



# Corruption, fairness, and inequality

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**Gal Ariely**

Ben-Gurion University of the Negev, Israel

**Eric M. Uslaner**

University of Maryland–College Park, USA

## Abstract

This study examines two prominent arguments underlying perceptions of corruption – Uslaner’s “inequality trap” thesis, according to which high inequality leads to low trust and thus greater corruption *ad infinitum* – and the unfairness theory. The perception of corruption was measured across 31 countries via the 2006 Role of Government module of the International Social Survey Program (ISSP). The findings indicate that, in line with the “inequality trap” thesis, countries with higher levels of income inequality evince a higher degree of perception of corruption and, in correspondence with the unfairness thesis, that people who believe that public officials treat them fairly are less likely to perceive corruption to exist. Combining these two explanations, we employed a multilevel model to examine whether the negative correlation between fair treatment and perceptions of corruption vary in accordance with the level of country income inequality. The results indicate that the link between these variables is weaker in less equal countries than in more egalitarian countries. In unequal countries, fairness does not matter quite so much for corruption perceptions.

## Keywords

Perceptions of corruption, income inequality, unfairness theory

## Introduction

What drives perceptions of corruption? Ordinary people find corruption morally objectionable. What irks them most, we argue, are perceptions that elites grow rich from dishonesty and that they gain special treatment not available to ordinary people. When people see the rich getting richer and believe that they got their wealth unfairly, they are most likely to perceive high levels of corruption.

We examine two prominent arguments about the roots of corruption – and how people view it. The first is Uslaner’s (2008) “inequality trap” thesis. Corruption, in his argument, stems from high

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### Corresponding author:

Gal Ariely, Department of Politics & Government, Ben-Gurion University of the Negev, Beer-Sheva 84105, Israel.

Email: [galariel@bgu.ac.il](mailto:galariel@bgu.ac.il)

inequality and low trust in other people. High inequality leads to low trust and thus to high corruption, which in turn leads to more inequality. The second, most prominently associated with Rothstein (2011: 103–110) and You and Khagram (2005), is the claim that corruption rests upon a foundation of unfairness.

Perceptions of fair treatment lie at the heart of how people see grand corruption – but only in relatively equal societies. In unequal societies, people do not expect fair treatment. They do not see corruption as acceptable, but as inevitable and beyond their control. Inequality demoralizes people and leads them to believe that they are not masters of their own fate. In societies with more equitable distributions of resources, people have greater expectations of fairness. They presume that unfair treatment is more than simply wrong – it represents a violation of the integrity of the governmental system.

We combine the arguments of Uslaner’s “inequality trap” with the fairness thesis of Rothstein and others. We shall show that people who do not trust others are more likely to perceive grand corruption in their countries. We also show that corruption perceptions reflect the belief that officials do not treat people fairly. When people need connections with public officials to obtain favorable outcomes, they are also more likely to believe that these ties reflect a corrupt culture. These linkages are greater in the countries that are more equal and smaller changes in perceived fairness lead to much lower expectations of corruption. We find, perhaps counterintuitively, that fairness does not matter quite so much for corruption perceptions in the most unequal countries. When inequality is greater, people are less likely to expect fair treatment. So there will be less variation in how expectations of fairness lead to perceptions of corruption.

Perceptions of fairness and trust lead people to be less likely to perceive high levels of grand corruption. We expect people in highly unequal societies to see more corruption. But we also posit an interaction effect: fairness matters most when people have an expectation of impartial treatment. In societies with high levels of inequality, people are less likely to expect fair treatment. So the linkage between perceptions of fairness and corruption is complex. We posit a direct effect of perceptions of fairness on judgments of corruption – and also an indirect linkage through inequality.

While both inequality and fairness have been linked to corruption, there is no study linking people’s perceptions of fairness and corruption in the context of inequality. There are good reasons for seeing both inequality and fairness as part of the same syndrome. We shall do so below.

We support our claims by estimating multilevel models of corruption perceptions in the 2006 Role of Government module of the International Social Survey Program (ISSP) across 31 countries in Europe, Asia, Latin America, and South Africa. The wide range of countries in the ISSP module assures us that our arguments are not specific to one region or set of countries.

## **Corruption, fairness, inequality, and trust**

There are strong rationales for expecting perceptions about both inequality and unfairness to lead to how people see corruption. We briefly outline each argument and why we find each compelling and complementary to the other. We first consider the linkage between inequality and corruption.

Glaeser et al. (2004; see also You, 2015: 45–46) argue that corruption flourishes when there is a high level of inequality:

...inequality...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 haves can redistribute from the have-nots through violence, the political process, or other means. Such Robin Hood redistribution jeopardizes property rights, and deters investment by the rich. (Glaeser et al., 2004: 200)

You and Kagham (2005: 138) 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 et al., 2004; You and Khagram, 2005).

Corruption gives some people advantages that others do not 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. With less money in the public purse, key services will not be provided to those who need them most – the poor. The wealthy can find ways to obtain these services, but the poor may face demands for bribes they cannot afford – or even have to go without. (Uslaner, 2011)

The connection between inequality and fairness is straightforward. In a highly unequal system, people see that the rich are treated differently from other people. The gains of corruption accrue to the wealthy. The rich benefit from greater access to goods in a corrupt regime. They are the only people to engage in “grand corruption,” since ordinary people cannot afford to do so. They are unlikely to be indicted for any bribes they offer – and in the rare instances in which they are charged with an offense, they are unlikely to be convicted or to go to jail. Ordinary people clearly take notice of this inequality and will not see themselves as masters of their own fate (Uslaner, 2008: 7, 43). Moreover, patterns of corruption and inequality persist over long periods of time. Countries rarely escape this “inequality trap” – and become both more egalitarian and less corrupt. (Uslaner, 2008: chapter 2)

When people believe that their fate is controlled by others – or by factors beyond their control – they will see their system as unfair (Karklins, 2005). In an unequal world, people will not see themselves as treated fairly. However, the arguments for these two dimensions of corruption perceptions have not been developed in any analysis of corruption perceptions. Our task here is to show the interaction between inequality and fairness on corruption perceptions. Our analysis will yield a counterintuitive result. Because people in more egalitarian societies *expect* fair treatment from their officials, they are more likely to see unfair treatment as reflecting corruption than are people in less egalitarian countries – where people do not have such expectations of fairness.

You (2006) sees *fair* institutions as the foundation of good (honest) government, while Kurer (2003) argues that *partiality* in the implementation of public laws and public policies lies at the heart of corruption. Rothstein (2011: 15) agrees: “The norm that is violated when corruption occurs is the impartiality principle governing the exercise of public power. . . .” Impartiality, as Kurer and Rothstein argue, means equal treatment for everyone. Rothstein (2011: 15) argues that “. . .impartiality rules out. . .practices such as clientelism, patronage, nepotism, political favoritism, discrimination, and

other ‘particularisms’.” We accept the argument of Dahlström et al. (2013) that corruption will be lower in countries with high levels of equality and with universal social welfare policies. Where such policies are lacking, people are likely to perceive government as not responsive and unfair. But this is not the same thing as equating corruption with unfairness.

We argue that people believe that politicians who treat people unfairly are more likely to be corrupt. But this is not the same as *equating* corruption with unfairness. Defining corruption as unfair politics opens up all sorts of possibilities for what is corrupt. John F. Kennedy, who hardly was at the bottom of the inequality ladder, said: “Life is unfair.” Lots of things in life, and especially in politics, are unfair – or seem inequitable. They are not all instances of corruption. To argue, as You (2006: 9) does, that politicians must “follow the principle of fairness” misses the point that politics is about winning and losing, not about fairness. The losers in political battles are less likely than winners to have confidence in incumbent politicians – if not to see them as outright unfair (Anderson et al., 2005).

Just as there are many ways in which life can be unfair, there are also many motivations for partial treatment by bureaucrats. Soss (2002: 75, 99) details how welfare recipients in the United States see their treatment by bureaucrats as “degrading” and one welfare recipient described her experience at a welfare office: “It’s like a cattle prod....I felt like I was in a prison system.” Yet, there is no evidence that welfare workers are corrupt. More likely, they are simply prejudiced; Gilens (1999) shows that Americans do not like welfare because most recipients of this means-tested program are African-Americans, whom most Americans – including bureaucrats – see as unworthy of benefits. Prejudice rather than corruption can explain many instances of partial treatment by public servants. We accept the argument that corruption and fairness are strongly linked. We do not accept the claim that they are the same thing – if they were, there would be no need to test the claim that people who believe that politicians treat “people like me” unfairly are more likely to be corrupt.

No definition of corruption suffices to cover the many dimensions of the concept. Corruption is not simply illegal behavior. What is legal in one country may be illegal elsewhere, so this cannot be a comprehensive definition.

While there is no comprehensive definition of corruption, the wording of the question in the 2006 ISSP survey (“how many public officials in [your country] are involved in corruption?”) is closest to the most often used definition of corruption as the abuse of public power for private gain (cf. Philp and David-Barrett, 2015). It is not a comprehensive definition of corruption, since it does not cover malfeasance outside the public sphere (such as insider trading and bribery in business).

The 2006 ISSP is the only cross-national survey in which there are questions on corruption perceptions and fairness. It is limited in the number of other variables that may shape either corruption perceptions or fairness. This means that we cannot address the issue of endogeneity: Do ideas of fairness shape corruption perceptions or does the direction of causality go from corruption to unfair treatment? Perhaps other surveys developed in the future will be available. The World Justice Project (<http://data.worldjusticeproject.org/>) would permit such testing, but the data are not publicly available.

The linkage between inequality and malfeasance, as Uslaner (2008: chapters 5 and 7) argues, depends upon the stakes of corruption. People are most upset by corruption when they see it as enriching a privileged class. In highly corrupt countries, petty corruption – small payments that people make to bureaucrats, the police and doctors – are necessary to get by in daily life. People are bothered by it – but they do not associate it with either inequality or unfairness and such payments do not lead to less trust in other people (Uslaner, 2008: chapters 5 and 7). Petty corruption is annoying, but people largely believe that it is just a part of daily life in a system marked by other

instances of much greater unfairness. And it can even be useful – since many (most?) people would rather pay a small bribe than spend a day in court for a minor traffic offense.

We argue that corruption is strongly linked to both unfairness and inequality. Corruption enriches the powerful – both inside and outside of government – while penalizing those with fewer resources. Corruption means that there is less money to spend on public goods such as education, roads, and hospitals. It is thus a penalty on ordinary people – and it exacerbates inequality through an unfair distribution of society's resources.

We see the connection between fairness and corruption as part of a larger syndrome of “positive” attitudes and outcomes that include greater equality and trust in others. When inequality is high and trust is low, people are more likely to perceive higher levels of corruption.

While the linkage between corruption and inequality is widely acknowledged, empirical support for a direct connection is weaker. Uslaner (2008: 46–48) reports a very modest relationship ( $r = 0.082$ ) across 85 countries, although You and Khagram (2005: 144–148) found a stronger relationship. Uslaner (2008: 63–73) found much greater support for an indirect effect using aggregate data: inequality leads to lower levels of interpersonal trust, which in turn gives rise to more corruption. Corruption then reinforces inequality – and promotes more in-group trust at the expense of trust in people unlike yourself – and ultimately more corruption in a vicious circle.

We also include other variables that have been shown to shape perceptions of corruption. Generalized trust also matters: in societies where people are more likely to believe that “most people (especially people of different backgrounds) can be trusted,” levels of corruption should be lower. People in high trust societies have a greater sense of a shared fate and will be more likely to see corruption as harming everyone (Uslaner, 2008: chapter 2). Interpersonal trust should thus rest upon the same foundation of fairness. More critically, it stems from greater economic equality (Uslaner, 2002: chapters 6 and 8). Trust and fairness both reflect a sense of social cohesion and a commitment by both citizens and leaders to treat others as one wants to be treated. These are the key conditions for honesty in both social relations and in government – and hence less corruption.

Corruption thrives when there is a low level of generalized trust and where people only trust people like themselves (Gambetta, 1993; Uslaner, 2008; Varese, 2001: 2). We thus include a measure of generalized trust in our models. We expect to find direct linkages between inequality and trust with perceptions of corruption.

We also expect people in formerly Communist countries to perceive higher levels of corruption. Both before and after transition, these countries have had more corruption than Western nations (Karklins, 2005; Uslaner, 2008, chapter 4). People did not expect fair treatment by bureaucrats either in the Communist era or thereafter. We expect that transition countries will have greater perceptions of corruption.

Our model also includes standard demographic controls: age; gender; subjective social class; and education. Older people may have more experience with corruption. Women, some literature suggests, are less corrupt than men (Wängnerud, 2012) so they may also be less likely to perceive higher levels of malfeasance. Educated people have less need to rely upon corrupt leaders for their livelihood – and thus should be less forgiving of such malfeasance. Botero et al. (2012) argue that more highly educated people are more likely to protest against corruption, even in non-democratic states and there is an indirect effect as well: education is one of the strongest predictors of interpersonal trust (Uslaner, 2002: chapter 4), which in turn is strongly connected to lower levels of grand corruption. Subjective social position reflects people's views on their position in the social strata. The 2006 ISSP does not have a measure of income that is comparable across countries, so we use subjective social class and whether a respondent is unemployed instead. We also include a dummy

variable for former Communist countries since they are more likely to perceive unfairness and higher levels of corruption (Uslaner, 2008: chapters 3–4).

We focus on perceptions of “grand corruption,” malfeasance that involves large stakes, mostly payments by businesspeople to politicians (or to other businesspeople). We do not consider “petty corruption,” which involves small payments to the police (to avoid speeding fines), to doctors (for faster service), to teachers (for better grades or to administrators for admission to schools), and to other low-level public servants. These payments are still considered morally wrong, but they help people get around bureaucratic systems that are broken – you pay a small bribe to the police officer or doctor so you do not have to spend an entire day in traffic court or in the waiting room.

Petty corruption does not involve large sums of money, so it will not make the rich even wealthier as does grand corruption. People associate grand corruption with inequality. They do not make this connection with petty corruption, mostly because the sums are so small (from data on Romania and Africa in Uslaner, 2008: chapters 5 and 7). As with almost all research in this area, we focus on perceptions of corruption. There is almost no direct evidence on actual corruption. Corruption is difficult to observe. Yet the perceptions of corruption across countries correspond well with experts’ evaluations of which countries are most (least) corrupt (Uslaner, 2008: 12–18).

Corruption and fairness are shaped by the level of inequality in a society. We expect the effects of inequality to be both direct and indirect. We include a measure of inequality as a contextual variable in our analysis of survey data, expecting that people living in countries with higher levels of inequality will perceive more grand corruption. Our expectations for indirect effects are more complicated. Where inequality is low, people should have greater expectations of fairness by public servants. Where inequality is greater, people will be less likely to believe that they will be treated fairly. So we also will estimate interaction terms for inequality and our measure of fairness.

We thus expect that:

- People who perceive fair treatment from government are less likely to believe that there is a high level of grand corruption.
- People living in countries with higher levels of income inequality are more likely to believe that there is a high level of grand corruption.
- The linkage between perceptions of fairness and corruption is stronger among people who live in countries with lower levels of inequality than among people in countries with higher levels of inequality.
- People with higher levels of trust in other people are less likely to believe that there is a high level of grand corruption.
- People from former Communist countries are more likely to believe that there is a high level of grand corruption.

## Method

### *Individual-level data*

We employ data from the 2006 Role of Government module of the ISSP (Skjå, 2010).<sup>1</sup> The ISSP 2006 is the only survey with data from Western and non-Western nations that includes questions on perceptions of corruption and fairness as well as trust. We analyze a pooled sample of 31 countries: Australia; Canada; Chile; Croatia; Czech Republic; Denmark; Dominican Republic; Finland; France; Germany; Hungary; Ireland; Israel; Japan; Latvia; The Netherlands; New Zealand; Norway; Philippines; Poland; Portugal; Russia; Slovenia; South Africa; South Korea; Spain; Sweden;

Switzerland; the United States; Uruguay; and Venezuela. The number of respondents varies from 933 in Canada to 2,939 in South Africa.<sup>2</sup>

## Measures

The dependent variable *perception of grand corruption* was measured by two items: “In your opinion, about how many politicians in [*r*’s country] are involved in corruption?” and “And in your opinion, about how many public officials in [*r*’s country] are involved in corruption?” These were measured on a 1–5 scale and are strongly correlated across the pools sample ( $r = 0.726$ )<sup>3</sup> and the responses to the two questions are highly correlated ( $r = 0.72$ ). Fifty-seven percent of respondents gave the same score (on the five point scale) to both questions and two-thirds gave a similar score (treating as one score “almost none + few”, and “quite a lot” and “almost all” as another score). Since the measures are so highly correlated, we construct an index of corruption perceptions as the mean of these two variables for each respondent. These questions focus on public officials, not bureaucrats. Bureaucrats, not public officials, engage in petty corruption. So the questions in the ISSP seem to reflect grand corruption rather than small payments for routine services. The levels of perceived corruption vary from as low as 1.42 in Denmark to a high of 3.54 in Venezuela. Descriptive data can be found in Appendix 1 (available at <http://ips.sagepub.com/supplemental>).

Our dependent variable is corruption perceptions. There are only a handful of case studies, and no cross-national data, on “actual” levels of corruption. It is difficult to determine how one would measure corruption. Bribes are hidden from public view and any attempts to measure them are filled with difficulties. While some studies have employed conviction rates as more “objective measures,” such indicators are plagued by endogeneity issues: where corruption is greatest, dishonest officials are least likely to be prosecuted or convicted (Uslaner, 2008: 226). The ISSP has perceptions of corruption by the publics of 31 countries. Aggregate studies of corruption employing data from Transparency International and the World Bank are also based upon perceptions, but of elites as well as ordinary citizens.

Our principal independent variable – fair treatment by public officials – was measured with the question: “In your opinion, how often do public officials deal fairly with people like you?” on a 1–5 scale. Higher scores indicate agreements with this statement. The measure of *interpersonal trust* is disagreement with the statement: “There are only a few people I can trust completely.”<sup>4</sup> This is not the standard question (“Generally speaking, do you believe that most people can be trusted, or can’t you be too careful in dealing with people?”). It nevertheless seems serviceable and it is our only option in the 2006 ISSP.<sup>5</sup>

## Country-level data

Our main contextual variable is *income inequality* – measured by the Standardized World Income Inequality Database (SWIID) (Solt, 2009). Standardizing several data sources, this index maximizes the comparability of income inequality across countries.<sup>6</sup> The SWIID index is the most comprehensive measure of inequality across nations. The SWIID has post-tax measures so it better captures income distribution after redistribution. The index of net income inequality ranges from as high as 68 in South Africa to a low of 23 in Denmark.

We expect that people who perceive that government is unfair will be more likely to perceive high levels of corruption and that people living in countries with high levels of inequality will also perceive higher levels of malfeasance. However, the interaction between fairness and inequality leads to a more complex situation. The connection between fairness and inequality is weaker in countries with high levels of inequality – largely because people in these countries have more

**Table 1.** Multilevel regression models for perceptions of grand corruption.

Models:	1	2	3
Individual level variables			
Age	-0.002(0.000)***	-0.002(0.000)***	-0.002(0.000)***
Gender (male)	0.039(0.010)***	0.040(0.010)***	0.039(0.010)***
Subjective social position	-0.005(0.003)	-0.005(0.003)	-0.005(0.003)
Unemployment	0.010(0.020)	0.010(0.016)	0.011(0.016)
Education	0.016(0.005)**	0.017(0.005)**	0.016(0.005)**
Interpersonal trust	-0.048(0.005)***	-0.048(0.005)***	-0.048(0.005)***
Fair treatment	-0.131(0.010)***	-0.130(0.010)***	-0.130(0.007)***
Country level variables			
Income inequality		0.018(0.004)***	0.026(0.004)***
Post-Communist countries		0.517(0.116)***	0.517(0.076)***
Interaction			
Fair treatment*Income inequality			0.003(0.000)***
Country level variance	0.156	0.102	0.097
Individual level variance	0.467	0.467	0.467

Notes: Robust standard error in parentheses; \*\* $p < 0.01$ ; \*\*\*  $p < 0.001$  level. Source: ISSP 2006. N= 24168 countries = 31.

uniformly low levels of perceived fairness and consistently greater perceptions of high corruption. Service delivery and an unresponsive bureaucracy are the norm. Where inequality is low, people expect fair treatment. In these countries, the delivery of public services by competent civil servants is the norm. People believe that their taxes pay for good – and universally available – public services. When there is a failure in service delivery, people are likely to attribute it to an unfair – and corrupt – bureaucracy (Dahlström et al., 2013).

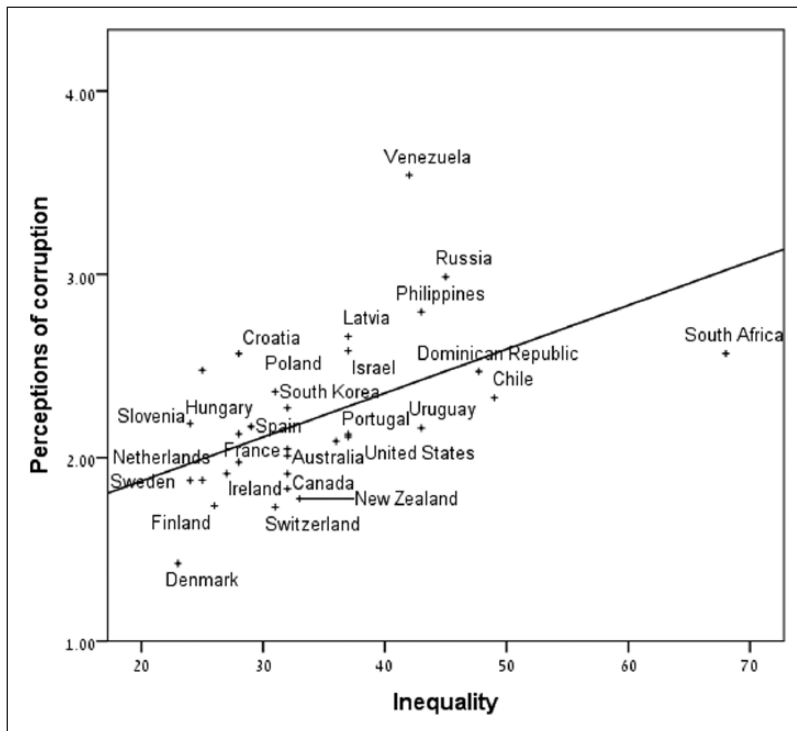
### Overview of the analysis

Our analytical strategy is a multilevel approach that allows the effect contextual variables exert on dependent variables on the individual level to be assessed (Hox, 2010). We utilize multilevel regression models to analyze how dissimilar national contexts affect the relationship between fair treatment and perception of grand corruption at the individual level. This allows us to examine how the country-level variable variation corresponds to differences in the intercepts and slopes. We use the intraclass correlation coefficient (ICC) to estimate the degree to which the variance in perception of corruption is explained at the country level (Hox, 2010).<sup>7</sup> National contexts account for 27% of the variation in perceptions of corruption, reflecting the importance of country level contextual factors in explaining variation of perception of corruption between countries.

### Results

We present the multilevel regression models regarding the perception of grand corruption in Table 1. Model 1 focuses on the individual-level variables. When people do not feel that they receive fair treatment they will be more likely to perceive corruption. This link holds even after controlling for age, gender, education and interpersonal trust. Fair treatment is the individual-level variable with the greatest impact: people seeing unfair treatments are more likely to perceive corruption (-0.131). The





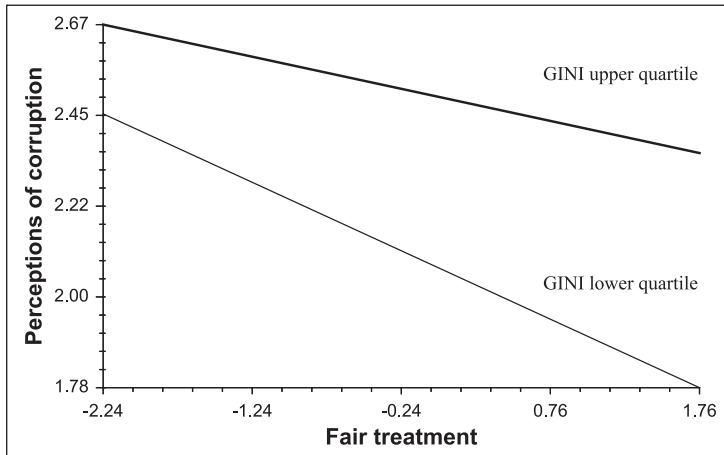
**Figure 1.** Perception of corruption and income inequality plot.

people who see unfair treatments the most (on a 1–5 scale) are likely to perceive grand corruption 0.5 units more (also on a 1–5 scale) than people who see unfair treatments the least.

The effects of other individual-level variables are more modest:  $-0.048$  for generalized (interpersonal) trust. People who trust other people the most (on a 1–5 scale) are less likely to perceive grand corruption by 0.19 than those who trust others the least, indicating that people who trust other people are less likely to perceive grand corruption by 0.19 units. The socio-demographic variables had limited yet statistically significant impact, 0.016 for education, 0.002 for gender and 0.040 for age. Neither subjective social status nor unemployment is significant.

In Model 2 we examine the effect of the country-level context upon perceptions of corruption. It examines how mean perceptions of corruption vary according to the countries' inequality<sup>8</sup> and the positive coefficient indicates that perceptions of corruption are higher where there is more income inequality. Figure 1 illustrates this by plotting countries' mean perceptions of corruption and inequality. In Denmark, the most equal country in our sample, the mean of perception of corruption is 1.42. In the most unequal country we consider, South Africa, the perception of corruption is almost twice as great (2.57 on the five-point scale). Income inequality accounts for 24% reduction in the country level variance. We also find that people in former Communist countries are more likely to perceive higher levels of corruption (Karklins, 2005; Uslaner, 2008: chapter 4).

Model 3 includes also the interaction between fair treatment and country level inequality. We examine the variation of the slopes of fair treatment across the 31 countries. In the pooled sample there is a negative strong relationship between fair treatment and perceptions of corruption as shown in Model 1. The average effect of perceived fair treatment on perceived corruption varies from strongly negative ( $\beta = -0.25$ ) in South Korea to insignificant ( $\beta = -0.02$ ) in Dominican Republic.



**Figure 2.** Slope differences of the relation between fair treatment and perception of corruption under the affects of income inequality (Model 3).

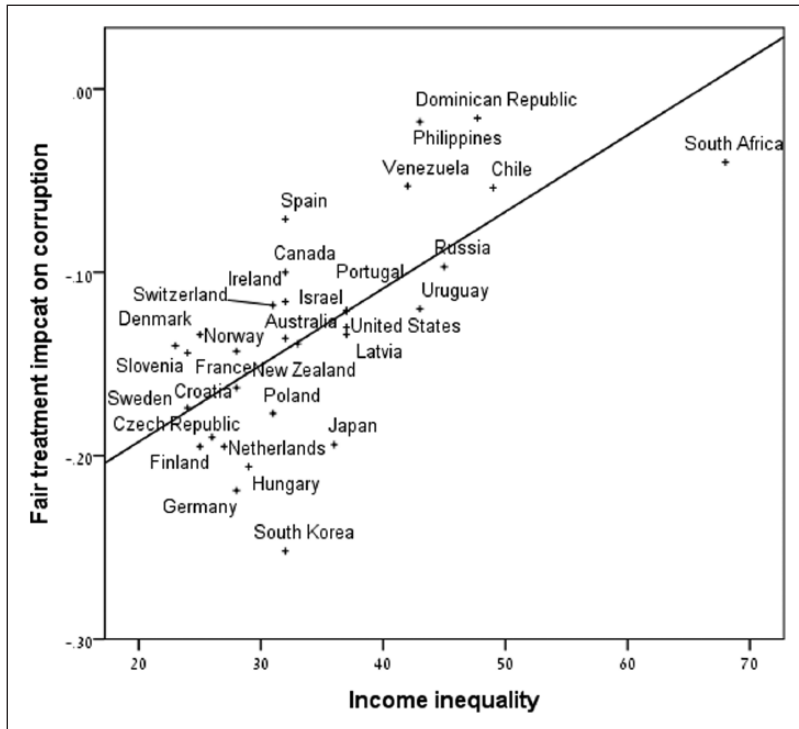
Note: Grand mean centering was used in the analysis.

Fair treatment leads to a reduction in perceptions of grand corruption of a full unit for Australia, but not at all for Venezuela.

In Model 3 we consider whether this variation can be attributed to income inequality by adding an interaction between the country level and individual level variables.<sup>9</sup> The interaction effect tells us whether economic inequality moderates the relation between fair treatment and corruption perceptions.<sup>10</sup> The positive coefficient indicates that the slopes for countries with higher levels of inequality are less sharp than those for nations with more equitable income distributions.<sup>11</sup> Yet, the coefficient on fair treatment does not change significantly from Model 2 to Model 3. In Figure 2 these slopes (the upper line, which is the upper quartile of inequality) are less steep than the lower one.<sup>12</sup> In countries in the lower quartile of inequality, fair treatment leads to a 0.9 reduction unit of perceptions of corruption while in countries in the upper quartile of inequality, perceptions of fair treatment leads to just a 0.3 unit reduction in perceptions of corruption.<sup>13</sup>

In Figure 3, we plot the results of the regression models in which fair treatment predicts corruption perceptions in each of the 31 countries with countries' income inequality index.<sup>14</sup> The impact of fair treatment on corruption perceptions is much greater in more equal countries, where people are far more likely to expect fair treatment (the bottom left corner of the plot). When people expect fair treatment from the government and do not receive it, they attribute this to corrupt officials. Where corruption is high, even people who believe that they have been treated fairly perceive high levels of corruption.

Almost everyone in Denmark (81% of respondents) believes that they are treated fairly by officials, compared to 28% of South Africans. Fewer than 6% of Danish respondents believe that they are treated unfairly. Just 2% of the Danes perceive high levels of corruption. In South Africa, perceptions of corruption are widespread (61%), even among the 20% who say that public officials are fair. People in highly equal and highly unequal countries thus have different perceptions of corruption. Perceptions of fair treatment matter *less* in highly unequal countries and these effects do not vary much across levels of inequality. In the most equal countries, the slopes are steeper and small increments in perceptions of fair treatment make people much less likely to see grand corruption.



**Figure 3.** Plot for income inequality and the impact of fair treatment on perception of corruption (Model 3).

Inequality matters both directly and indirectly. Where the distribution of income is skewed towards the top, people are likely to believe that the rich gained their wealth corruptly rather than by honest hard work. Becoming inured to corruption, they accept its inevitability and their powerlessness to curb it (Stoyanov et al., 2000, 35; Uslaner, 2008: 41–45). Perceptions of fairness matter less – if at all – when people have little reason to expect equitable treatment, constituting an important factor when people expect their leaders to be unbiased. Rothstein (2011) and others emphasize the importance of institutional fairness in boosting honest society. Where there are high levels of income inequality, fair treatment matters less for reducing perceptions of corruption.

## Conclusion

Corruption is difficult to see directly. “Well designed” corruption should not be visible – and few leaders would brag about being corrupt, or even admit to it. However, ordinary people do perceive levels of corruption and their evaluations are generally quite close to those of elites (Uslaner, 2008: 14–15). We have found support for Rothstein’s (2011) argument on fairness. Perceptions of equitable treatment have strong effects on seeing high levels of corruption. We have also found support for Uslaner’s (2008) “inequality trap” thesis. Both perceptions of corruption and of fairness are shaped by inequality. And greater interpersonal trust also makes people less likely to see high levels of grand corruption.

When people do not trust their fellow citizens and especially where they believe that their leaders do not keep their promises, they are also more likely to perceive greater corruption. The

individual factor most strongly linked to corruption perceptions is the belief that you are being treated unfairly. People who feel left out seem likely to blame their difficulties on corruption rather than assessing responsibility on their own faults. There is more to corruption than simple unfairness: while these two perceptions are clearly connected, they are not identical. The simple correlation between our corruption scale and perceptions of fairness is just 0.36.

You do not need to report actual experiences with corruption to believe that those at the top got there by being dishonest (cf. Abramo, 2005 with Uslaner, 2008: 14–15). Where you find low-level (petty) corruption, you almost certainly will find high levels of grand corruption (Uslaner, 2008: 16).

Our central result is that people see corruption as rooted in unequal treatment. Corruption is not just legally wrong. It gives privileges to some, those already at the top, and discriminates against others, people with fewer resources. Even when corruption is not widespread and countries are relatively equal, people see unfair treatment by government officials as reflecting a corrupt regime. This should give us some pause in evaluating efforts to reduce corruption without tackling inequality and unfair treatment of ordinary people.

We have argued that perceptions of fairness and inequality both matter for how people see corruption. We have shown that this relationship is complex. In highly unequal countries, people do not expect fair treatment. So there is little variation in the connection between perceptions of fairness and corruption among the more corrupt countries. People will not support the kind of policies that will lead to greater equality (and ultimately to lower levels of corruption) because they have little faith in the competence or fairness of officials and civil servants to deliver public services.

In countries with lower inequality, people are more likely to perceive greater corruption as due to unfairness as the level of inequality declines. People are more likely to associate unfairness with corruption in the countries with more egalitarian income distributions. These greater expectations for honesty among public officials lead people to perceive unfair treatment as evidence of corruption. We expect that this reflects expectations that government will always be fair – and the belief that something must be wrong with the system rather than with individual bureaucrats if people are not treated fairly. To test this more definitively, we would need surveys that cover people's expectations and experiences with service delivery as well as their perceptions of fairness and inequality.

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## Notes

1. ZA4700: International Social Survey Program 2006 (Role of Government IV). Details regarding data collection, sampling, and response rates can be found on the ISSP website: <http://www.issp.org>.
2. The multilevel analysis was conducted on a balanced sample, so each state's weight from the pooled sample is 3.1%.
3. The correlations vary from as low as 0.49 in South Korea to as high as 0.80 in South Africa.
4. Measured on a 1–5 scale.
5. The correlation between the variables is low ( $r=0.22$  for age and education), suggesting that there is not a problem of multicollinearity.
6. See: <http://myweb.uiowa.edu/fsolt/swiid/swiid.html>.
7. The ICC is used to determine the proportions of variance explained at each level and the 27% are based on a model without independent variables.
8. This is the direct effect (intercept) model.
9. This is a random slopes model.

10. Grand mean centering was used. Restricted maximum likelihood was used for estimating, which is robust for such number of clusters ( $N=31$ ) with a normal distribution of the outcome variable.
11. The difference between the slopes is significant ( $p < 0.001$ ). Replicating the model using an alternative measure for income inequality (uneven economic development indicators from the Failed State Index) does not alter the result.
12. Omitting possible outliers like South Africa did not alter the results.
13. The x-axis in Figure 2 ranges from -2.24 to 1.76 since the models are grand mean centered.
14. In these models the other individual level variables were controlled for.

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### Author biographies

Gal Ariely is senior lecturer at the Department of Politics & Government, Ben-Gurion University of the Negev. He studies political attitudes and national identity. In addition, his research addresses methodological questions of measurements across different contexts. Dr Ariely has authored or co-authored several articles that were published in *Political Studies*, *Nations and Nationalism*, *Social Indicators Research*, *International Journal of Intercultural Relations* as well as other journals.

Eric M. Uslaner is Professor of Government and Politics at the University of Maryland–College Park. He is Senior Research Fellow, Center for American Law and Political Science, Southwest University of Political Science and Law, Chongqing, China and Honorary Professor of Political Science, University of Aarhus, Denmark. He is the author of eight books and is part of a team with Ase Berit Grodoland and Leslie Templeton Holmes investigating Russian legal culture under a grant from the Research Council of Norway program on Russia and the High North Atlantic. He has received grants from the National Science Foundation and the Russell Sage and C.V. Starr Foundations.