Testing Asian Corruption Exceptionalism: Corruption and Trust in Asian Democracies

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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 been explored systematically. Testing the effect of corruption on institutional trust is theoretically important and empirically challenging, since many suggests 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.
This paper examines the effect of political corruption on citizens’ trust in political institutions in Asian democracies. Despite its far-reaching consequences, institutional trust has been found to be low and even declining in most contemporary democracies (Norris 1999, Pharr and Putnam 2000). The continuing and troublesome decline of institutional trust has spawned much exciting research over the past few years, and the myth of the downward trend is giving way in the literature to an emerging consensus on the corrosive effect of political corruption.

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 (Bardhan 1997). 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; Seligson 2002a). 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 (Burnett and Mantovani 1998). The call for a referendum in South Korea in 2003 also clearly documents the corrosive impact of political corruption on institutional trust and regime legitimacy. As President Roh himself has made clear, “… confidence in ethics is the only source for leading the country.”

Given the important impact of political corruption on institutional trust, the link between corruption and trust in Asian countries has yet to receive the attention it merits in empirical research. Countries investigated in current comparative research have been

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1 For instance, low levels of institutional trust are found to reduce the effectiveness of government and political involvement of citizens, which ultimately undermine regime legitimacy. For a detailed discussion on the political consequences of institutional trust, see Mishler and Rose (2002).

2 For a survey of literature, see Levi and Stoker (2000).

limited to developed democracies and new democracies in Eastern Europe and Latin America, and it is not clear to what extent these findings can be generalized and applied to Asian democracies. Specifically, we argue that this paper is not simply a replication exercise. By sharp contrast, we posit that 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 Asia leads to a competing hypothesis that casts reasonable doubt on the culpability of political corruption. Hence, it is important to understand whether the relationship between political corruption and institutional trust is different in Asia as in the rest of the world.

This is exactly our goal: This paper asks empirically whether the level of citizens’ perception of corruption decreases their trust toward political institutions in Asian democracies. We test our hypothesis against newly available data from the East Asia Barometer (the EAB henceforth), and 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 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.
How Does Corruption Reduce Institutional Trust?

The discussion on political corruption can be traced back at least to modernization theory. In the Weberian perspective of modernization theory that vouches for the rationalization of authority, legal procedure, and equality of outcome, corruption is simply a despicable pathology for developing societies and will eventually be wiped out in the process of bureaucratization and modernization.

The Weberian approach was later challenged by several scholars in the 1960s (known as the “revisionists”) who reevaluated the potential contributions of corruption to political development. Perhaps ironically, corruption was regarded as beneficial and functional in the eyes of the revisionists. According to this line of argument, corruption acts as a form of insurance against policy discontinuity and provides entrepreneurs an incentive for investment (Theobald 1990). Allocation of resources by corruption and bribery can also promote efficiency, since only the lowest-cost firm can afford the largest bribe in a competitive bidding environment (Lien 1986). Politically, corruption is also said to be functional since it serves as grease for the bureaucratic machine and elicits administrative action. Others maintain that corruption facilitates the development of parties, encourages political participation, and helps to promote a stable and binding political environment. Taken together, the revisionist theory argues that corruption increases the loyalty and political trust of citizens (Bayley 1967; Huntington 1968; Merton 1968).

Recently the nurturing effect of corruption on economic development has been severely challenged. Benefiting from the availability of cross-national data on the perceived level of political corruption, recent empirical research has found hard evidence of a negative association between political corruption and a variety of macroeconomic indicators.\(^4\) Meanwhile, political scientists argue that corruption involves politicians’ abuse of entrusted power in the interest of self-enrichment and hence reduces citizens’ trust toward

\(^4\)For a survey of literature, see Lambsdorff (1999).
political institutions (Theobald 1990; Doig and Theobald 2000). Simply put, corruption is destructive rather than functional as it violates the fundamental principle of democracy. As Dahl (1971) forcefully notes in his seminal work, the signature characteristic of a democracy is the prompt responsiveness of the government to the equally-weighed preferences of its citizens. Namely, the democratic process in which citizens’ needs and desires are aggregated and translated into policies has to be fair. However, the notion of equality and fairness of citizens before institutions is relentlessly compromised by corruption, since governmental services are available only for those who have paid, and policies are made upon the interests of the political elites and their cronies. Political corruption thus overshadows institutions as personal connections and considerations become increasingly dominating. Ultimately, institutions lose their autonomy and credibility, and instead become personal instruments of corrupt leaders. In short, corruption spawns the seeds of mistrust toward institutions and contributes to the delegitimation of the political system.

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 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. The political development experience in the former Soviet Union during the 1990s provides unambiguous supporting evidence to Theobald’s thesis. As Bowser (2001) documents, that corruption corrodes confidence and trust in government manifests itself in the mass theft of state assets and massive tax evasion. Where everything in the public realm is subject to seizure, it is unlikely for citizens to remain trusting.

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. Given that ill-performance of government raises widespread criticism regarding the efficiency and impartiality of institutions and public procedures, that corruption reduces trust in institutions seems hardly surprising. della Porta further suggests that corruption not only reduces the institutional trust of citizens, but that the effect is self-reinforcing. Specifically, corruption reduces trust in a regime’s ability to respond to citizens’ concerns, and the lack of institutional trust in turn breeds corruption as it drives citizens to bribe in order to gain access to decision-makers.

The trust-eroding effect of corruption is strongly echoed empirically. Using the data on perceptions of corruption and the data about confidence in government from the Eurobarometer, della Porta (2000) finds corruption is inversely related to trust in government in Italy, France, and Germany. On the basis of data from 16 advanced and new democracies from West and East Europe, Anderson and Tverdova (2003) demonstrate that citizens in corrupt countries express lower levels of trust in, and lower evaluations of, political systems. Seligson (2002a) reports similar findings from four Latin American countries, showing that citizens’ corruption experiences reduce their belief in regime legitimacy. Kaufmann and Wei (1999) examine the effect of corruption on the quality and trustworthiness of public institutions in an innovative way. They utilize data at the level of firms from more than 90 countries, and find a highly positive association between the level of corruption and the time firm managers waste with bureaucrats. Their finding hence represents strong counter-evidence against the notion that corruption oils the bureaucratic machine.
This paper builds upon these scholarly efforts and examines the effect of corruption on citizens' institutional trust in Asian democracies. Studying corruption in Asian democracies is theoretically important since they represent an extreme case of systematic corruption. Moreover, testing the effect of corruption on institutional trust is empirically challenging, since it is reasonable that many contextual factors in Asia might neutralize the negative impact of corruption. We elaborate this rationale below.

**Do Asian Democracies Tolerate Political Corruption?**

Political corruption in 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. For instance, Wedeman (2002) reports that while growth rates in East Asian countries were twice those in the OECD countries, East Asian countries were also twice as corrupt. This East Asian miracle of another kind runs directly against the traditional economic wisdom that corruption hinders economic development, and Wedeman refers to the puzzling coexistence of corruption and growth as the “East Asian paradox.”

Recent years have witnessed several promising efforts to account for this East Asian paradox. 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. Therefore, rents and the associated corruption do not necessarily undermine growth in East Asia (Khan and Jomo 2000). Others suggest that a mutual dependence between ruling elites and entrepreneurs in East Asian democracies is the
key to solving this paradox (Kang 2002; Wedeman 2002). The idea is that ruling elites and business actors are tied into a collusive relationship, where ruling elites advance the economic interests of selected entrepreneurs with a pro-growth investment environment and cheap public resources and, in return, the profiting entrepreneurs support ruling elites with kickbacks and monetary resources that are necessary for elites to stay in power. Under such circumstances, ruling elites obviously have incentives to promote economic growth to sustain their authority and retrieve more bribes. As Wedeman (2002) forcefully concludes, these studies posit that while corruption in other regions is “degenerative” and poisonous, corruption in East Asia is distinctive in its “developmental” nature, which permits the concurrence of corruption and growth.

These arguments about the East Asian paradox have clear and consequential implications for this paper, as they argue for differences between corruption in Asia and elsewhere. Importantly, the uniqueness of corruption in Asia raises a legitimate concern: can corruption also coexist with institutional trust in Asian democracies, just like the way corruption has a truce with growth? Put differently, is the relationship between corruption and trust in Asia exceptional from the rest of the world?

Indeed, some regional factors might justify this view of “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. For instance, Brower (2001) documents that the corrupt practice in post-Soviet countries is often viewed in a neutral light. What might neutralize the effect of corruption on institutional trust in East Asian culture is its hierarchical structure and the emphasis on order and harmony. Some theorists of culture go as far as arguing that Confucian values in Asian culture are incompatible with democratic ideas. As Fukuyama (1998) summarizes, “…[p]eople are born not with rights but with duties to a series of hierarchically-arranged authorities, beginning with the family and extending all the way
up to the state.” Lipset and Lenz (2000) further this line of argument and argue that the emphasis on group obligation of Asian culture is conducive to corruption. If this is the case, it is possible that citizens who are deeply influenced by the paternalistic value in Asian culture are deferential to political authorities, leaving their institutional trust intact regardless of the effect from corruption.

Moreover, Rose-Ackerman (1999) notes that, while 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 Asian corruption exceptionalism, however, argue that such a distinction does not necessarily exist in many Asian societies. The reason is because the notion of reciprocity plays an important role and gift-giving is highly valued in the relationship between political authorities and citizens. For instance, Rose-Ackerman (1999) finds that citizens in Thailand believe that they should show their appreciation by giving gifts to officials when good services are delivered. Phongpaich and Piriyarangsan (2001) agree with this proposition and attribute Thai corruption to her cultural tradition. Shin (1999) also documents that President Kim Young Sam’s anti-corruption campaign was largely compromised by the long-standing cultural norm of reciprocity. In short, it seems quite reasonable that the embedded political culture in Asian countries socializes people to regard corruption as an acceptable practice, and corruption can be viewed as wholly neutral without raising any negative attitude toward political institutions.

In addition to the political culture, another unique (and perhaps astonishing) phenomenon in 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 poisonous in 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 (Reed 1996; Pharr 2002). Many
scholars attribute the success of corrupt candidates with strong financial resources to the fact that elections in Asia are very personalistic and candidate-centered (Nathan 1993; Sidel 1996). Since personal reputations trump party ones in electoral significance under candidate-centered systems, politicians have incentives to deliver pork (ranging from legitimate legislative particularism to illegal vote buying) to appeal to voters. While the resultant elections are money extensive and even marked with scandals and corruption, citizens may tolerate and even vote repeatedly for corrupt politicians since they are more capable of “bringing home the bacon.”

In sum, the attenuating factors discussed above warrant closer investigation of whether and how political corruption affects citizens’ institutional trust in Asian countries. On the one hand, both theoretical and empirical literature has clearly shown the general trust-eroding effect of corruption; on the other hand, contextual factors such as political culture and electoral politics yield an exciting counter-hypothesis that challenges the purported effect of corruption and argues for the Asian corruption exceptionalism.

While some recent studies have begun to examine the effect of corruption on institutional trust in the Asian setting (Pharr 2002; Rose, Shin, and Munro 1999), most of the scholarly efforts have been devoted to a single-country framework only. Those works are indispensable, but the accumulation of findings from those studies alone might not be sufficient. To develop a more general theory with broader implications and to identify a stronger empirical regularity, what is needed now is to go beyond any particular country with a cross-national study that systematically explores the relationship between political corruption and institutional trust in Asian democracies.

5For instance, Budd (2004) shows that the use of public resources to nurture particularistic loyalties is quite common in many East Asian countries.
Empirical Analysis

This paper makes use of newly compiled data from the EAB. The EAB conducts comparative survey of citizens’ attitudes toward politics and democracy in eight 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 the democratic setting, we only focus on five established or emerging democracies (Japan, the Philippines, South Korea, Taiwan, and Thailand).

Measuring Institutional Trust

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 civil service, the military, the police, local government, newspapers, television, the election commission, and nongovernment organizations. Each item scores on a metric of 1-4, where 4 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 these questions is that they conceptually distinguish institutional trust from institutional performance. Therefore, we are able to measure institutional trust directly without the confounding influence of support for the incumbent government.

6http://eacsurvey.law.ntu.edu.tw/
7The monarchy, which is an important institution in Japan and Thailand, is not captured by the EAB for comparative reasons.
8In the analysis below we rescale the metric so that higher values indicate greater trust.
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. Appendix A.1 summarizes citizens’ trust in individual institutions across the five Asian countries.\(^9\)

From Appendix A.1, we can see that in comparison to other institutions, the core political institutions, including the national government, political parties, and parliament, do not appear to be very trustworthy in Asia. For comparative purposes, we make use of the World Value Survey \(^10\) and further compare the levels of institutional trust in Asia with the levels in the advanced democracies as well as in post-communist societies. We find that the levels of trust in Asia are roughly the same as the ones in the Western democracies, and are relatively higher than the ones in post-communist countries.

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.\(^{11}\) Appendix 1.B shows country means for citizens’ overall institutional trust and reveals a similar pattern of distrust. The majority of citizens express moderate distrust toward political institutions in 4 out of 5 countries, with Thailand being the only exception.

**Measuring Political Corruption**

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 since the measures of corruption

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\(^9\)The results in Appendix are available at the web site of *The Journal of Politics*.

\(^{10}\)Available from http://nds.umdl.umich.edu/cgi/s/sda/hsda?harcWEVS+wevs. Note that this data source provides a merged dataset containing the 1981-82, the 1990-1991, and the 1995-97 waves of the surveys.

\(^{11}\)Cronbach’s \(\alpha = .83\).
in recent survey-based studies all have their own limitations. The common approach in survey research is to ask respondents their levels of perceived corruption. While this approach is instructive in revealing the degree of political corruption on citizens’ minds, citizens’ levels of perceived corruption might be affected by the amount of media exposure. Worse yet, the direction of causality we draw from studying the effect of corruption on institutional trust may be misleading, since it is equally likely that those who have lower institutional trust may be more likely to believe that their government is corrupt. Following the standard operationalization, we rely on citizens’ perceptions to measure corruption while we explicitly correct the problems of the perceived corruption measurement. As we shall elaborate below, we pay special attention to the endogeneity issue by using a simultaneous equation model, and we control for the effect of media exposure explicitly by incorporating it into our empirical model.

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 [in capital city] government?” The EAB surveys also asks: “How widespread do you think corruption and bribe-taking are in your local/municipal 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.” Appendix 2 reports citizens’ perceptions of corruption at both levels in Asian countries. For comparative purposes, Appendix 2.A also shows citizens’ perceptions of corruption in some OECD countries from World Value Survey. In comparison to those selected advanced democracies, the results suggest that the levels of perceived corruption in the Asian countries are slightly higher than the Western countries. Importantly, the

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12Seligson (2002b) provides a detailed discussion on how to measure political corruption.
13Seligson (2002a, 2002b) proposes an alternative approach and ask respondents whether they have personally witnessed or suffered from corruption. This solution is not perfect, either: Although it effectively captures citizens’ exposure to day-to-day corruption, it cannot tap into higher-level corruption that takes place behind the scenes.
results indicate a widespread perception of corruption at the national government level in Asia: more than half of the respondents believe that government administrators are corrupt, and only 3.6% consider them clean. A very similar attitude structure is shown at the local government level, where almost half of Asian citizens regard their day-to-day politics as corrupt.

**Empirical Testing**

This paper tests the effect of political corruption on institutional trust in East Asian democracies. We construct our key independent variable, perception of corruption, by taking the average of citizens’ perceived corruption across both national and local government dimensions. The resultant political corruption variable has a mean around 2.52, with a standard deviation of .68 and a range from 1 to 4, and higher values mean a higher level of corruption. Therefore, the coefficient of the perceived corruption variable should be negative if corruption indeed undermines trust. On the other hand, we should find no statistical relationship between corruption and trust if contextual factors in Asia neutralize the corrosive effect of corruption.

We next incorporate other determinants of trust suggested in the literature as control variables (Mishler and Rose 2001; Seligson 2002a; Anderson and Tverdova 2003). Several points, however, are noteworthy before proceeding. First, we remain cautious with the risk of omitted-variable bias, most notably from such unobserved country-specific characteristics such as culture or geography. To pick up those unexplained country-specific heterogeneities, we include four country dummy variables into our models. We choose South Korea as the comparison baseline; so the coefficients of each country dummy represent the difference in the levels of institutional trust between each country and South Korea, holding other variables constant. Since South Korea is the country with the lowest level of institutional trust, we expect all of the country dummies to be positive.

Second, perhaps due to shared experiences and common environment, it might be
reasonable to expect that observations within a country are more similar than ones across countries in our pooled sample of countries. In the face of such clustered data, the assumption of independent observations in the traditional linear regression model is violated, resulting in underestimating the standard errors. To overcome this risk of overly optimistic inference, we account for potential clustering within countries.

With these issues in mind, we begin with controlling for economic evaluations. 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 evaluations lead to substantially higher support for the incumbent government.\(^{14}\) In other words, the literature on economic voting regards voters as rational, and assumes that calculating voters are more likely to support governments that are more capable of delivering economic benefits.

Following the same reasoning, institutional trust can be seen as a materialistic form of specific support that is highly contingent on rational voters’ assessments of economic performance. Hence, this paper hypothesizes that pragmatic citizens will express higher trust in institutions if they perform well in the economic domain. Specifically, the EAB surveys ask respondents to rate overall present economic conditions, describe the change in economic conditions over the past five years, and predict economic conditions for the next five years. After reversing the scale, each variable ranges from 1 to 5, where 1 represents “very bad” for current or future conditions and “much worse” for the change in the economy. Taken together, these three questions jointly measure citizens’ current, retrospective, and prospective economic evaluations, and we expect these three coefficients to be positive.

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 cit-

\(^{14}\)For a survey of literature, see Lewis-Beck and Stegmaier (2000).
izens in Asian countries respond to the political performance of their government. Linz and Stepan (1996) posit that citizens can clearly differentiate between economic and political goods. Indeed, as Bratton and Mattes (2001) forcefully argue, baskets of political goods, such as political rights and freedoms, are at least equally important as baskets of economic goods in shaping citizens’ attitudes toward democracy. To examine how citizens assign their trust in institutions according to institutions’ political performance, we include the following variables: perceived freedom, perceived fairness, perceived influence, and satisfaction with democratic practice.

Finally, we also control for standard demographic variables. Studies have emphasized the potential influences of these factors in structuring citizens’ trust toward institutions and government (Finifter and Mickiewicz 1992). For instance, older generations in Asia, especially those who experienced authoritarian or military regimes in their earlier life, are more likely to express less trust. Similarly, as Seligson (2002a) notes, those who have higher socio-economic status and education 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 Asian societies are politically marginalized holds. Therefore, we take into consideration age, years of education, subjective socio-economic status, and gender.

Table 1 reports the results. Notice immediately that the coefficient of the perceived corruption variable in Model 1 is significantly negative as expected. The results suggest a strongly corrosive effect of corruption on citizens’ trust toward political institution: A citizen who considers almost everyone corrupt expresses lower institutional trust than a citizen who believes that hardly anyone is involved by .45 units on a 1 to 4 scale. In addition, the results indicate that good governance and government performance can help enhance citizens’ institutional trust. Citizens who perceive higher levels of fairness, satisfaction, and brightening economic prospects reveal higher trust in institutions. The empirical results also largely corroborate our initial speculation on the effect of demo-
graphic factors, suggesting that more educated respondents express lower institutional trust. This finding is also consistent with the one reported in Seligson (2002a).

Since our pooled dataset is merged from five individual countries, one natural question is whether the results in Model 1 are driven by any particular country. In the preliminary analysis, we perform a Jackknife analysis by re-estimating the model repeatedly, excluding one country in each run. The result suggests that the finding in Model 1 is not an arbitrary product driven by any particular country. To further reinforce our confidence that the poisonous effect of corruption holds uniformly across five East Asian democracies, we run the model specification of Model 1 in each country and report the country-by-country results. From Model 2 to Model 6, we can see clearly that corruption consistently reduces institutional trust across these countries.

Both the pooled and the country-by-country analyses so far endorse the trust-eroding effect of corruption in Asia. This finding, in line with other corruption studies based on samples from Latin America and advanced democracies, suggests that the relationship between corruption and trust in Asia is not exceptional from the rest of the world. Note that while a full test of the Asian exceptionalism hypothesis requires cross-continental data and is hence beyond the scope of this paper, we utilize the available data within Asia and seek to further refute the argument that contextual factors in Asia attenuate the negative impact of corruption. Toward this end, we conduct a multilevel analysis by introducing effects of political culture and electoral politics at the country level into the hierarchical model, and test whether these contextual forces modify the effect of corruption on trust.\(^\text{15}\)

We first examine the potential mediating effect of political culture. As discussed above, one reason that corruption might not necessarily reduce political trust in Asia is

\(^{15}\)For a comprehensive discussion on the hierarchical model, see Steenbergen and Jones (2002).
because of the rooted authoritarian value and the hierarchical structure. To tap into this cultural mechanism, we construct a variable of paternalistic value by asking the EAB respondents whether and how strongly they agree with the statement: “Government leaders are like the head of a family; we should all follow their decisions.” We aggregate citizens’ responses for each country and include the variable of paternalistic value.

The next contextual factor that we focus on is electoral systems. Many studies assert that citizens in Asia may be sympathetic to and even support corrupt politicians because elections in Asia are personalistic and candidate-centered. To measure elected officials’ incentives to develop personal votes during elections systematically, we build on the seminal work by Carey and Shugart (1995). Carey and Shugart identify three principal factors in electoral systems that determine the importance of personal reputation: the extent to which party leaders have controls over party endorsements, whether votes for a party’s candidate also help that candidate’s party as a whole, and whether voters are entitled to vote for a party, multiple candidates, or a candidate only. According to Hicken and Kasuya’s (2003) comprehensive survey on electoral systems in Asia, the five East Asian democracies studied in this paper share relatively similar electoral arrangements of mixed-member systems, and the only institutional variation on the personal vote dimension is whether voters have a single vote for candidates (South Korea and Taiwan) or separate votes for both parties and candidates (Japan, Philippines, and Thailand). Following Carey and Shugart’s arguments, we expect systems that allow only one vote for candidates to be more personalistic. Hence, we use Hicken and Kasuya’s coding and include a variable of candidate-centered electoral systems.

To jointly examine the corrosive effect of corruption on institutional trust and how such an effect is conditioned by the culture and electoral constraint, we construct a hierarchical model that incorporates determinants of trust at both individual and contextual levels. The individual-level model is built on the significant variables found in Model 1, and the contextual-level model consists of national attributes on paternalistic values.
and candidate-centered electoral systems. In other words, the hierarchical model considers the effect of corruption heterogeneous and contingent upon the contextual-level predictors. Importantly, if the Asian corruption exceptionalism is true, we should find the coefficients of contextual variables on paternalistic value and candidate-centered electoral systems to be significant. This turns out not to be the case, however. As we can see from Model 7 in Table 2, both contextual-level variables are not significant, while the corrosive effect of corruption remains unchanged.

Of course, one might reasonably argue that there are not enough cases at the contextual-level to draw meaningful inferences, and that the contextual influence might have already dipped into the individual level. To further buttress our analysis, we return to our individual-level data and construct an interaction analysis to investigate the potential conditioning effect of political culture and electoral politics. Particularly, we interact the individual-level variable of paternalistic value with the perceived corruption variable and see if corruption is less destructive among those adopting more paternalistic values. Meanwhile, to tap into the degree of personalism embedded in electoral systems, we construct a composite variable of personalism from a series of the EAB questionnaires about whether a respondent’s voting decision has been influenced by her personal network connections. Repeating the same exercise, we introduce another interaction variable between personalism and corruption perception into the model, and this interaction term should be significantly positive if the Asian corruption exceptionalism holds. However, the results in Model 8 show otherwise. Instead, the finding from individual-level interaction analysis accords with the one from the multi-level analysis in Model 7, suggesting that the effect of corruption on institutional trust is universal and does not depend on the political culture and electoral politics. In short, we find no evidence that

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16 Including family members, seniors in a clan or extended family, neighbors, community leaders, friends, superior at work, members of officials of organization that a respondent belongs to, and government officials or party activists whom a respondent knows personally.

17 The data on personalism are unavailable in Taiwan and South Korea.
contextual factors in Asia attenuate the negative impact of corruption.

The analyses so far assume that the effect of corruption on institutional trust is exogenous. However, one might suspect the effect of corruption on trust to be endogenous and hence remain suspicious of our findings. Indeed, if corruption and mistrust “feed each other” in the way della Porta argues, then there exists a two-way reciprocal causality between the corruption and the trust variable. In methodological terms, the findings in Table 1 might suffer from endogeneity bias, which occurs because the corruption variable is reversely influenced by the trust variable and is consequently correlated with the disturbance term in the regression.

To investigate whether the endogeneity bias exists, we first implement a Hausman test. We find a significant coefficient of residuals term \( p = .03 \), confirming our concern for the endogeneity bias. Hence, to explicitly account for the reciprocal relationship between corruption and trust, we construct a simultaneous equations model which consists of an institutional trust equation and a perceived corruption equation. Specifically, in addition to significant variables of the institutional trust equation expressed in Model 1, we create another perceived corruption equation and test whether the level of corruption is dependent on citizens’ institutional trust. The perceived corruption equation also controls for the amount of media exposure and the strength of partisan attachment of a respondent. The reasons for taking into account these two factors are obvious. First, it is reasonable to assume that respondents who follow news about politics more frequently have more information access and are more likely to be critical of politics. Second, respondents who support the ruling party might be more forgiving and/or less

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18 Operationally, we first perform a regression of corruption variable on all exogenous variables and retrieve the residuals. Then we include the residuals term in the original trust regression and rerun the estimation.

19 In other words, the variables of corruption and trust are considered endogenous, while the rest of variables shown in Model 9 are treated exogenous. The system of equations is estimated by three-stage least squares.
willing to believe in and report corrupt activities than those who support the opposition (Seligson 2002a; Bratton et al. 2005).

The results, shown in Model 9, vouch for a vicious cycle between corruption and institutional trust. Note that, the coefficient of institutional trust is negative, showing that citizens with lower levels of trust tend to perceive politicians as corrupt. The results also indicate that supporters of the ruling government are more likely to believe in the integrity of government administrators. Importantly, the coefficient of perceived corruption remains significant, suggesting the trust-eroding effect of corruption holds even after taking into account the endogeneity.

**Conclusion**

All the analyses presented underscore the upshot of this study: The level of citizens’ perceptions of corruption decreases their trust toward political institutions. As we have shown, the corruption variables remain highly significant with the expected signs during our iterative model building process. 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 Asia.

While political corruption is not acquitted in the court of East Asian cultures, political cultures and social norms might still be consequential for the changes and continuity of corruption. As Uslaner (2004) notes, corruption is embedded in the larger culture and one would be naive to assume that a corrupt system can be exterminated by simply replacing its leaders or its law. Jaime Bulatao’s (1992) influential notion of “split-level Christianity” argues that Filipinos can frictionlessly mix contradictory beliefs and behaviors. This
directly suggests the possibility that corruption is categorized into a moral grey area among Filipinos and perhaps other Asians. Using a Schelling diagram, Bardhan (1997) elaborates the difficulties of getting rid of corruption: he shows that in a highly corrupt society in which the marginal benefit of being corrupt outweighs the one of being honest, remaining corrupt is a stable equilibrium that is resistant to anti-corruption reforms.

Unfortunately, this pessimistic view seems to well picture the fate of anti-corruption reforms in Asian democracies. For instance, cleaning corruption was the most important objective in Japan’s electoral reform during the mid-90s. The effect of reform, however, has been far from perfect. As Reed and Thies (2001) note, politicians in Japan quickly adapted to the new regulation and even found new loopholes; as a result, corruption has evolved into new forms. Similarly, while other countries such as South Korea and Taiwan have tried to crack down on corruption, their anti-corruption efforts were accompanied by new allegations of their own involvement in corruption (Lu 2003). Recently Taiwan tried to establish an anti-corruption task force based on the model in Hong Kong, but got off to a bumpy start due to dissenting voices within the administration.

Old corruption dies hard, but studying how political corruption affects institutional trust has significant implications for enriching our understanding of democratic consolidation. Many scholars have identified a vicious cycle where dysfunctional political institutions contribute to the flourish of corruption, which in turn further erodes the accumulation of trust toward the government. Chu et al. (2001) shows that the levels of support for democracy in Korea and Taiwan are very low, even when compared with other deeply troubled emerging democracies. How do we attribute the halting process of democratic consolidation to pervasive political corruption? Does the change in corruption over time provide any clue for understanding the prospects for democracy in Asian countries? More generally, what is the relationship between corruption and political democratization? The results presented in this study point out several intriguing questions that deserve further reflection and investigation.
References


Table 1 Estimated Effect of Perceived Corruption

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Model 2 Japan</th>
<th>Model 3 Philippines</th>
<th>Model 4 South Korea</th>
<th>Model 5 Thailand</th>
<th>Model 6 Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived corruption</td>
<td>-0.157** [0.022]</td>
<td>-0.110** [0.022]</td>
<td>-0.112** [0.023]</td>
<td>-0.137** [0.022]</td>
<td>-0.187** [0.022]</td>
</tr>
<tr>
<td>Present economic evaluation</td>
<td>0.047 [0.035]</td>
<td>0.058* [0.025]</td>
<td>0.099** [0.017]</td>
<td>0.073** [0.019]</td>
<td>-0.052** [0.017]</td>
</tr>
<tr>
<td>Retrospective economic evaluation</td>
<td>0.012 [0.014]</td>
<td>0.010 [0.021]</td>
<td>0.062** [0.017]</td>
<td>0.024 [0.016]</td>
<td>-0.022 [0.013]</td>
</tr>
<tr>
<td>Prospective economic evaluation</td>
<td>0.075** [0.015]</td>
<td>0.058** [0.016]</td>
<td>0.079** [0.017]</td>
<td>0.042** [0.015]</td>
<td>0.059** [0.019]</td>
</tr>
<tr>
<td>Satisfaction with democracy</td>
<td>0.155** [0.014]</td>
<td>0.142** [0.022]</td>
<td>0.174** [0.020]</td>
<td>0.126** [0.023]</td>
<td>0.151** [0.023]</td>
</tr>
<tr>
<td>Perceived fairness</td>
<td>0.049** [0.018]</td>
<td>0.039* [0.016]</td>
<td>0.057** [0.018]</td>
<td>0.038* [0.018]</td>
<td>0.045 [0.021]</td>
</tr>
<tr>
<td>Perceived increased influence</td>
<td>0.029 [0.018]</td>
<td>0.027 [0.016]</td>
<td>-0.013 [0.018]</td>
<td>0.070** [0.018]</td>
<td>0.080** [0.021]</td>
</tr>
<tr>
<td>Perceived increased freedom</td>
<td>-0.009 [0.023]</td>
<td>-0.002 [0.023]</td>
<td>0.036* [0.016]</td>
<td>-0.076** [0.018]</td>
<td>-0.018 [0.026]</td>
</tr>
<tr>
<td>Gender</td>
<td>-0.001 [0.007]</td>
<td>0.021 [0.027]</td>
<td>-0.013 [0.030]</td>
<td>-0.001 [0.024]</td>
<td>-0.001 [0.027]</td>
</tr>
<tr>
<td>Age</td>
<td>-0.001 [0.001]</td>
<td>0.002 [0.001]</td>
<td>-0.004** [0.001]</td>
<td>0.001 [0.001]</td>
<td>-0.001 [0.001]</td>
</tr>
<tr>
<td>Subjective SES</td>
<td>-0.026 [0.018]</td>
<td>-0.045* [0.019]</td>
<td>0.017 [0.018]</td>
<td>-0.054** [0.017]</td>
<td>-0.053** [0.018]</td>
</tr>
<tr>
<td>Education</td>
<td>-0.021* [0.005]</td>
<td>-0.007 [0.006]</td>
<td>-0.032** [0.004]</td>
<td>-0.013** [0.005]</td>
<td>-0.024** [0.003]</td>
</tr>
<tr>
<td>Japan</td>
<td>0.164* [0.042]</td>
<td>0.159* [0.052]</td>
<td>0.168* [0.039]</td>
<td>0.176** [0.008]</td>
<td>1.891** [0.169]</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.022** [0.199]</td>
<td>1.724** [0.178]</td>
<td>2.138** [0.192]</td>
<td>2.721** [0.191]</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>0.32</td>
<td>0.18</td>
<td>0.18</td>
<td>0.25</td>
<td>0.30</td>
</tr>
<tr>
<td>Taiwan</td>
<td>0.5683</td>
<td>0.971</td>
<td>1.174</td>
<td>1.489</td>
<td>1.223</td>
</tr>
<tr>
<td>N</td>
<td>Adjusted $R^2$</td>
<td>0.32</td>
<td>0.18</td>
<td>0.18</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Note: The OLS estimates with robust standard errors in brackets.
* $p < .05$; ** $p < .01$. All tests are two-tailed.
Table 2 Estimation Results on the Contextual Effect and the Endogeneity

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Model 7</th>
<th>Model 8</th>
<th>Model 9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Multilevel Interaction</td>
<td>Simultaneous Equations</td>
<td></td>
</tr>
<tr>
<td><strong>Contextual Level</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paternalist value</td>
<td>.021</td>
<td>[ .029]</td>
<td></td>
</tr>
<tr>
<td>Candidate-centered electoral systems</td>
<td>-.031</td>
<td>[.020]</td>
<td></td>
</tr>
</tbody>
</table>

| **Individual Level** |        |         |         |
| Perceived corruption | -.163** | -.136** | -.476** |
| [ .018] | [.015] | [.162] |
| Prospective economic evaluation | .080** | .100** | .054** |
| [.006] | [.008] | [.008] |
| Satisfaction with democracy | .162** | .174** | .121** |
| [.009] | [.011] | [.023] |
| Perceived fairness | .062** | .069** | .051** |
| [.006] | [.008] | [.013] |
| Education | -.019** | -.022** | -.014** |
| [.001] | [.002] | [.002] |
| Paternalist value | .137** | [.036] |         |
| Value×Corruption | -.018 | [.021] | |
| Personalism | .284** | [.135] | |
| Personalism×Corruption | -.039 | [.078] | |
| Institutional trust |         | -.710** | .042 |
| [ ] | [.042] | |
| Incumbent supporters | -.059** | [.018] | |
| Media exposure | .007** | [.005] | |
| Constant | 2.145** | 1.950** | 2.954** | 4.116** |
| [.085] | [.070] | [.509] | [.098] |

| **Variance Components** |        |         |         |
| Contextual-level intercept | .023 |         |         |
| Contextual-level slope | .001 |         |         |
| Individual-level | .21 |         |         |

| Deviance | 7682.06 | 3668 | 5874 | 5874 |
| N | 5932 | 3668 | 5874 | 5874 |
| \(R^2\) | .34 | .19 | .10 |         |

Note: Robust standard errors in brackets. The individual country coefficients in Model 8 and Model 9 are omitted in the interest of space. * \(p < .05\); ** \(p < .01\); All tests are two-tailed.