



A Comparative Survey of

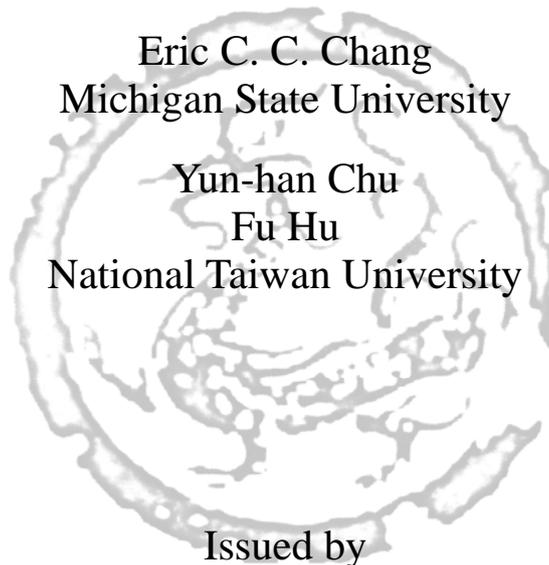
*DEMOCRACY, GOVERNANCE AND DEVELOPMENT*

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Regime Performance and Support for Democratization

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# Asian Barometer

A Comparative Survey of Democracy, Governance and Development

## Working Paper Series

The Asian Barometer (ABS) is an applied research program on public opinion on political values, democracy, and governance around the region. The regional network encompasses research teams from twelve East Asian political systems (Japan, Mongolia, South Korea, Taiwan, Hong Kong, China, the Philippines, Thailand, Vietnam, Cambodia, Singapore, and Indonesia), and five South Asian countries (India, Pakistan, Bangladesh, Sri Lanka, and Nepal). Together, this regional survey network covers virtually all major political systems in the region, systems that have experienced different trajectories of regime evolution and are currently at different stages of political transition.

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## **1. Introduction**

This paper examines the effect of political corruption on citizens' trust in political institutions in East Asian democracies. Institutional trust, commonly defined as a basic evaluative orientation toward the political system, plays a central role in the relationship between citizens and the ruler in democratic systems. Indeed, if representative democracy is viewed as a delegation of power from the citizen to the ruler, the institutional trust of citizens is the key that provides the cornerstone for the maintenance of democratic regimes and the day-to-day governance (Bianco 1994; Mishler and Rose 2001). Specifically, given citizens' limited information regarding the political process, institutional trust eases citizens from their anxieties resulting from the agency problem and moral hazard (Easton 1975). Moreover, citizens' trust toward institutions is regarded as the most important dimension in their support for democracy, and many have shown that low levels of institutional trust among citizens reduces the effectiveness and capability of the government, which ultimately leads to undermined regime legitimacy (Gamson 1968; Easton 1975; Weatherford 1992; Braithwaite and Levi 1998; Hetherington 1998).

Despite its far-reaching consequences, institutional trust has been found to be low and even declining in most contemporary democracies. Distrust of institutions, however, is believed to be harmful to the establishment and consolidation of democracy (Miller and Listhaug 1990; Dalton 1996; Nye et al. 1997; Norris 1999). Although voluminous studies have attributed this trend toward distrust to the dismal record of regime performance, this paper seeks to revisit this old issue from a new theoretical and empirical angle. Specifically, in contrast to the conventional wisdom that focuses extensively on the impact of economic performance on institutional trust, this paper focuses on political corruption, which is an alternate yet equally important explanation that has been relatively overlooked in the

literature.

Political corruption, or the illegal misuse of governmental office for personal gain, is considered one of the most destructive, yet unresolved, problems common to most countries (della Porta and Vannucci 1999). As political corruption directly violates the fundamental principles of democracy, such as accountability, equality, and openness (Dahl 1971), recent studies have suggested corruption causes political distrust among citizens, therefore leading to legitimacy crises in political systems (Seligson 2002; Anderson and Tverdova 2003). Indeed, Italy's "Clean Hands" operation provided the most striking demonstration of the extent to which political corruption can pervade and shake a democratic governmental apparatus (Nelkin, 1996; Burnett and Mantovani, 1998). The recent call for a referendum in South Korea also clearly documented the erosive impact of political corruption on institutional trust and regime legitimacy, as President Roh Moo-hyun himself has made clear, "...confidence in ethics is the only source for leading the country."<sup>1</sup>

Given the important impact of political corruption on institutional trust, the link between corruption and trust in East Asian countries has yet to receive the attention it merits in empirical research. Specifically, the sample of countries investigated in the current comparative research has been limited to new democracies in East Europe and Latin America. Therefore, it is not clear to what extent the findings can be generalized and applicable to East Asian democracies. Additionally, while some recent studies have begun to explore the link between corruption and institutional trust in the setting of East Asian countries, most of the scholarly efforts are devoted to a single-country framework only (Shin 1999; Pharr 2000). Therefore, this initial case-study approach now calls for a cross-national study that systematically examines the effect of corruption on institutional trust across East Asian

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<sup>1</sup> See *The Economist*, Oct. 16 2003.

democracies. This is exactly our goal in this paper.

In short, this paper attempts to contribute to the literature by utilizing the newly available data from the East Asia Barometer to disentangle the previously unexplored empirical link between political corruption and institutional trust in East Asian democracies. This paper asks and tests empirically whether the level of citizens' perception of, as well as, experience with corruption, decreases their trust toward political institutions. An affirmative finding will undoubtedly contribute toward enriching the theory and constructing a stronger empirical regularity.

This paper is organized as follows. We first develop a theory that links political corruption with the level of trust in democratic institutions and derive a set of hypotheses. Then, Section 3 tests those hypotheses using data from the East Asian Barometer. To assure the validity of our results, Section 4 performs a series of robustness check. Finally, the last section concludes.

## **2. Theory**

### **2.1. A Theoretical and Empirical Debate**

Recently, political corruption has sparked public outcries in dozens of countries across different parts of the world. Ironically, it was regarded as benign and functional in the eyes of the first-generation of modernization theorists. According to the modernization theory from the 1960s, corruption contributes to economic growth for developing countries because it provides an incentive for investment, promotes efficiency, and circumvents bureaucratic red tape. Politically, modernization theory argues that corruption serves as the grease in the bureaucratic machine and helps to promote a stable and binding political environment, which

in turn increases the loyalty and political trust of its citizens (Key 1949; Merton 1957; Bayley 1967; Nye 1967; Huntington 1968; Waterbury 1973).

The nurturing effect of corruption on economic development proposed by modernization theory has been severely challenged under recent scholarly scrutiny (Heywood 1997). Benefiting from the availability of cross-national data on the perceived level of political corruption, recent empirical research on corruption has unambiguously found hard evidence showing a negative association between political corruption and a variety of macroeconomic indicators. For instance, many argue that corruption reduces economic growth (Mauro 1995; Keefer and Knack 1995; Burki and Perry 1998), hinders economic development (Kaufman et al. 1999), and leads to inefficient investment (Sarkar and Hasan 2001; Tanzi and Davoodi 2000). Moreover, scholars have demonstrated that political corruption lowers the security of property rights and contributes to the misallocation of resources. Further, corruption distorts economic policy making (Bai and Wei 2000), fosters an underground economy (Friedman et al. 2000), increases income inequality (Gupta and Alonso-Terme 1998), and undermines a country's ability to attract foreign capital (Hines 1995).

Note that while economists are attacking the functional effect corruption stressed by the modernization theory, political scientists are questioning the positive role of political corruption in promoting citizens' trust toward political institutions (Banfield 1958; Johnston 1979; Doig and Theobald 2000; Seligson 2002; Anderson and Tverdova 2003). Particularly, many suggest that political corruption not only reduces institutional trust of citizens, but the effect is self-reinforcing. For instance, della Porta (2000) argues that corruption is both a cause and a consequence of political distrust, because corruption reduces trust in a political regime's capability in responding to citizens' concerns, and lack of institutional trust in turn breeds corruption as it drives citizens to pay illegal rents in order to gain access to

decision-makers.

The current stage of empirical evidence regarding the political effect of corruption, however, remains somewhat mixed. On the one hand, using data from 16 advanced and new democracies from Eastern Europe, Anderson and Tverdova (2003) demonstrate empirically that citizens in countries with higher levels of corruption tend to express lower levels of trust in, and lower evaluations of, political systems. Seligson (2002) reports similar findings from four Latin American countries, showing that citizens' corruption experiences reduce their belief in legitimacy. On the other hand, Rose et al. (1998) find no significant influence of corruption on regime support from a sample of Central and East European countries. In a follow-up study, Milsher and Rose (2001) report mixed evidence regarding the effect of corruption. Specifically, while perceived corruption reduces institutional trust at the micro-level, there exists only a marginal negative relationship between the aggregated corruption index and institutional trust. Lipset and Lenz (2000) also present a piece of indirect rebuttal evidence, showing that the negative association between corruption and democracy results from the fact that democracies tends to be richer and so the findings are likely to be spurious. In short, at least empirically speaking, the debate regarding the effect of political corruption on institutional trust is anything but settled.

## **2.2. Corruption, Culture, and Trust in East Asian Democracies: A Competing Hypothesis**

East Asian democracies represent a particularly inviting opportunity to disentangle this empirical puzzle. Specifically, political corruption in East Asian countries warrants further scholarly scrutiny because political corruption has been firmly embedded in their daily politics. The pervasive political corruption in the East Asian case is even more noteworthy

for students in the field of comparative politics. In particular, the traditional wisdom holds that political corruption should be less prevalent in rich countries since wealth defers the incentive for corruption. East Asian countries, however, are commonly exposed to, and affected by, political corruption and scandals regardless their level of wealth. Therefore, the existence of systematic political corruption in East Asian countries sets a clear counterexample to the implications of the tradition wisdom.

To elaborate this point, we compare political corruption across countries by relating political corruption, measured by the average score of the TI corruption index from 1996 to 1998, to the degree of economic development across a sample of 80-odd countries.<sup>2</sup> From Figure 1, we can clearly see that all the East Asian countries studied in this paper Japan, Philippines, South Korea, Taiwan, and Thailand, lie above the fitted line. Additionally, among the most economically developed countries, Japan, Taiwan, and South Korea remain the most salient exceptions. In other words, these countries are some of the countries for which GDP per capita is least effective in accounting for political corruption. We further differentiate these East Asian countries from other countries by setting an indicator variable for East Asian countries, and the estimated coefficient of these East Asian countries indicator variable in the expanded regression model turns out to be positive and significantly different from zero at less than 0.05 level. This result clearly indicates that political corruption in East Asian countries is systematic, exceptional, and noteworthy.

<Figure 1 about here>

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<sup>2</sup> The TI index is the most commonly used cross-national measurement for political corruption, and can be downloaded from <http://www.transparency.org>. Economic development is captured by GDP per Capita (Data source: 2002 World Development Indicator CD-Rom).

This East Asian miracle of another kind makes us wonder: What are the sources of political corruption? Why does economic development fail to reduce political corruption in these East Asian countries? One plausible explanation commonly discussed in the literature is political culture, which consists of a system of attitudes and values that are generally shared within a society (Inglehart and Welzel 2002). Indeed, the systematic political corruption in East Asian countries has often been attributed to a cultural factor (Heidenheimer 1970, 1989 et al.). Specifically, as Rose-Ackerman (1999) notes, while corruption is defined as the misuse of public power for private gain, this definition implicitly assumes that citizens are aware of a clear distinction between one's public and private role. Theories of political culture, however, argue that such distinction does not necessarily exist in many East Asian societies. For instance, Rose-Ackerman (1999) suggests that in the traditional patron-client relationship gift giving plays an important role between political authority and citizens and is highly valued and commonly expected. In some East Asian society such as Thailand, citizens believe that they should show their appreciation with gifts to the officials when good services are delivered. Shin also posits that President Kim Young Sam's anti-corruption campaign was largely compromised by the long-standing cultural norm of reciprocity (Shin 1999).

Theories of political culture also emphasize that the deep-rooted values and beliefs shared within a society have a fundamental impact on shaping citizens' attitude toward government (Abramson and Inglehart 1995; Inglehart 1997.) Hence, they have direct implications for the study of how political corruption affects citizens' trust in institutions. Particularly, it might be reasonable to suspect that the political culture in East Asian countries eliminates the erosive effect of corruption on institutional trust suggested in the literature. Simply put, if the embedded political culture in East Asian countries socializes people to

regard corruption as an acceptable practice, then corruption can be viewed as a wholly legitimate gift giving transaction without raising any negative attitude toward political institutions. Therefore, according to political culture theory, institution trust does not decline as a result of political corruption.

In sum, whether and how political corruption affects citizens' institutional trust in East Asian countries deserves closer and further empirical investigation. On the one hand, the pervasive political corruption in East Asian countries makes the traits and mechanisms of corruption more visible to observe. On the other hand, political culture theory as a common explanation for systematic political corruption in East Asian countries yields an exciting counter-argument that challenges against the relationship between political corruption and institutional trust as hypothesized in this paper. This paper tests these two competing hypotheses regarding the effect of corruption on institutional trust by taking advantage of the newly compiled cross-national survey data from the East Asian Barometer.

Another objective of this paper is to enhance our systematic understanding of political corruption by empirically testing its effect in a cross-national way. The political effect of corruption in the setting of East Asian countries has begun to draw recent scholarly interest. For instance, Pharr (2000) examines the source of distrust in Japan, and she finds that in contrast to the common wisdom, policy performance, even in the most central area of the economy, only plays a negligible role in accounting for citizens' confidence in politics. Instead, what appears to matter most in explaining Japanese citizens' low confidence in government are elected official's misdemeanors. In a similar vein, Rose, Shin, and Munro (1999) investigate the impact of political corruption on citizens' attitude towards democratic ideals in South Korea, and they find that people who perceive high levels of corruption tend to be more supportive for the ideal of democracy. Shin (1999) investigates the effects of

anti-corruption measures, and he finds that they are effective in delegitimizing authoritarian rule. However, the current intellectual effort has only been devoted to some single countries, such as Japan and South Korea, and any systematic cross-national investigation on the effect of corruption on institutional trust is unfortunately still in its infancy.

Accordingly, this paper attempts to make a contribution to the literature by filling this vacuum. Specifically, this paper asks and tests empirically whether the level of citizens' perceived corruption, as well as their corruption experience, decreases their trust towards political institutions in five East Asian countries. Whether or not our cross-national comparisons will be able to replicate the within-nation results is a fascinating empirical question. An affirmative finding will undoubtedly contribute to enriching the theory and constructing a stronger empirical regularity.

### **3. Empirical Analysis**

#### **3.1. Data**

To advance this inquiry, this paper makes use of the newly compiled data from East Asian Barometer and obtains information on political corruption and institutional trust at the individual level. Particularly, this paper draws on survey data from five East Asian countries, Japan, the Philippines, South Korea, Taiwan, and Thailand. In each of the countries, a countrywide multistage stratified and clustered PPS (Probability Proportion to Size) sample was selected, and face-to-face surveys were conducted. The pooled dataset consists of a sample of 7079 interviews.

These five East Asian countries provide a natural laboratory to test the hypothesized relationship between corruption and trust. As discussed above, these countries are notorious

for their corruption records. Studying political corruption in these countries represents a fascinating opportunity since the practices of corrupt exchanges are much more visible. More importantly, there exists a huge degree of cross-country variances in the levels of aggregated corruption. In particular, these five countries rank quite differently on the TI corruption index. On the total 133 ranks, Japan ranks the 21<sup>st</sup>; Taiwan, 30<sup>th</sup>; South Korea, 50<sup>th</sup>; Thailand, 70<sup>th</sup>; the Philippines 92<sup>nd</sup>.<sup>3</sup> In addition, there also exists a great deal of variance in many other dimensions, such as economic development, religion, and language. These cross-country variances enable us to avoid the potential threat of country selection bias and also help us to better clarify the mechanism underlying the hypothesized link between corruption and institutional trust.

### **3.2. The Dependent Variable: Measuring Institutional Trust**

To measure institutional trust in a cross-national comparable way, the EAB surveys asked respondents the following question: “I’m going to name a number of institutions. For each one, please tell me how much trust you have in them. Is it a great deal of trust, quite a lot of trust, not very much trust, or none at all?” The full list of institutions include the courts, the national government, political parties, Parliament, civil service, the military, the police, local government, newspapers, television, the election commission, and non-government organizations, and each item scores on a metric of 1-4, where 1 represents the lowest degree of trust. Parallel to the questions used by the New Democracies Barometer and the new Russia Barometer (Mishler and Rose 2001), one important advantage of the EAB questions is that the EAB questions conceptually distinguish institutional trust from institutional performance. Therefore, the EAB questions enable us to measure institutional trust directly without the confounding influence of support for the incumbent government.

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<sup>3</sup> <http://www.transparency.org/cpi/2003/cpi2003.en.html>, Table 1.

Institutional trust operates at many analytical levels. Following Mishler and Rose (2001), this paper focuses on items that are of greater political importance and relevance. Accordingly, we concentrate on items related to political institutions, including the courts, the national government, political parties, Parliament, the military, the police, and the local government, and dispose of items on civil institutions. Moreover, to tap into institutional trust in the most comprehensive way, we create a composite variable of institutional trust, *TRUST*, by averaging individual scores across the seven political institutions. In some sense, this *TRUST* variable can also be understood as a proxy to capture the notion of diffuse support (Easton 1975).

Table 1 summarizes citizens' institutional trust across the five East Asian countries. From Table 1, we can see that political institutions are not very trustworthy in the eyes of East Asian citizens. Particularly, most of the citizens in East Asian countries do not trust the core components of political institutions, that is, the national government, political parties, and Parliament, very much.

<Table 1 about here>

The similar pattern of distrust also manifests itself well on the overall trust variable. From Figure 2, we can see that most of the citizens in East Asian countries tend not to put too much faith in political institutions generally. Particularly, Figure 2 indicates that this tendency of distrust holds quite uniformly across the countries examined in this study: the majority of citizens express moderate distrust toward political institution in 4 out of 5 countries, with Thailand being the only exception. Figure 2 also suggests that the overall scale of the variable *TRUST* is reliable for most of the single countries as well the pooled data.

<Figure 2 about here>

### **3.3. The Independent Variable: Measuring Political Corruption**

#### **3.3.1 Existing Measurements on Corruption and Their Deficiencies**

To test empirically whether political corruption reduces citizens' trust in institutions, our next task is to find a reliable measure of political corruption at the individual level. This task, however, does not prove to be an easy one. Indeed, it is very difficult to measure political corruption, since corruption by its nature involves secretive activity. Empirical research on political corruption has made considerable progress by constructing cross-national indexes on the perceived level of political corruption. The most commonly used data include Gallup International, the ICRG index (compiled by Political Risk Services), the BI index (compiled by Business International), and the TI index (compiled by Transparency International). By using the country as the unit of analysis, these indexes attempt to capture and compare political corruption cross-nationally by aggregating multiple surveys of public and expert opinion.<sup>4</sup>

While these indexes are helpful and informative in demonstrating cross-national variances of perceived corruption, these indexes unfortunately are unable to shed light on the effect of political corruption at the individual level. In fact, one would commit an ecological fallacy by assuming that relationships observed at an aggregated (country) level can be applicable at the individual (politician) level (King 1997). For instance, following La Porta et al. (1999), who argue that the Catholic, Eastern Orthodox and the Islamic religions are hierarchical and are thus conducive to corruption, Treisman (2000) hypothesizes convincingly and shows empirically a negative correlation between corruption and the percentage of Protestants in the total population. Although this result appears to hold cross-nationally, it does *not* necessarily mean that a Protestant legislator is more honest than an Islamic legislator.

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<sup>4</sup> Treisman calls these indexes "polls of polls." See Treisman 2000, p. 409.

Similarly, while it has been established that rich countries tend to be less plagued with corruption, this by no means implies that rich politicians are less corrupt than poor ones.

Some scholars turn to several seemingly objective ways to measure political corruption at the individual level. For instance, scholars have used counts of the amount of media coverage (Pharr 2000). However, as Seligson (2002) notes, the reliability of such measure might be questionable, since the accusation may be entirely the artifact of the media itself. At least, it is fair to say that the media has huge incentives to over-report politicians' involvement in scandals without verification. Also, according to Seligson, all we know if we find that citizens' institutional trust decreases when reports of scandal increase, is that the media influence public opinion, and the linkage between corruption and institutional trust still remains unclear. Others have used judicial records, such as the number of indictments (Goel and Nelson 1998, Alt and Lassen 2003) in an attempt to measure corruption. However, such efforts are likely to be compromised by the issue of endogeneity. For instance, in institutionalized democracies, it seems reasonable to counter-argue that the cleaner and the more vigilant the judicial authorities are, the more arrests and convictions will be made (Seligson 2002a). In some countries, judicial power might be used to repress the political opponent.<sup>5</sup> Finally, the most discouraging limitation, resulting from the issue of data availability, is that it is very difficult to use these kinds of measurements in a cross-nationally comparable way.

Recent studies seek to correct for these deficiencies by using the public opinion survey approach, each with their own limitations. For instance, some studies measure corruption by

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<sup>5</sup> For instance, the recent arrest of Mikhail Khodorkovsky in Russia demonstrated a very illuminating example. While Mr. Khodorkovsky was charged with fraud and tax evasion, many observers believed that financing the opposition party is the cause of his arrest and imprisonment.

asking respondents their level of perceived corruption (Mishler and Rose 2001). While this approach is instructive in revealing the degree of political corruption on citizens' minds, the true level of political corruption might be contaminated by the quality of mass media. Worse yet, the direction of causality we draw from studying the effect of corruption on institutional trust may be misleading, since it is also equally likely that those who have higher institutional trust may be less likely to believe that their government is corrupt. To avoid the contamination effect of mass media and the endogeneity problem, other scholars adopt the so-called "surveys of victims" approach and ask respondents whether they have personally witnessed or suffered from corruption (Seligson 2002, 2002a). This solution, again, is far from perfect either. Particularly, although it effectively captures citizens' exposure to day-to-day corruption, it cannot tap into high-level corruption that takes place behind the scenes. In addition, those who are directly involved in the corrupt practice, or the bribers, have incentives to conceal their involvement. Moreover, respondents who support the incumbent party might be less willing to report corrupt activities than those who support the opposition.

### **3.3.2 Measuring Political Corruption**

To investigate the link between corruption and institutional trust at the individual level, this study follows the public survey approach in an attempt to measure political corruption. Particularly, this paper makes an innovation by taking into account both citizens' perception of, and experience with, corruption simultaneously. In so doing, this paper hopes to combine the strengths from each individual measurement.

Conceptually, political corruption is a complex set of activities, often involving multiple actors — the politicians who are the recipients of kickbacks, the businesses who are the

payers of kickbacks, and the bureaucrats who facilitate the illegal transactions between public officials and businesses, etc. — and multiple levels — it can take place at the national government level, or it can occur during day-to-day politics at the local government level. To tap into citizens' perception of corruption at the national government level, the EAB surveys asked respondents the following question: "How widespread do you think corruption and bribe-taking are in your national government?" The EAB surveys also seek to capture corruption at the local government level by asking: "How widespread do you think corruption and bribe-taking are in your local government?" Each item scores on a metric of 1-4, where 1 represents "almost everyone is involved" and 4 indicates "hardly anyone is involved."

Figure 3.A provides a visual summary of citizens' perception of corruption at the national government level in the East Asian countries. As we can see from Figure 3.A, political corruption and bribing are truly widespread in the East Asian countries: more than half of the respondents believe that politicians are corrupt, and only 3.6% consider politicians to be clean at the national government level. Among individual country, Taiwanese citizens appear to be most doubtful of the quality of their politicians. On the other hand, Thailand appears to be the most corruption-free country: more than 65% of the respondents do not consider their politicians to be corrupt. Recall that Thailand is also the country with the highest measures of institutional trust. Taken together, these results seem to provide some preliminary supporting evidence of the erosive effect of corruption on institutional trust. A very similar attitude structure is shown in Figure 3.B, which indicates that almost half of the citizens in East Asian countries regard their day-to-day politics as corrupt. Based on these two indexes, we create a composite variable of perceived corruption, *PCORRUPT*, by taking their average. Hence, the *PCORRUPT* variable reflects citizens' general perception of corruption across both national and local government dimensions. We also rescale it so that

higher values of *PCORRUPT* represent higher perceived corruption.

<Figure 3.A and Figure 3.B about here>

While the variable *PCORRUPT* captures the degree of perceived corruption, one might reasonably suspect that the perceived corruption is the product, rather than the cause, of low institutional trust. For instance, for those who are very skeptical of politics and have little trust toward institutions, officials' misdemeanors might be easily interpreted as political corruption. Therefore, in addition to the perception of corruption, the EAB also measures citizens' experiences with corruption by asking: "Have you or anyone you know personally witnessed an act of corruption or bribe-taking by a politician or government official in the past year?" On the basis of responses from respondents, we create a binary variable, *ECORRUPT*, which takes the value of unity if the respondent has experienced corruption. As Seligson (2002) notes, this measurement enables us to clarify the direction of causality, since politicians seeking a bribe could not reasonably know briber's level of institutional trust beforehand. In addition, as we shall elaborate below in the robustness check section, this paper also guards against the possibility of selective reporting by taking it into account in the model specification.

The binary variable *ECORRUPT* has a mean around .2373, with a standard deviation of .4254. Figure 4 plots its cross-country variation, which turns out to be large: among the countries studied in this paper, citizens' experience with corruption is highest in South Korea (.39) and lowest in Japan (.05). One interesting observation is that low experienced corruption and high perceived corruption coexist in Japan. One possible explanation is that political corruption in Japan takes place at the higher level, perhaps between elected politicians and big business, and that the mass media in Japan plays an important role

influencing Japanese's attitude toward politics.

<Figure 4 about here>

### 3.4 Empirical Testing

As an obviously naïve first test, we regress institutional trust on both corruption variables (perception and experience) alone in Table 2 (Model 1), without controlling for other sources of institutional trust. The result, confirming our preliminary impression from the Thailand case, suggests that strong negative institutional trust effects both the perceived and experienced corruption of citizens. Note that the effect of corruption on institutional trust is not only statistically significant but also substantively important. In particular, an average citizen who experienced political corruption tends to show less trust in institutions by  $.0317/.2373 = 13.35$  per cent. Moreover, a citizen who considers most officials corrupt expresses lower institutional trust than a citizen who believes that not a lot of officials are corrupt by .27 units on a 1 to 4 scale.

<Model 1 about here>

One might reasonably suspect that this simple result may be spurious, and actually reflects an association between corruption and something else that affects institutional trust. Accordingly, we next incorporate other sources of trust suggested in the literature as the control variables. Several points, however, are noteworthy before proceeding.

First, most of the control variables are highly correlated with corruption variables and among themselves. Controlling for these correlated variables might be demanding for the data to yield precise estimation. On the other hand, testing hypothesis separately without controlling for these correlated yet relevant variables directly results in omitted variable bias,

which leads to a higher risk of yielding misleading conclusions. Therefore, given the fair amount of observations in our dataset, we decide to include the most relevant control variables suggested in the literature, and model institutional trust in a relative parsimonious manner.

Secondly, it is likely that there exists a two-way reciprocal effect between some of the control variables and the main dependent variable. In methodological terms, including those control variables might cause endogeneity bias. In particular, the endogeneity bias occurs when the right-hand side control variables are influenced by the left-hand side trust variable, and are consequently correlated with the residuals of the regression. In other words, whether or not they lead to corruption, corruption may as well cause them. For instance, while it is reasonable to believe that citizens with higher perceived freedom are more trusting in institutions, it is equally likely that trust in institutions itself produces higher level of perceived freedom. Obviously; this violates the assumption of classical linear regression models which assumes no correlation exists between independent variables and the error term. The common solution to avoid endogeneity bias is to use an instrumental variable as a proxy for suspected endogenous explanatory variables (Greene 2000, p 680). Unfortunately, the task of searching for such instruments is difficult in the context of this study. Instead, this paper proceeds by running a series of block-wise regressions, beginning with only the most plausibly exogenous variables, and progressively adding variables that are more likely to be endogenous. We begin with controlling for economic evaluation.

Theories of economic voting suggest that economic conditions influence citizens' voting behavior as well as their attitudes toward government. Particularly, under circumstances where voters can clearly assign credit or blame to the government for its economic performance, many argue that citizens' rosy economic evaluation substantially leads to higher

support for the incumbent government. (Kramer 1971; Fair 1978; Lewis-Beck 1988; Powell and Whitten 1993; Anderson 2000). In other words, the literature on economic voting regards voters as rational, and that the calculated voters are more likely to support the government that is more capable of delivering.

Following the same reasoning, this paper hypothesizes that purposive and pragmatic citizens will express higher trust in institutions if institutions work in the economic domain. As Rogowski (1974) convincingly argues, political trust and legitimacy represents a materialistic form of specific support that is highly contingent on assessments of institutional performance for rational voters. Other studies have also pointed out the empirical association between support for a democratic system and government performance (Evans and Whitefield 1995; Mishler and Rose 1997).

Hence, this paper examines whether and how citizens' trust in institutions are affected by their economic evaluations. Specifically, the EAB surveys ask respondents to rate the overall present economic condition, describe the change in the economic condition over the past five years, and predict the economic condition in five years. Taken together, these three questions simultaneously measure citizens' current, retrospective, and prospective economic evaluations.

We incorporate these three variables into Model 2. Each variable ranges from 1 to 5, where 1 represents "very bad" for current condition and "much worse" for the change in the economy. Accordingly, we expect these three coefficients to be positive. As we can see, our expectation is strongly confirmed by the empirical results.

<Model 2 about here>

Next, we take into account citizens' regime evaluations at a broader level. Specifically, in addition to modeling the effect of economic evaluations, we also examine whether citizens in East Asian countries respond to government performance in the political dimension. Linz and Stepan (1996) posit that citizens can clearly differentiate between economic goods and political goods. Indeed, as Mattes, Bratton, and Gyimah-Boadi (2003) note, while it is not physically possible for citizens to eat human rights, they are equally important to one's quality of life. For instance, Hofferbert and Klingemann (1999) have shown persuasively the extent to which citizens in post-communist countries value and appreciate political goods such as freedom, liberty, and fairness. Many studies have also demonstrated the importance of citizens' perceived freedom, fairness, satisfaction, and government responsiveness in accounting for their support in democracy (Rose et al. 1998; Norris 1999).

To examine how citizens assign their trust in institutions according to institutions' political performance, we include the following variables into the model specification: perceived freedom, perceived fairness, perceived influence, and satisfaction with the government.<sup>6</sup> As we can see from the results in Model 3, citizens who perceive higher levels of fairness, influence, and satisfaction reveal higher trust in institutions. As noted earlier, one should be aware that the direction of causality is less clear in these variables. While higher level of perceived fairness might lead to higher level of institutional trust, higher institutional trust might as well invite higher level of perceived fairness.

<Model 3 about here>

Finally, following the conventional practice in the literature, we also control for standard demographic variables in Model 4. Many studies have emphasized the potential influences

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<sup>6</sup> See Appendix for the coding of all variables.

of these factors in structuring citizens' trust toward institutions and government (Finifter and Mickiewicz 1992; Mishler and Rose 2001; Seligson 2002; Mattes, Bratton, and Gyimah-Boadi 2003). For instance, the younger generation might have a higher level of trust since they just completed the early stages of the socialization processes via civil education in school. Older generations, especially those who experienced authoritarian regimes in their earlier life, are likely to express less trust. Similarly, those who have higher income, education, and social economic status are likely to be more informed of the political process and thus become more critical or even cynical. Further, gender might affect citizens' trust in institutions if the common belief that women in East Asian societies are structurally discriminated against holds. Therefore, we expand Model 3 by including age, education year, subjective social economic status, and gender in the regression model, and report the results in Model 4.<sup>7</sup> The empirical results largely corroborate our initial speculation, suggesting that older, more educated, and wealthier respondents express lower institutional trust.

<Model 4 about here>

As the astute reader will have noted, the key independent variables, *PCORRUPT* and *ECORRUPT*, remain highly significant with the expected signs during this iterative model building process. Moreover, the estimated coefficients of these two key variables remain quite stable across models. This suggests that the effect of political corruption on institutional trust holds irrespective of different model specifications. In an attempt to pursue a more parsimonious model, we drop the variables that are statistically insignificant, and re-estimate the model. Again, both variables *PCORRUPT* and *ECORRUPT* remain

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<sup>7</sup> The variable of income level, characterized by monthly household income, suffers from incomparability in the pooled dataset, and thus is excluded from the analysis. The income variable, however, are well represented by the subjective social economic status variable.

negative and significant.

<Model 5 about here>

#### **4. Robustness Check**

To buttress our empirical analysis further, we now undertake a series of robustness checks. First, one potential threat to the validity of our finding is in the construction of our measurement of experienced corruption. Specifically, one might suspect that the variable, *ECORRUPT*, suffers from measurement error resulting from systematic over or under reporting. Measurement error has been known to create serious econometric problems. For instance, when measurement error is present in the explanatory variables, the standard OLS estimator is biased even when the sample is sufficiently large (Kennedy 1998, Ch. 9).

The systematic over or under reporting is likely to occur due to the respondents' party affiliation. In particular, it is posited that respondents who support the incumbent party might be more forgiving than those who support the opposition. Therefore, it is crucial to control for party identification to avoid the over-under reporting problem (Seligson 2002). Moreover, many studies suggest that the party identification variable itself is expected to shape citizens general orientations towards political institutions (Clarke and Acock 1989; Anderson and Guillory 1997; Anderson and LoTempio 2002). In particular, they argue that the "winner effect" – those who are affiliated with the winning party tend to show higher support and trust in institutions -- exists since the institutional design allowed the party the respondent supports to be elected to office. Therefore, citizens are more likely to believe that political institutions are responsive to their demands so that they are deemed trustworthy.

To guard against the bias caused by the winning effect, we include the party

identification variable directly into our model. Specifically, the EAB surveys ask respondents which party they feel closest to, and we code the respondent a “winner” if she feels closest to the ruling party at the time interview was conducted. The results, summarized in Model 6 of Table 3, indicate the potential existence of the winning effect: the coefficient of winner effect is positive as expected yet only marginally significant. However, the key here is that both corruption variables, *PCORRUPT* and *ECORRUPT*, are still negative and significant. Accordingly, we find that the erosive effect of corruption on trust remains sound and loud despite the present of winning effect.

<Model 6 about here>

Another problem that plagues survey research is the problem of missing data. For instance, we observed that there was a significant amount of missing data as result of including the winner effect variable, reducing the usable observations to only 3602. Put differently, the inclusion of the winner effect variable halves our sample size (Recall that the pooled dataset consists of a sample of 7079 observations). Obviously, this missing data problem, resulting from ignoring the entire observation (known as the list-wise deletion) leads to inefficiency because we throw away a lot of information. More importantly, King (et. al 2001) posit that if the observed data differs systematically from the unobserved data, the list-wise deletion will also cause biased inference. To be sure, we have strong reasons to believe that those missing data do not simply reflect respondents’ ignorance. Instead, it is more likely that respondents have other considerations when they decide not to reveal their party identification. Under such circumstances, the missing data problem is likely to invite biasness in our inference, since the missing data are not really “missing”.

To avoid these two problems, we use multiple imputation procedure prescribed by

*Amelia* to impute the dataset.<sup>8</sup> The results, represented in Model 7, again clearly indicate that political corruption negatively affects citizens' institutional trust.<sup>9</sup>

<Model 7 about here>

Finally, recall that our pooled dataset is merged from five individual country dataset. To assure that our empirical results are not driven by any particular country, we perform a Jackknife analysis (Elton and Tibshirani 1993; Gentle 2002; Kittel and Winner 2002) on our preferred Model 5 using our newly imputed datasets. Specifically, we re-estimate the model repeatedly, excluding one country in each run. The resulting minimum and maximum values of the point estimates of key covariates are presented in Table 4. We can clearly see that the coefficients of *PCORRUPT* and *ECORRUPT* remain negative and significant throughout, even under this demanding procedure. This result suggests that the erosive effect of corruption on institutional trust holds uniformly across these five East Asian countries examined in this study. It further reinforces our confidence in the validity of our empirical results obtained from pooling five seemingly heterogeneous countries.

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<sup>8</sup> In general, multiple imputation makes a weaker assumption than list-wise deletion regarding the way missing data occur. Rather than assuming that the unobserved data is missing completely at random, multiple imputation is consistent and gives correct uncertainty estimates if the data are missing randomly conditional on the data included in the imputation procedures (King et.al 2001). The procedure involves three main steps. First, an algorithm, commonly referred to as the EMis algorithm, is used to impute values for the missing data. After this step,  $m$  ( $m=5$  in our study) complete data sets are created consisting of all the observed data and imputations for the missing values. Then we simply use standard statistical methods, such as ordinary linear regression, to analyze each of the  $m$  data sets. The final step combines the parameter estimates and variances from the  $m$  complete dataset to form a single set of parameter estimates and variances. The key in this final step is that this procedure systematically accounts for not only variation across the  $m$  analyses caused by missing data but also ordinary sampling error within each dataset.

<sup>9</sup> We use the Gauss version, available from <http://gking.harvard.edu>. The ridge prior is used in the interest of computational efficiency.

<Table 4 about here>

## **5. Conclusion**

This study sought to examine whether and how political corruption affects people's trust in institutions in East Asian countries. All the analyses presented so far underscore the upshot of this study: the level of citizens' perception of, as well as, experience with corruption, decreases their trust toward political institutions. In particular, controlling for citizens' economic evaluation, political evaluation, demographical and socio-economic backgrounds, and party affiliation, the empirical evidence presented in this study clearly documents the erosive nature of political corruption on citizens' trust in institutions. This effect appears universal and holds uniformly across all the countries examined in this study, and is robust across different model specifications. The finding also runs against the well-established conventional wisdom, which argues that political culture in East Asian societies exonerates political corruption.

Studying how political corruption affects institutional trust has significant implications for the democratic consolidation. Specifically, the results presented in this study point out several intriguing questions that deserve further reflection and investigation. For instance, one might ask how does the dynamic of political corruption within a country across time affect support for democracy, characterized by the rule of game specified by political institutions? Particularly, if we examine how the degree of political corruption has evolved since last six years in Figure 5, we can clearly observe that political corruption has been increasing in the Philippines while decreasing in Japan. This change of corruption over time might provide useful clues for understanding the prospects of democracy in these countries.

<Figure 5 about here>

## Appendix A Summary Statistics

Variable	N	Mean	Standard Deviation	Minimum	Maximum
Institutional trust	6978	2.44	0.55	1	4
Experienced corruption	6994	0.23	0.42	0	1
Perceived corruption	6730	1.52	0.68	0	3
Present Economic Evaluation	7042	2.33	1.06	1	5
Retrospective Economic Evaluation	7009	2.50	1.10	1	5
Prospective Economic Evaluation	6554	3.09	0.97	1	5
Satisfaction with Democracy	6798	2.67	0.74	1	4
Perceived fairness	6815	3.52	0.93	1	5
Perceived influence	6677	3.43	0.92	1	5
Perceived freedom	6892	4.01	0.89	1	5
Gender	7071	0.47	0.49	0	1
Age	7066	44.65	15.43	18	109
Subjective Social Economic Status	6853	3.42	0.80	1	5
Education	6786	10.43	4.12	0	25
Winner Status	4466	0.44	0.49	0	1

## Appendix B Measurement of Variables

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Institutional trust	Mean score of individual trust in 7 political institutions. 1=none at all; 2 = not very much trust; 3 = quite a lot of trust; 4=a great deal of trust.
Experienced corruption	0=no; 1= yes.
Perceived corruption	Mean score of individual perception of corruption at national and local government level. 1=hardly anyone is involved; 2= not a lot of officials are corrupt; 3=most officials are corrupt; 4= almost everyone is corrupt.
Present economic evaluation	1=very bad; 2=bad; 3=so so; 4 = good; 5 = very good.
Retrospective economic evaluation over the past 5 years	1= much worse; 2=a little worse; 3=about the same; 4=a little better; 5=much better.
Prospective economic evaluation	1= much worse; 2=a little worse; 3=about the same; 4=a little better; 5=much better.
Satisfaction with Democracy	1 = not al all satisfied; 2 = not very satisfied; 3 = fairly satisfied; 4=very satisfied.
Perceived increased fairness	Everyone is treated equally by the government. 1=much worse; 2=somewhat worse; 3=the same; 4=somewhat better; 5=much better than before.
Perceived increased influence	People like me can have an influence on government. 1=much worse; 2=somewhat worse; 3=the same; 4=somewhat better; 5=much better than before.
Perceived increased freedom	Everyone is free to say what they think. 1=much worse; 2=somewhat worse; 3=the same; 4=somewhat better; 5=much better than before.
Gender	0=female; 1= male.
Age	Age in years

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Subjective social economic status	1=upper class; 2=upper middle class; 3 = middle class; 4=lower middle class; 5= lower class
Education	Years of Education
Winner Status	Which party if any do you feel closest to? 1 = the incumbent party; 0 = otherwise.

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**Figure 1. Political Corruption in East Asian Countries**

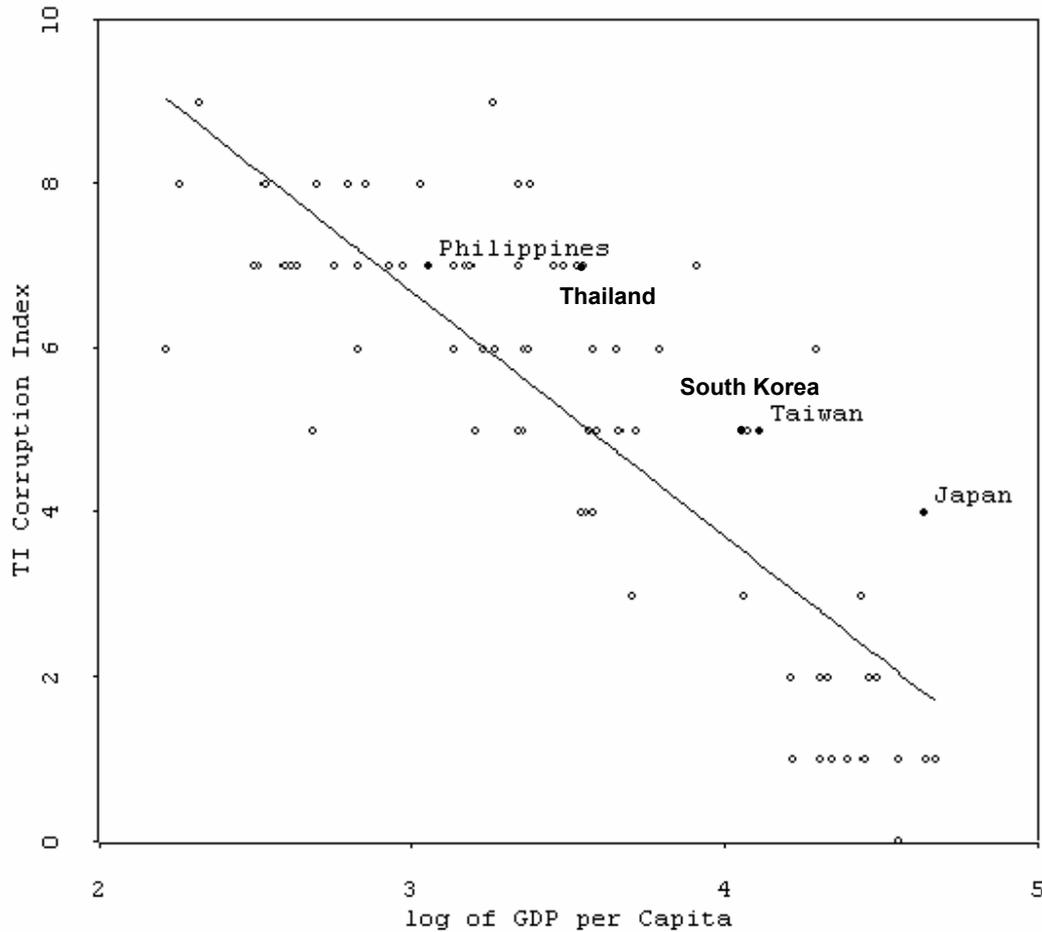


Figure 1 shows that all of the East Asian countries studied in this paper lie above the fitted line. Additionally, among the most economically developed countries, Japan, Taiwan, and South Korea remain the most salient exceptions and are some of the countries for which GDP per capita is least effective in accounting for political corruption. This result clearly documents the systematic and pervasive political corruption in East Asian countries.

**Figure 2. Institutional Trust in East Asian Countries**

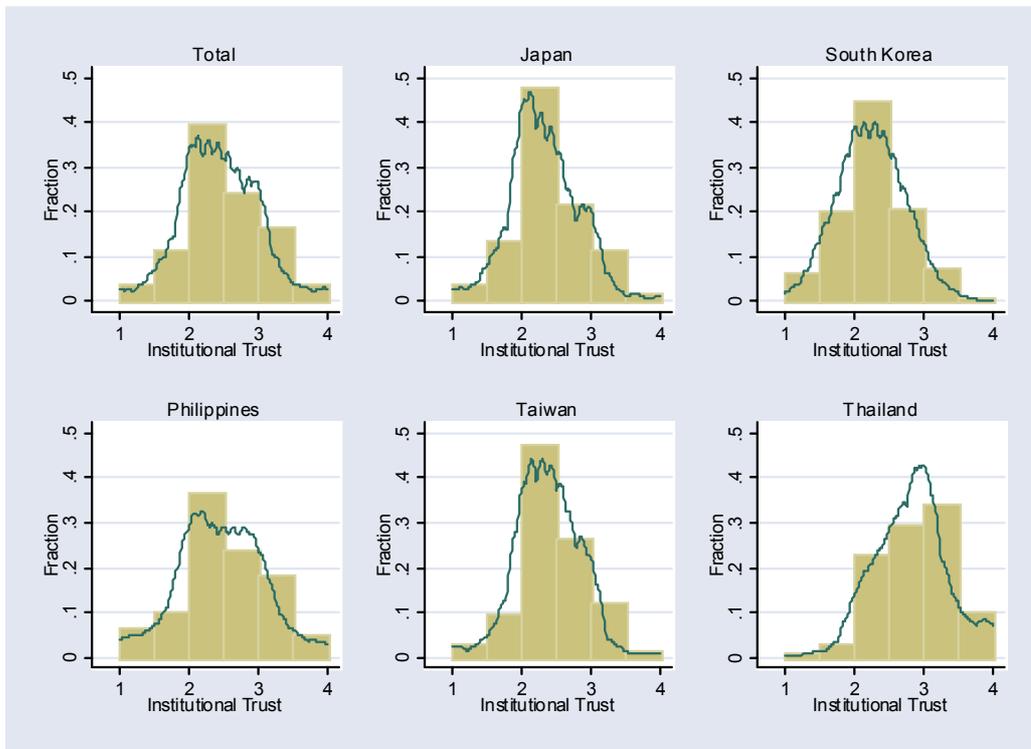
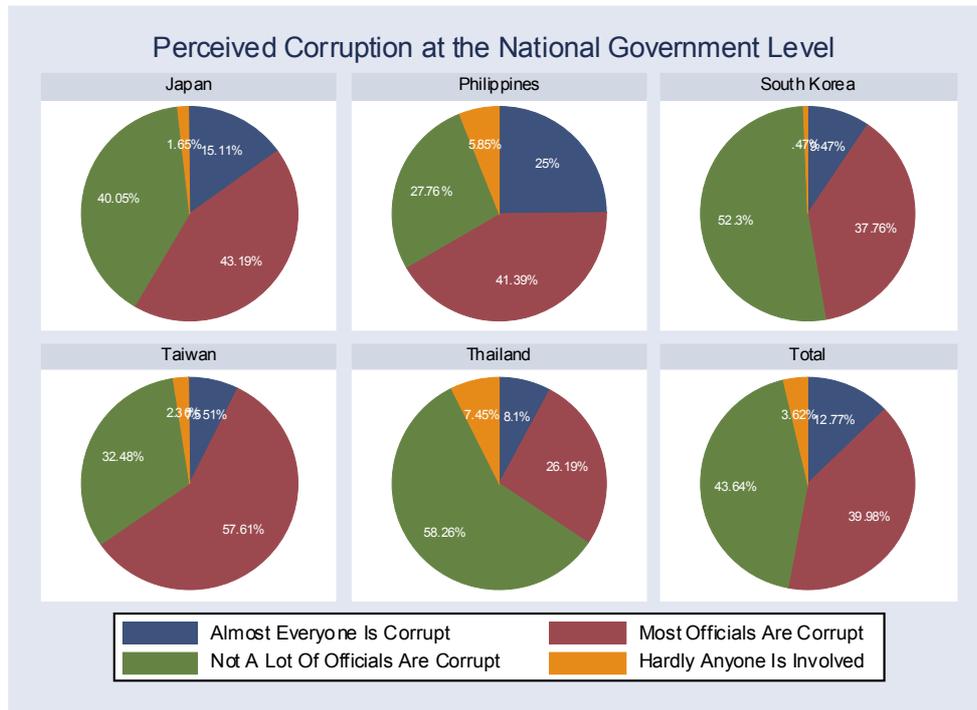


Figure 2 shows that most of the citizens in East Asian countries (except Thailand) do not find political institutions very trustworthy.

**Figure 3.A. Perceived Corruption at the National Government Level**



**Figure 3.B. Perceived Corruption at the Local Government Level**

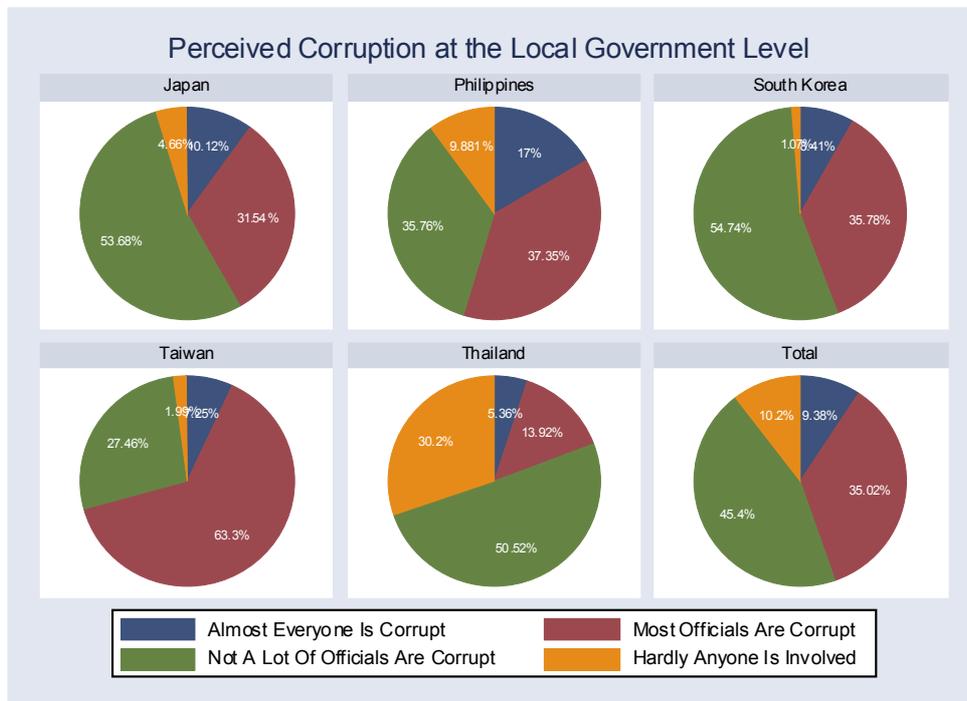


Figure 3.A and 3.B clearly show that political corruption and bribe-taking are widespread in East Asian countries, particularly in Philippines, South Korea, and Taiwan.

**Figure 4. Experienced Corruption in East Asian Countries**

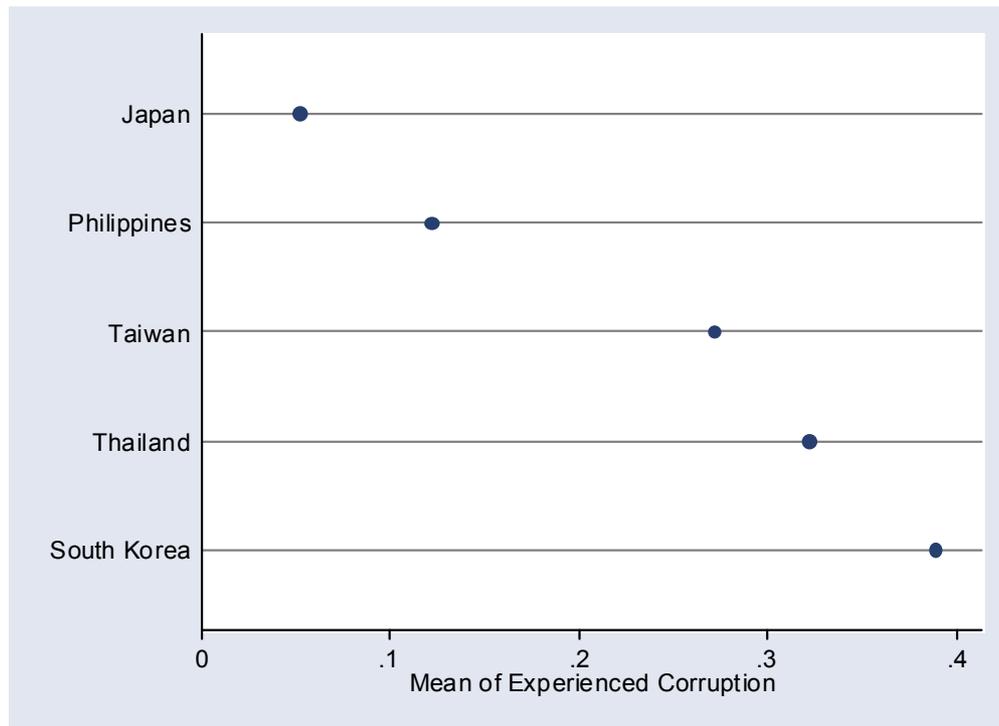


Figure 4 plots the experienced corruption in East Asian countries. The result shows a lot of cross-country variations: among the countries studied in this paper, citizens' experience corruption is highest in South Korea (.39) and lowest in Japan (.05)

**Figure 5. The Dynamics of Political Corruption**

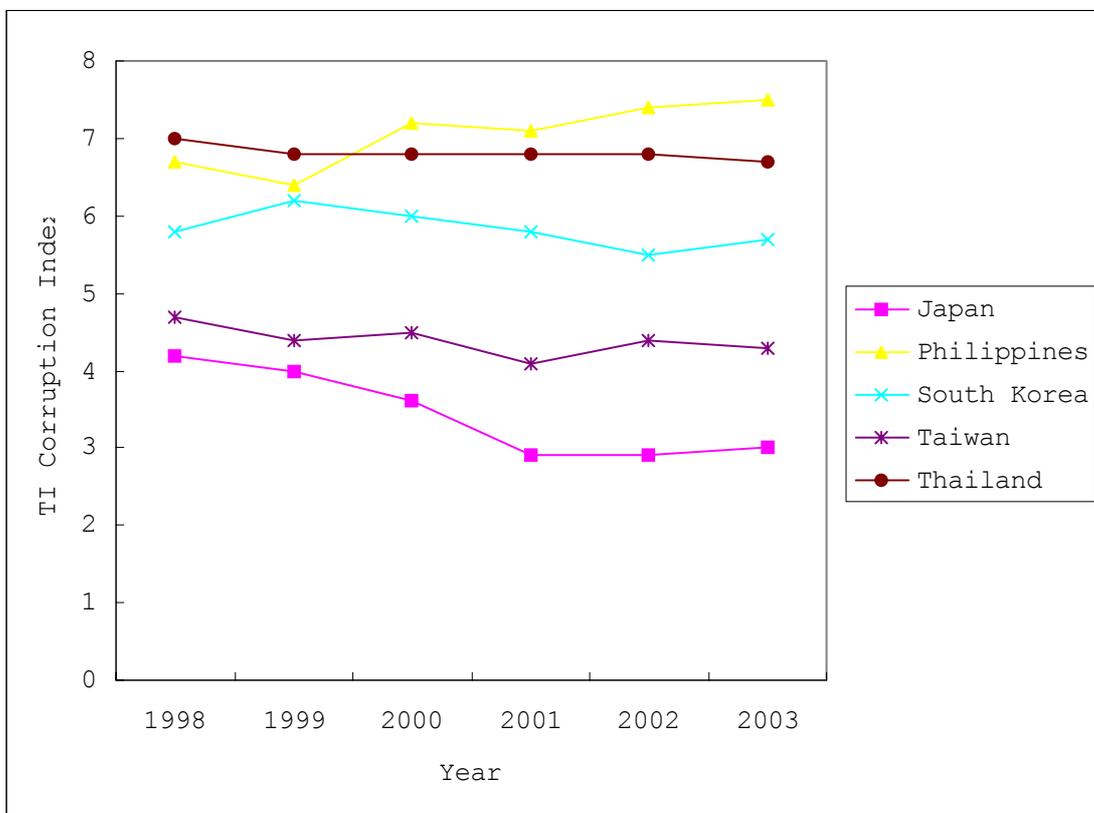


Figure 5 shows the evolvement of political corruption since 1998. We can clearly observe that political corruption has been increasing in Philippines while decreasing in Japan.

**Table 1. Citizens' Trust in Individual Institution in East Asian Countries**

	None At All (%)	Not Very Much Trust (%)	Quite a Lot of Trust(%)	A great Deal of Trust(%)	Mean
The Courts	5.76	35.88	46.45	11.91	2.64
The National Government	11.84	45.14	35.44	7.59	2.38
Political Parties	20.91	53.14	21.96	3.99	2.09
Parliament	20.93	48.22	25.64	5.21	2.15
The Military	6.01	30.38	48.72	14.89	2.72
The Police	9.94	38.86	41.87	9.33	2.5
Local Government	7.6	38.25	44.49	9.66	2.56

**Table 2. Estimated Results**

	Model 1	Model 2	Model 3	Model 4	Model 5
Experienced corruption	-0.0318** [0.0145]	-0.0515*** [0.0144]	-0.0575*** [0.0140]	-0.0317** [0.0140]	-0.0319** [0.0140]
Perceived corruption	-0.2776*** [0.0102]	-0.2272*** [0.0103]	-0.1591*** [0.0105]	-0.1483*** [0.0105]	-0.1478*** [0.0105]
Present economic evaluation		0.1144*** [0.0071]	0.0821*** [0.0072]	0.0563*** [0.0074]	0.0587*** [0.0069]
Retrospective economic evaluation		0.0111* [0.0066]	0.0093 [0.0066]	0.0073 [0.0066]	
Prospective economic Evaluation		0.0914*** [0.0071]	0.0643*** [0.0070]	0.0672*** [0.0070]	0.0675*** [0.0070]
Satisfaction with Democracy			0.1746*** [0.0100]	0.1504*** [0.0101]	0.1502*** [0.0100]
Perceived fairness			0.0612*** [0.0082]	0.0550*** [0.0083]	0.0566*** [0.0077]
Perceived increased influence			0.0413*** [0.0080]	0.0313*** [0.0080]	0.0329*** [0.0079]
Perceived increased freedom			-0.0078 [0.0085]	0.0038 [0.0086]	
Gender				0.0055 [0.0125]	
Age				-0.0010** [0.0005]	-0.0011** [0.0005]
Subjective SES				-0.0406*** [0.0085]	-0.0405*** [0.0085]
Education				-0.0252*** [0.0018]	-0.0254*** [0.0018]
Constant	2.8707*** [0.0166]	2.2117*** [0.0321]	1.4783*** [0.0512]	2.0220*** [0.0736]	2.0455*** [0.0703]
Observations	6647	6265	5956	5672	5701
Adjusted R <sup>2</sup>	0.12	0.21	0.29	0.31	0.31

Note:

Robust standard errors in brackets.

\* p <.1; \*\* p<.05; \*\*\* p<.01. All tests are two-tailed.

**Table 3. Robustness Check: Winner Effect and Multiple Imputation**

	Model 6	Model 7
Experienced corruption	-0.0340** [0.0163]	-0.0475*** [0.013]
Perceived corruption	-0.1291*** [0.0138]	-0.1448*** [0.0095]
Present economic evaluation	0.0714*** [0.0087]	0.0506*** [0.0061]
Prospective economic Evaluation	0.0501*** [0.0084]	0.0605*** [0.0063]
Satisfaction with Democracy	0.1202*** [0.0126]	0.1589*** [0.0091]
Perceived fairness	0.0516*** [0.0091]	0.0564*** [0.0069]
Perceived increased influence	0.0338*** [0.0095]	0.0338*** [0.0071]
Age	-0.0005 [0.0006]	-0.0003 [0.0004]
Subjective SES	-0.0238** [0.0106]	-0.0297*** [0.0077]
Education	-0.0222*** [0.0022]	-0.0264*** [0.0016]
Winner Status	0.0198 [0.0153]	0.0231* [0.0122]
Constant	2.0209*** [0.0890]	2.0146*** [0.0644]
Observations	3602	7079

Note:

Robust standard errors in brackets.

\*  $p < .1$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$ . All tests are two-tailed.

**Table 4. Robustness Check: Jackknife Analysis**

	Maximum Coefficient	Country Omitted at Max. Coeff.	All Countries (Model 7)	Minimum. Coefficient	Country Omitted at Min. Coeff.
Experienced corruption	-0.0587*** [.0156]	South Korea	-0.0475*** [0.013]	-0.0326*** [.0153]	Taiwan
Perceived corruption	-0.1604*** [.0105]	Philippines	-0.1448*** [0.0095]	-.141*** [.0108]	Taiwan

Note:

Robust standard errors in brackets.

\*  $p < .1$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$ . All tests are two-tailed.

Coefficients of other variables are suppressed in the interest of space.

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# Asian Barometer

## A Comparative Survey of Democracy, Governance and Development

The Asian Barometer Survey (ABS) grows out of the Comparative Survey of Democratization and Value Change in East Asia Project (also known as East Asia Barometer), which was launched in mid-2000 and funded by the Ministry of Education of Taiwan under the MOE-NSC Program for Promoting Academic Excellence of University. The headquarters of ABS is based in Taipei, and is jointly sponsored by the Department of Political Science at NTU and the Institute of Political Science of Academia Sinica. The East Asian component of the project is coordinated by Prof. Yun-han Chu, who also serves as the overall coordinator of the Asian Barometer. In organizing its first-wave survey (2001-2003), the East Asia Barometer (EABS) brought together eight country teams and more than thirty leading scholars from across the region and the United States. Since its founding, the EABS Project has been increasingly recognized as the region's first systematic and most careful comparative survey of attitudes and orientations toward political regime, democracy, governance, and economic reform.

In July 2001, the EABS joined with three partner projects -- New Europe Barometer, Latinobarometro and Afrobarometer -- in a path-breathing effort to launch Global Barometer Survey (GBS), a global consortium of comparative surveys across emerging democracies and transitional societies.

The EABS is now becoming a true pan-Asian survey research initiative. New collaborative teams from Indonesia, Singapore, Cambodia, and Vietnam are joining the EABS as the project enters its second phase (2004-2008). Also, the State of Democracy in South Asia Project, based at the Centre for the Study of Developing Societies (in New Delhi) and directed by Yogendra Yadav, is collaborating with the EABS for the creation of a more inclusive regional survey network under the new identity of the Asian Barometer Survey. This path-breaking regional initiative builds upon a substantial base of completed scholarly work in a number of Asian countries. Most of the participating national teams were established more than a decade ago, have acquired abundant experience and methodological know-how in administering nationwide surveys on citizen's political attitudes and behaviors, and have published a substantial number of works both in their native languages and in English.

*For more information, please visit our website: [www.asianbarometer.org](http://www.asianbarometer.org)*