Corruption and Trust: Exceptionalism in Asian Democracies?

Abstract / While voluminous studies have attributed the continuing decline of institutional trust to political corruption, the link between corruption and institutional trust in Asia has yet to be explored systematically. Testing the effect of corruption on institutional trust is theoretically important and empirically challenging, since many suggest that contextual factors in Asia, such as political culture and electoral politics, might neutralize the negative impact of corruption. Utilizing data from the East Asia Barometer, we find a strong trust-eroding effect of political corruption in Asian democracies. We also find no evidence that contextual factors lessen the corruption-trust link in Asia. The trust-eroding effect holds uniformly across all countries examined in this study and remains robust even after taking into account the endogenous relationship between corruption and trust.

Political corruption is considered one of the most destructive yet unresolved problems common to most societies. Importantly, political corruption represents a direct and brutal betrayal of public trust placed in institutions, since political corruption revolves around situations where governmental officials entrusted by the public engage in malfeasance for private enrichment. Because corruption recklessly violates the fundamental principles of democracy, such as accountability, equality, and openness, recent studies have suggested that corruption causes political distrust among citizens, thus leading to legitimacy crises in political systems (Anderson and Tverdova, 2003).

Scholars have identified other mechanisms through which corruption violates the public trust and erodes political legitimacy. Theobald (1990) argues that corruption hinders the development of political parties, because the opportunities for self-enrichment through control of office inevitably encourage the ruling elite to focus on building personalized clientelistic networks so as to stay in power rather than developing organizational capabilities and distinctive political platforms that can effectively represent diverse social interests. In other words, the high premium of controlling office resulting from corruption yields political machines that are rent-seeking instead of political parties that are preference-integrating and trust-enhancing. Theobald also posits that corruption undermines political participation, since the spoils from corrupt exchange are mainly directed toward members of the various elites, and ordinary citizens are alienated from the policy-making process.

Finally, della Porta (2000) argues that corruption impedes governmental performance and reduces citizens’ trust in the government’s capability to address their demands. Corruption not
only distorts the way public interests are articulated and aggregated, but also diverts administrative resources and activities to areas where marginal gains from corruption are maximized. Whether the welfare of the whole is served is not considered during this resource misallocation process, and the public is victimized because it suffers from the externalities of corruption, such as the increase of cost and the poor quality of public works.

While voluminous studies have attributed the continuing decline of institutional trust to political corruption, the link between corruption and institutional trust in East Asia has yet to receive the attention it merits in empirical research. We posit that East Asian democracies represent a "hard case" for the study of corruption, since a great deal of research on economic growth, political culture, and electoral systems in East Asia leads to a competing hypothesis that casts reasonable doubt on the culpability of political corruption. Political corruption in East Asia has been characterized as systematic and structural. The pervasive corruption in the East Asian case is unique and even more noteworthy, because empirically high levels of corruption have been associated with high levels of economic growth. As Lim and Stern (2002) succinctly summarize, most studies attribute the positive association between corruption and growth in East Asia to its unique economic policies and state-business relationships. For instance, several studies argue that while state interventions may create non-market rents and corruption, whether these rents lead to inefficient economic outcomes depends on how they are allocated and used. In the case of East Asian democracies, rents are created by thoroughly-planned and well-executed industrial policies and are allocated competitively among entrepreneurs on a performance basis. These arguments about the East Asian paradox have clear and consequential implications for this paper, as they argue for differences between corruption in East Asia and elsewhere. Importantly, the uniqueness of corruption in East Asia raises a legitimate concern: can corruption also coexist with institutional trust in East Asian democracies, just like the way corruption has a truce with growth?

Indeed, some regional factors might justify this view of East Asian corruption exceptionalism. As Bardhan (1997) argues, one contextual account for differential corruption is that political cultures vary in different countries. The idea is intuitive: What is considered unethical and corrupt in one culture may be regarded as a routine transaction in another. Corruption is commonly 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 roles. Many advocates of the "East Asian corruption exceptionalism", however, argue that such a distinction does not necessarily exist in many East Asian societies, because the notion of reciprocity plays an important role and gift-giving is highly valued in the relationship between political authorities and citizens.

In addition to the political culture, another unique (and perhaps astonishing) phenomenon in East Asian democracies is the high frequency with which corrupt politicians are (re)elected. That corruption is deeply ingrained into electoral politics and even pays electorally reinforces the suspicion that corruption might not be that poi-
sonous in East Asia. Some scholars take the high reelection rate of corrupt politicians in Japan as evidence that Japanese citizens strike a bargain with their government, accepting corruption in exchange for pork barrel benefits and economic growth.

This paper asks empirically whether the level of citizens' perception of corruption decreases their trust toward political institutions in East Asian democracies. This paper makes use of newly compiled data from the EAB. The EAB conducts comparative surveys of citizens' attitudes toward politics and democracy in eight East Asian political systems, namely China, Hong Kong, Japan, Mongolia, the Philippines, South Korea, Taiwan, and Thailand. In each of the eight regions, a national research team administers a country-wide face-to-face survey and compiles the required micro-level data under a common research framework and with standardized survey instruments as well as research methodology. Since this paper studies citizens' attitudes toward political institutions in a democratic setting, we only focus on five established or emerging democracies (Japan, the Philippines, South Korea, Taiwan, and Thailand).

To measure institutional trust in a comparable way, the EAB surveys ask 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 includes the courts, the national government, political parties, parliament, the military, the police, and the local government. To tap into institutional trust in the most comprehensive way, we create a composite variable of institutional trust by averaging the individual scores across the seven political institutions.

Political corruption is a complex set of activities. It can take place at the national government level, or at the local government level during day-to-day politics. To capture citizens' perceptions of corruption at both levels, the EAB surveys ask respondents: "How widespread do you think corruption and bribe-taking are in your national government?" The EAB survey also asks: "How widespread do you think corruption and bribe-taking are in your local government?" Each item is rescaled to a metric of 1-4, where 1 represents "hardly anyone is involved" and 4 indicates "almost everyone is involved." We construct our key independent variable, perception of corruption, by taking the average of citizens' perceived corruption across both national and local government dimensions.

After incorporating other determinants of trust suggested in the literature as control variables, we test our hypothesis about the effect of political corruption on citizens' trust in political institutions against this newly available comparative survey data. We find a strong trust-eroding effect of political corruption. Moreover, using a multilevel analysis, we find no evidence that contextual factors of political culture and electoral politics in East Asia neutralize the negative impact of corruption on citizens' institutional trust. A second yet equally important objective of this paper is to clarify the direction of causality between political corruption and institutional trust. One might reasonably suspect the effect of corruption on trust to be endogenous, since it is equally likely that the lack of institutional trust might strengthen citizens' perception of corruption. This paper explicitly deals with the potential endogeneity of perceived corruption by constructing a simultaneous equation model and finds supportive evidence of a vicious cycle where corruption and distrust reinforce each other.

Controlling for citizens' economic and political evaluations and socio-economic background, the empirical evidence clearly documents the corrosive effect of political corruption on citizens' trust in institutions. This effect holds
uniformly across all countries examined in this study and remains robust after taking into account the endogenous relationship between corruption and trust. We also find no evidence that contextual factors lessen the corruption-trust link in East Asia.

The original paper was published in *Journal of Politics* 68.2 (2006):259-271.

References