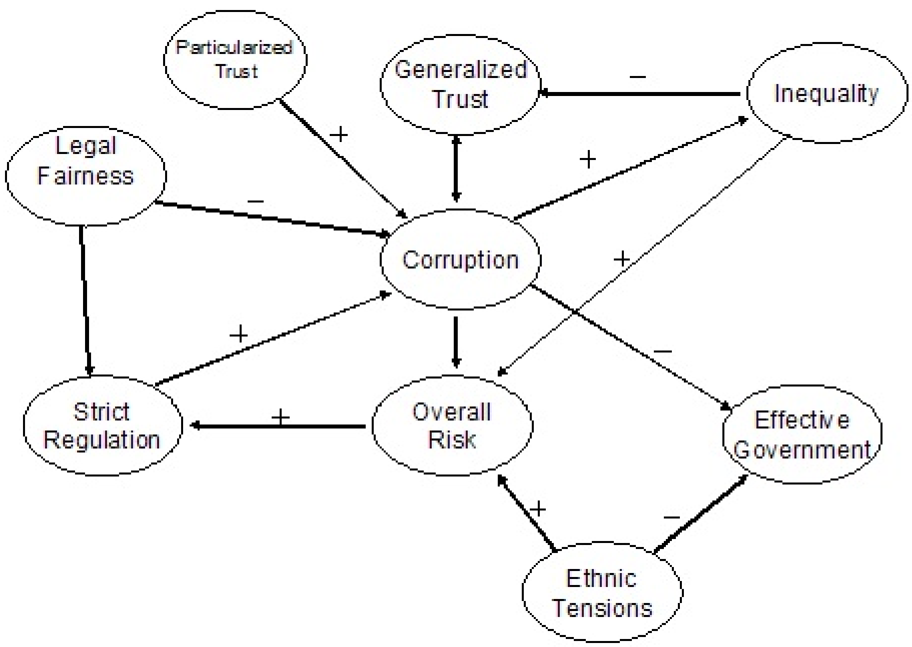

Corruption by Generalized Trust [Imputed]
TI Corruption Perceptions Index 2003
Most People Can Be Trusted [Imputed]
r2 = .420 N = 83

Figure 2

Model of Inequality, Trust, Corruption, and Effective Government



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NOTES

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1. The r^2 between the 2003 Transparency International Corruption Perceptions Index and the trichotomized 2003 Freedom House index (not free, partially free, and free) is just .216.
2. I am grateful to Elizabeth Anderson of the Economist Intelligence Unit for providing the data on legal fairness. The variables I used for the imputation are: gross national product per capita (from the State Failure Data Set), the tenure of the executive and a dummy variable for having a parliamentary system (from the Database of Political Institutions), the Freedom House composite indicator of democracy trichotomized for 2003, and the distance of a country from the equator (from Jong-sung You). All variables had positive coefficients. The R^2 is .769, the standard error of the estimate is .647 (N = 53).
3. Within the former and present Communist countries, there is also a negative relationship between economic inequality and legal fairness (r = -.357, N = 23, r = -.526, N = 17 for the original, non-imputed, data). The East bloc nations reduce the overall goodness of fit

since they lie on a separate and less steep regression line.

4. I plot only the original scores, which are integer values. The imputed scores are not generally integer values and the plot was unreadable.

5. The following section is derived from Uslaner (2004), which in turn summarizes Uslaner (2002).

6. The question, "Generally speaking, do you believe that most people can be trusted, or can't you be too careful in dealing with people?", was asked first in cross-national samples, in *The Civic Culture* in 1960 (Almond and Verba, 1963). It, has been regularly asked in the General Social Survey in the United States and periodically in the American National Election Studies. Cross-nationally, it has been asked in each wave of the World Values Survey. The measure here comes from the 1990 and 1995 waves (most recent figure used). For an analysis of why the question refers to trust in strangers and a more general defense of the question, see Uslaner (2002, ch. 3). The cross-national analysis omits countries with a legacy of Communism. I do not do so here, but I do omit China, since it has an anomalously high trust value (see Uslaner, 2002, 226, n. 6).

7. The variables used to impute trust are: gross national product per capital; the value of imports of goods and services; legislative effectiveness; head of state type; tenure of executive (all from the State Failure Data Set); distance from the equator (from Jong-sung You of Harvard University); and openness of the economy (from Sachs and Warner, 1997; data available at http://www.cid.harvard.edu/ciddata/ciddata.html). The R^2 = .657, standard error of the estimate = .087, N = 63.

8. Three outliers stand out–Saudi Arabia, Morocco, and Greece, all of which likely have

estimates of trust that seem unrealistically high. The Greek estimate of trust is from the World Values Survey, which places it between Canada and Finland and far ahead of more similar states such as Italy, Turkey, and Spain. Greek scholars have told me that they question this score. The values for Saudi Arabia and Morocco are close to New Zealand and Finland, on the one hand, and West Germany and Great Britain on the other. These values are imputed and thus may not be as reliable. Without these countries, the R^2 rises to .478.