# Perceived Corruption and Institutional Trust

## *A Cross-National Exploration*

Stefanos Androulakis

s1032550

MSc Thesis

Supervisor: Dr. M.S. Spirova

Second reader: Dr. F. de Zwart

Department of Political Science, Leiden University

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| | |
|---|---|
| ESS | European Social Study |
| CC | Control of Corruption Indicator |
| CPI | Corruption Perception Index\| |
| GCB | Global Corruption Barometer |
| DV | Dependent variable |
| IV | Independent variable |

## Introduction

The study of the effects of corruption has been a central concern for an increasing amount of scholars. Despite the debate over its definition, measurement, and methodology, the negative effects of corruption are widely accepted among academics and policymakers. Among other negative effects, corruption is argued to deteriorate the level of trust citizens have in the institutions of their country. Maintaining high levels of institutional trust, however, enhances both the legitimacy and the effectiveness of democratic government which means it is vital for keeping institutions well-functioning (Mishler & Rose, 2001, p.30). Studies have shown that countries in which citizens perceive more overall corruption, they are less likely to trust government institutions (Villoria, Van Ryzin, & Levena, 2012). In addition, countries that are associated with high levels of corruption as perceived by experts, instead of citizens, are also characterized by lower trust values in the democratic institutions of those countries (Clausen, Kraay, & Nyiri, 2011).

However, the empirical study of the effect of corruption on institutional trust has left some issues gone relatively unnoticed. The purpose of this study is to present an exploration of those two issues on the study of the effect of corruption on institutional trust by conducting my own empirical analysis focused on those concerns. The research question of this thesis attempts to assess the effect of corruption on institutional trust, which this thesis examines by conducting an empirical study of the data of 23 (mostly) European countries. This study proceeds by presenting the theoretical framework providing a review of the related empirical literature on corruption and institutional trust and the theory which links both concepts together. In this chapter, the main hypothesis will be presented which states that we expect to observe a negative relationship between corruption and institutional trust.

In the next chapter attention will be given to the methodology, data and case selection of this thesis. The data representing the independent variable in this study is gathered by studying the results of both expert (Corruption Perception Index) and public opinion based indicators (Global Corruption Barometer) measuring perceived corruption levels in 23 countries. The data on the dependent variable, institutional trust, is gathered by studying the results of a public opinion survey (European Social Study) measuring citizen confidence levels in the police, the legal system, the parliament and political parties of which the GCB also provides data at the level of those individual institutions. In addition to presenting the independent and dependent variables, the methodology section will focus on the two concerns that this study aims to explore. First, this thesis aims to

resolve an issue related to the similarity of perceived corruption indicators based on public opinion and expert assessment which are widely used in the study on the effect of corruption. Although the link between corruption and institutional trust has been studied by using either method, there seems to be disagreement on the similarity of both types of indicators based on two recent contributions. Whereas most authors agree that both type of indicators are highly similar, a recent contribution made by Rose-Ackerman and Palifka (2016) suggests that, in fact, elite surveys are out of touch with public opinion based indicators measuring the level of perceived corruption. This stands in sharp contrast to the findings of Chabova (2016) which uses the same data sources, but argues that both methods provide results that are highly similar (GCB, CPI). I aim to address this issue by providing a comparison between the results of both indicators in the first part of the empirical section of this thesis.

Second, although most authors combine the results of institutional confidence levels of individual into an aggregate variable, both the results of public opinion surveys measuring perceived corruption levels and institutional confidence levels show a significant degree of variance between the most widely studied institutions on this topic suggesting citizens use relatively distinct evaluations for each institution. The second methodological contribution therefore sets out to investigate the relationship between both concepts at the level of those individual institutions.

This thesis argues that the exploration of the link between corruption and institutional trust conducted at the level of individual institutions, given the differences in the perceptions of citizens on both issues, can provide valuable on the relationship of this effect that would otherwise go unnoticed. If corruption effects trust in public institutions, we expect to observe that institutions that are perceived to be more corrupt, possess less confidence by citizens. By presenting the data on trust and perceived corruption levels in 4 distinct institutions, this thesis is able to capture the differences between the results of each variable. The nature of this thesis is exploratory in that it aims to capture, rather than to provide definitive explanations of the findings that follows the unique method of studying the effect of corruption on institutional trust presented in this thesis.

The next chapter presents the empirical analysis of this this thesis that is divided per each methodological concern that this thesis aims to explore. In the first part, my findings show that both expert and public opinion surveys are very similar in my data sample of 23 countries, but this strong relationship between both indicators changes if we move to the bigger sample that Rose-

Ackerman and Palifka (2016) base their observations on. It is interesting to note that the results on citizen perception of corruption do not show the high degree of variance that expert perception of corruption does between both sample sizes. Based on those observations, a preliminary analysis of what could account for those differences will be presented.

The findings of the second part of the empirical analysis confirms the negative relationship between corruption and institutional trust. The correlation analysis between the dependent and independent variables conducted at the level of individual institutions suggests in general, the effect of corruption on institutional trust is strongest when we study the results of confidence levels and perceived corruption levels of each individual institution, suggesting citizens make distinct evaluations in how corrupt, and how much confidence they possess in public institutions. However, this effect is found to be stronger in the case of some institutions (the police and political parties) and weaker for others (the parliament and the judiciary). This thesis also presents a comprehensive overview of the country results of all variables grouped per institution which the research design of this thesis allows for.

The country level details of the results presented in this thesis show interesting variation exists within the results on each institution, between groups of countries and provide interesting insight to the evaluation of corruption and institutional trust in specific countries. Those findings incite questions such as: Why do citizens in France and Belgium possess much confidence in the police while they perceive it to be relatively corrupt? What can explain the fact that citizens in Russia possess relatively high confidence levels in their public institutions (expect the police) while they perceive them as relatively corrupt? By merit of studying the dependent and independent variables at the level of individual institutions this thesis is able to provide an exploration of the differences between those countries that have gone relatively unnoticed in most studies on this topic. However, due to the dimension of conducting the analysis that thesis presents, and given the time and format limitations of this research project, the nature of this thesis remains somewhat exploratory. Additional research is needed to help explain the findings of this thesis by studying the individual level characteristics of the data analyzed in this thesis. However, this thesis argues that those findings by itself provide valuable and unique insight to the study of corruption and institutional trust that is not captured by other studies on this topic.

## Theoretical framework

This chapter presents a review of the related literature on the relationship between corruption and institutional trust, out of which the main hypothesis of this thesis follows. The research question of this thesis is formulated as follows: "Does corruption influence trust in political institutions?" In the first part of this chapter an overview will be given of the empirical studies on this topic, followed by a short section on the theory that links both concepts together. Although there are multiple ways of how to define corruption, this thesis focuses on the definition as "the misuse of public office for private financial gain" following most empirical studies on this topic (Pellegata & Memoli 2016, p.395). This study focuses on the effect of corruption by studying subjective indicators that capture the phenomenon. In contrast, *objective* data on corruption involves data sources that focus on the instances of corruption that can be gathered from conviction rates, judicial records and reports from anticorruption agencies. Obtaining reliable data of the instances of corruption is proven to be very difficult, and cross-country comparisons almost impossible due to the issue of the credibility of the institutions that gather their own data and the possible bias of (corruption) press reports (Morris 2008, p.390). For those reasons, corruption is predominantly measured by focusing on subjective indicators that measure the phenomenon in different ways. This section focuses on the empirical findings of three groups of studies presenting the findings of the effects of corruption using subjective indicators of corruption on institutional trust following Pellegata and Memoli (2016) and Clausen, Kraay and Nyiri (2011). [1]

The first group of empirical studies investigate the country-level variation of corruption and its relation to institutional trust by relying on indicators such as the CC and the CPI-index that are based on the perceptions of country experts and businessmen. One of the most influential studies that focuses on expert indicators of corruption is presented by Anderson and Tverdova (2003) in which they study the results of country level data generated by the CPI-index and household survey data on institutional trust levels in 16 developed countries. The authors conclude that corruption is negatively associated with political support and that it erodes trust in political institutions. In addition, van der Meer's study (2010) focuses on the level of trust in the parliament of 27 European countries investigating the correlation between trust levels and the result of country level corruption indicators (CPI-index). Van der Meer concludes that confidence in the parliament is lower in countries where corruption is more widespread. Lastly, the study of Wagner et al. (2009) which is

[1] See Morris (2008) for an excellent discussion on the methodological differences between the different indicators of corruption.

based on a panel study of 16 Western European countries states that more efficient and less corrupt institutions (measured by the CCI-index) are characterized by the positive evaluation of citizens in their satisfaction with democracy.

A second group of studies focuses on the link between corruption and institutional trust based on citizen perception of corruption. As such citizens, instead of experts, are asked how corrupt they perceive different institutions to be. The study of Mishler and Rose (2001) empirically shows that high levels of mass perception of corruption deteriorates political support in (10) post-communist countries. This finding is supported by the study of Chang and Chu (2006) in which they demonstrate the strong corrosive effect of corruption (as perceived by citizens) on the level of trust in political institutions in Asian democracies. In addition, Villoria, Van Ryzin and Levena (2012) find that citizens who perceive more overall corruption are less likely to trust their fellow citizens and much less likely to trust government institutions in their case study on perceived corruption levels and institutional trust in Spain. Those conclusions are further strengthened by a study using the Afrobarometer survey as Bratton (2007) shows that citizens' perception of corruption is negatively associated with the satisfaction of public services.

In the third group of studies corruption is operationalized by analyzing individual level data focusing on corruption experience. As such, citizens are asked whether they have experienced corruption in their dealings with public institutions or authorities. Seligson (2002) empirically shows that people who have experienced corruption are less likely to believe in the legitimacy of their political system by studying the results of political support data in four Latin American countries. Those findings are supported by the study of Cho and Kirwin (2007) who find that citizens' experience with corruption lowers their trust in political institutions in a study of 17 countries using the Afrobarometer survey. Cho and Kirwin argue, however, that the relationship between institutional trust and experience with corruption is circular. Clausen, Kraay and Nyiri (2011) have set out to study this causal effect between reported institutional confidence and corruption experience. Instead, the authors suggest that the relationship between corruption and institutional trust is much more likely to be interpreted to be a causal effect running from the former to the latter (p.243). The empirical literature on corruption and institutional trust shows that both the perception and experience with corruption has a strong negative effect on the level of trust that citizens have in their institutions. The theoretical basis behind this relationship will be presented next.

The theory that links both concepts together is based on two important negative effects of corruption on citizen trust levels in their institutions. First, public officials that are corrupt undermine the principles of democratic accountability and the fairness and impartiality of political institutions (Chang & Huang, 2016, p.29). In short, institutions are expected by citizens to serve the public domain and rule impartially, which corrupt public officials undermine. Second, corruption increases the cost of public services and reduces its quality because it turns institutions to become rent-seeking instruments in the hands of the political and economic elite. The misallocation process by which corruption distorts the public demand will increase its costs and lower the quality of public services (Pellegata & Memoli, 2016, p.295). In fact, low-quality governance can even be self-reinforcing as citizens are more motivated to bribe after losing their trust in the regimes ability to address their concerns (Chang & Huang, 2016, p.30).

Furthermore, corruption is argued to hinder economic development by lowering investment, misallocating human capital and undermining tax revenues (Ibid.). As Chang and Huang forcefully note: "corruption fundamentally betrays public trust, erodes democratic principles and lowers the quality of governmental performance" (Ibid., p.31). The main hypothesis of this thesis follows the scholarly consensus on the trust eroding effect of corruption.

*Hypothesis 1 ($H_1$):* Corruption negatively impacts the level of confidence in political institutions.

This project tries to differentiate from other studies by focusing on distinct factors in the empirical study of the link between corruption and institutional trust that previous studies have not sufficiently expounded on. In the next section, the main purpose that structures the analyses conducted in this thesis will be explained after which the data and case selection central to this thesis will be presented.

**Methodology, data and case selection**

In this thesis corruption is operationalized by focusing on data that represents how corrupt both experts and citizens perceive their institutions and their public system to be. The empirical part of this thesis is divided into two parts that focus on two distinct contributions that this thesis aims to make. First, I aim to explore the issue of whether or not the results of expert and citizen based corruption perception indicators are similar to each other. Although the relationship between corruption and institutional trust has been studied by focusing on either expert (see Anderson and

Tverdova, 2003) or mass perception of corruption (see Chang & Huang, 2016), few studies investigate the differences in results of both methods in context of the effect of corruption on institutional trust (Pellegata & Memoli, 2016).

Most authors find that, in general, mass perception based indices are reliable indicators of corruption. This conclusion on the similarity of types of indicators is shared by many authors (Heath, Richards, & de Graaf, 2016; Chabova, 2016; Melgar, Rossi, & Smith, 2010). However, this conclusion is not uncontested. In their new edition of the influential '*Corruption and Government: Causes, Consequences and Reform'* Rose-Ackerman & Palifka (2016) suggest that, in fact, citizen perception and that of experts seem out of touch based on a comparison between the CPI and GCB indicator. This is remarkable, as Chabova (2016) finds that both methods are highly similar based on the same data sources (the GCB and CPI indicator). The first part of this thesis sets out to explore this issue using the same data as used by Rose-Ackerman and Palifka in their study (2016).

The second methodological contribution that is advanced in this thesis follows my exploration on the similarity of public and expert indicators of corruption. While using the same data sources that are central to this comparison, the second part of the empirical section of this thesis instead focuses on the methodological concern based on how corruption and institutional trust are measured in most studies. Most scholars operationalize institutional trust by studying the results of public opinion surveys measuring institutional trust at the system level (Chang & Chu, 2006; Morris & Klesner, 2010; Clausen et al., 2011; Chang & Huang, 2016; Pellegata & Memoli, 2016). This means that the results of trust levels of multiple institutions are combined into one variable representing a combined value of institutional trust.[2] However, this thesis argues that there are strong reasons to explore whether the analysis at the level of individual institutions can provide more precise and insightful results.

This is based on the degree of variance between the evaluation of distinct institutions that public opinion surveys measuring citizen evaluation of both concepts show to exist. On the one hand do public opinion surveys that measure citizen trust levels in individual institutions show that citizens have considerably more confidence in some institutions than they do in others (Mariën, 2011, p.24-25). As Mariën observes, citizen have more confidence in implementing institutions

[2] The study of Chang and Chu (2006) averages the level of institutional trust in 7 political institutions. Morris and Klesner (2008) combine the levels of trust in 10 institutions while Chang and Huang (2016) looks at the relationship between corruption and trust by averaging the results of 9 political institutions. Lastly, Clausen, Kraay and Nyiri (2011) average the answers of a public opinion survey on 4 different institutions.

(the legal system and the police) than they have in representational institutions (the parliament, politicians and political parties; p.24). Differences between such evaluations cannot be captured by studying institutional trust at the system level. In addition, different mechanisms might be at play in the evaluation of different institutions, as Baboš (2014) shows that people who voted for the party in power possess more trust in *political* institutions (the electoral winner effect).

In addition to those differences between citizen trust levels of different institutions, citizens also perceive some institutions to be significantly more corrupt than others (Rose-Ackerman & Palifka, 2016, p.23). Studying the link between perceived corruption levels and institutional trust levels at the level of individual institutions can thus provide more precise results on the link between both concepts. The logical assumption underlying this statement is that if corruption influences the level of institutional trust, we expect institutions that are evaluated *more corrupt* to be *less trusted*. This observation can provide validation for the mechanisms by which corruption is argued to effect the level of institutional trust. This analysis can also provide valuable information on the evaluation of specific institutions per country that is not captured by other studies. For instance, it can show whether institutions in country *x* and *y* score relatively low on corruption, but possess high levels of trust in comparison to the evaluation of other countries which can provide a useful basis for explaining the mechanisms at play for additional research on this topic. The research design of this thesis is set up to capture this variation between the data on the dependent and independent variable that other studies cannot account for by studying the variables at the system level.

### Dependent variable

*The level of institutional trust in four political institutions*

The dependent variable that is central to the second part of the empirical section of this thesis, institutional trust, is studied by analyzing the results of the European Social Survey (2012) that provides public opinion data of 23 European countries with a sample size of approximately 2000 respondents per country.[3] The ESS asks respondents much they personally trust a set of institutions, four of which coincide with the data presented in the GCB (the police, judiciary, parliament, and political parties). Answers range from 1 (don't trust at all) to 10 (complete trust).

The analysis of corruption and institutional trust presented in this paper focuses on the

[3] Both surveys are conducted at around the same time, that is, ranging from September 2012 to March 2013 which may vary between individual countries. For details on the collection of data of the GCB survey, see <https://www.transparency.org/gcb2013/in_detail>. Information on the collection of data of the ESS (2012) can be found on <http://www.europeansocialsurvey.org/data/deviations_6.html>.

following (mostly European) countries: Albania, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Israel, Italy, Kosovo, Norway, Portugal, Russia, Slovakia, Slovenia, Spain, Switzerland, Ukraine and the United Kingdom.

### Independent variables

*Perceived corruption level by experts*

The first independent variable used in this study is the most widely used indicator of corruption, Transparency International's CPI-index. The CPI-index is a country-level indicator that represents the level of corruption as perceived by experts. It measures the perceived level of corruption on a scale of 1 to 100. The wide availability of country level data provided by the CPI index has resulted in it being the most widely used indicator in the study of the effect of corruption. In this study the results of the 2013 CPI index will be used.

*Perceived corruption level based on public opinion*

The second independent variable measures corruption perception levels by citizens. The Global Corruption Barometer (2013) will provide data on the perceived level of corruption on four institutions in addition to providing the results of citizens' evaluation of the (whole) public sector. In this survey respondents are asked to what extent they think public institutions are affected by corruption. Answers range from 1 (not at all corrupt) to 5 (extremely corrupt) with a sample size of approximately 1000 respondents per country. Both the GCB and CPI index are developed Transparency International.

## Empirical analysis

In this thesis I set out to make two methodological contributions to the empirical study of corruption and institutional trust. In the first section of this chapter, I aim to investigate whether expert and public opinion based corruption perception indicators are similar, or whether they are out of touch. In the second part, I aim to explore whether the analysis of the effect of corruption on institutional trust at the level of individual institutions can provide more precise and insightful results on the relationship between both concepts in an empirical study on the effect of perceived corruption levels and institutional trust levels in 23 (mostly European) countries.

**Comparing expert and mass indicators of corruption**

Most studies on the effect or corruption either focus on expert, or mass perception indicators of corruption. However, it is unclear whether expert based and public opinion based indicators (perceived) corruption provide similar results. On the one hand do many scholars note that both types of indicators provide similar results as noted in the methodological section. In this section I focus on the conflicting findings of authors that use the same data sources measuring expert and public opinion based perception (the results of the GCB and CPI indicators). The analysis of Rose-Ackerman and Palifka in their new edition of the influential '*Corruption and Government: Causes, Consequenses and Reform'* (2016) suggest that there is a very weak correlation between the opinion of experts with that of citizens. Rose-Ackerman and Palifka suggest that the results of their comparison between expert (CPI 2013) and mass perceptions of corruption (GCB 2013) indicate that both indicators seem "out of touch" with each other as they observe a weak negative correlation between both indicators with a very low r-square value of 0.15. This finding seems to be in sharp contrast to the observation of Chabova (2016, p.16-18) in which the author argues that both indicators are, in fact, very similar.[4]

In order to investigate this issue, the results of the comparison made by Rose-Ackerman and Palifka (2016) are reproduced by employing several statistical tests using the same data sources (n=101). However, my analysis also includes the results of the much smaller set of 23 countries that is central to the second part of the empirical section of this thesis. Figure 1 shows my reproduction of the comparison made by Rose-Ackerman and Palifka (2016, p.25) that shows the same results (n=101), while figure 2 presents the results of the comparison in the smaller set of countries (n=23).

[4] Chabova (2016) finds the correlation coefficient between both indicators to be above 0.85 in multiple years ($P<0.001$).

*Figure 1. Scatterplot CPI-GCB (n=101)*

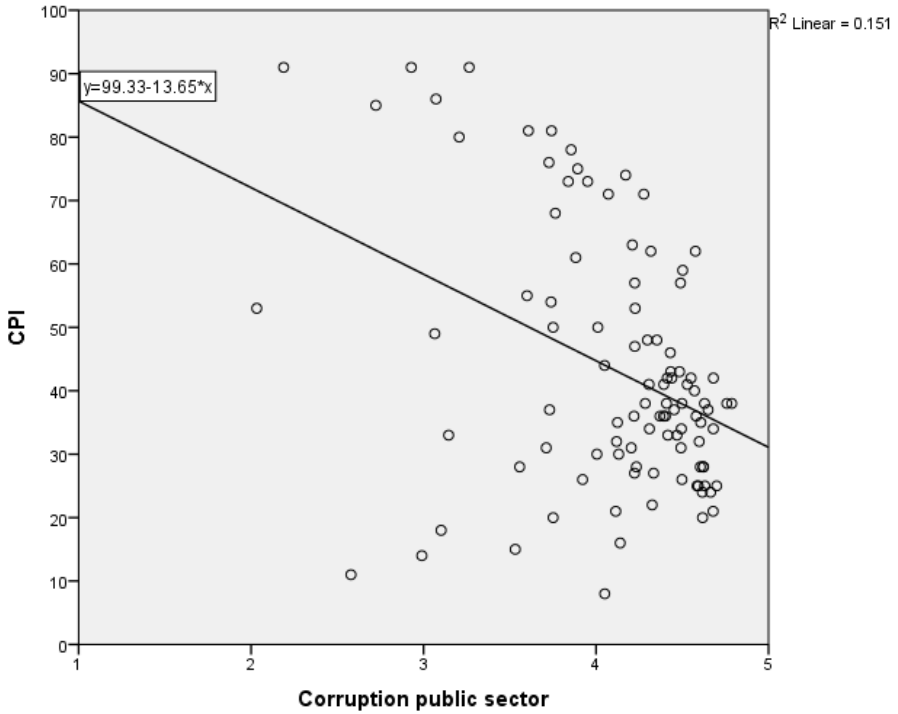
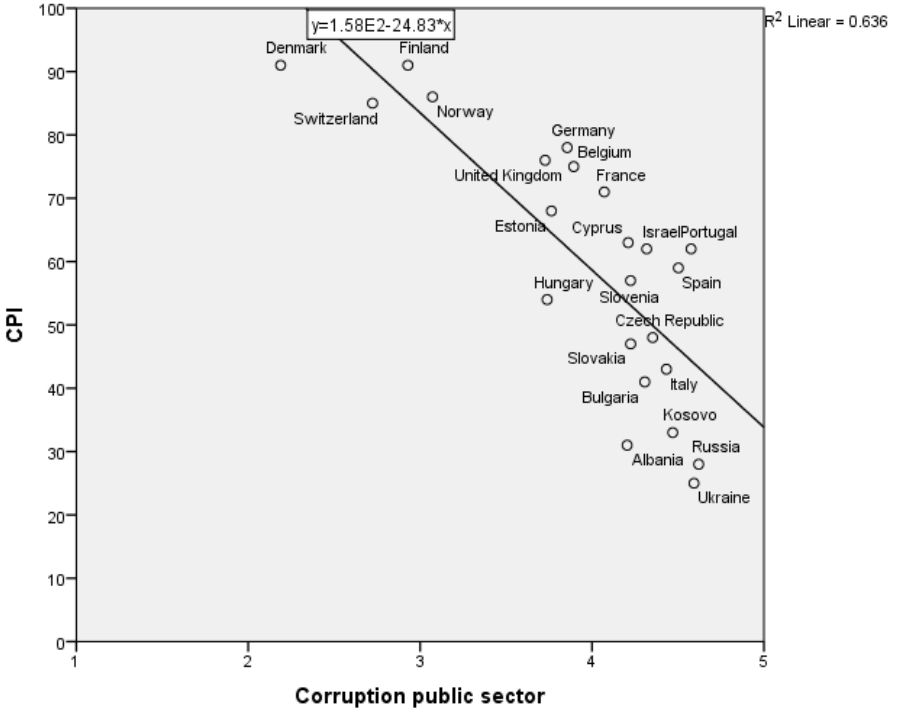



*Figure 2. Scatterplot CPI-GCB (n=23)*



The observation made by Rose-Ackerman and Palifka (2016) in which they suggest that expert and public perception indicators seem out of touch also follows from the scatterplot presented in figure 1 that reproduces the comparison (n=101). The very low r-square value (0.15) indicates that the model explains a very small amount of variance between both indicators. However, the scatterplot in figure 2 provides a rather different view on the similarity of both indicators. We can observe that the data is less dispersed, and the r-square value has moved to 0.636. This indicates that the countries in the smaller dataset (n=23) are evaluated by both experts and citizens in a much more similar way with less variance between results of the individual countries. The distribution of the data behind both indicators can explain why figure 1 and 2 provide such different results. Figure 3 and 4 show the distribution of all the data points (countries) on how corrupt experts (CPI) perceive individual countries to be. Figure 5 and 6 then present the boxplot of this distribution for the public opinion based corruption indicator (GCB). The results of figure 3 and 5 are based on the whole sample (n=101) whereas figure 4 and 6 focus on the smaller sample of countries (n=23).

*Figure 3. Boxplot CPI (n=101)*

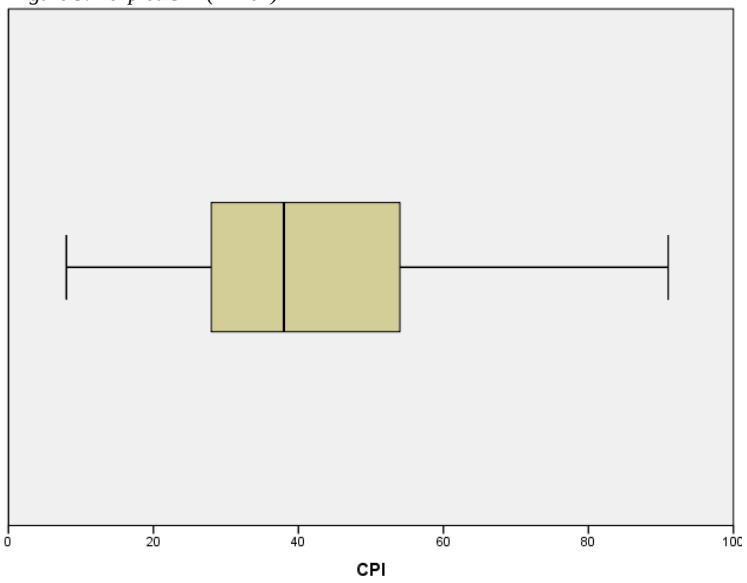



*Figure 4. Boxplot CPI (n=23)*

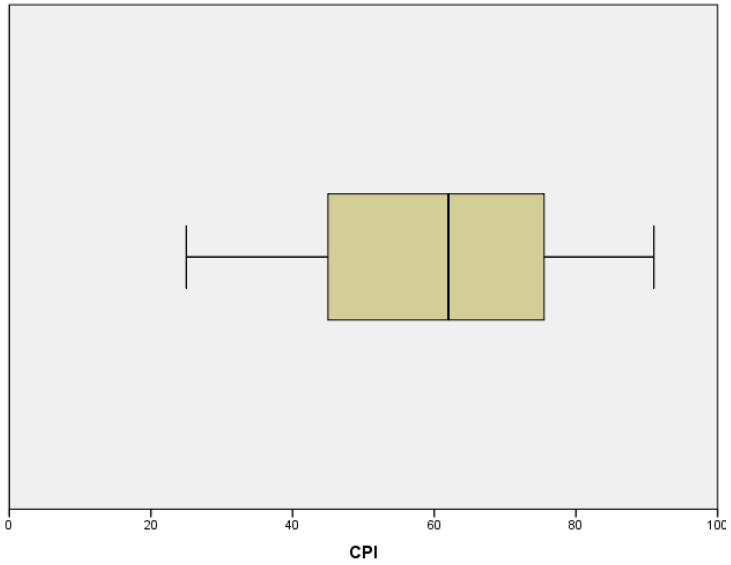



*Figure 5. Boxplot GCB (n=101)*

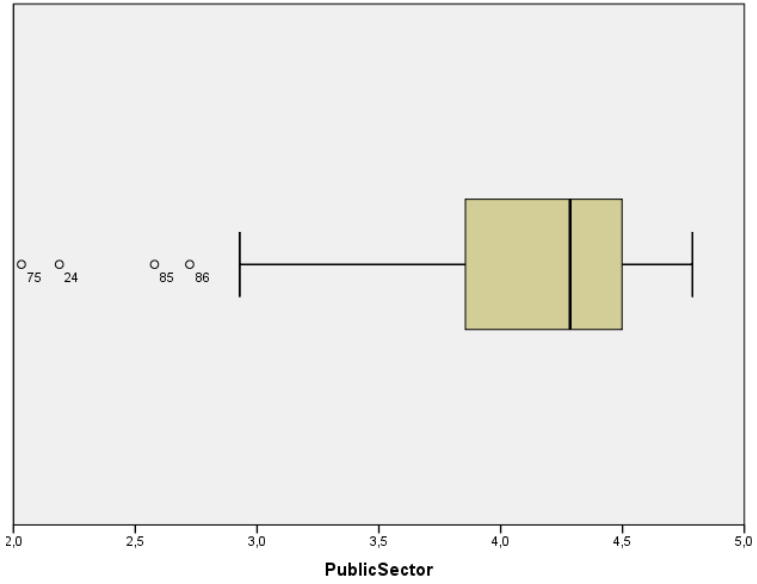



*Figure 6. Boxplot GCB (n=23)*

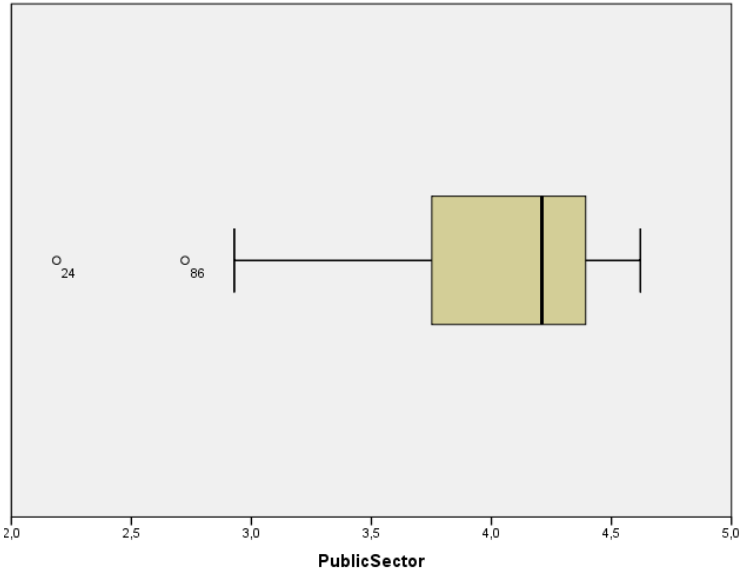


Figure 3 to 6 show that there are significant differences in the distribution between both sample sizes. It shows that while *citizens* perceive corruption in similar fashion in both sample sizes as shown by the similar dimensions of the boxplots in figure 5 and 6, there are significant differences in how corrupt *experts* evaluate countries to be between both sample sizes. Rose-Ackerman and Palifka (2016) note that there is much more variance in the CPI data, and based on the whole sample of 101 countries they suggest that elite surveys are out of touch (p.23-24). However, based on the smaller sample size a more nuanced view emerges on the similarity of both types of indicators as shown in the figures above.

In order to assess the weak negative relationship that Rose-Ackerman (2016) observe between both indicators, table 1 will present the Pearson's correlation coefficient between the CPI and the GCB grouped per sample size.

*Table 1. Correlation statistics CPI-GCB*

| | GCB 2013 | Sig. (2-tailed) | GCB 2013 | Sig. (2-tailed) |
|---|---|---|---|---|
| N | 101 | | 23 | |
| CPI | **-.389*** | 0.000 | **-.798*** | 0.000 |

*. Correlation is significant at the 0.01 level (2-tailed).

The weak negative relationship between both indicators in the bigger sample size that the authors observe also follows from my analysis (-0.39). However, the correlation coefficient moves to -.798 in the smaller sample of 23 (mostly) European countries which is much more similar to the observations of authors that argue that expert and citizen corruption indicators provide similar results (Chabova, 2016). What this shows is that the similarity between both indicators is highly dependent on the group of countries that are studied, and generalized statements on the similarity between the CPI and GCB seem inappropriate without taking into account the differences of the results between both sample sizes. But what does this say about the validity of both indicators? My findings seem to suggest that experts overestimate the level of corruption in a wide number of countries in the bigger data sample relative to how corrupt citizens perceive their country to be. It should be noted that further research is needed in which the results of corruption experience indicators and other data sources must be combined in order to assess which of the indicators is really out of touch, which unfortunately goes beyond the scope of this thesis in order to give definitive explanations.

However, a preliminary explanation will be presented next that explores on this issue. On

the one hand, it is likely that the scaling of the results of the CPI, which ranges from 0-100, accounts for the low observed similarity in the bigger sample size as there is less degree of variance possible in the results of the GCB due to the scaling of the results (which range from 0 to 5). In addition, the 23 (mostly) European countries of the smaller sample size fall in the category of relatively developed countries in the world in which we can safely assume corruption is less of a problem relative to the high amount countries in the developing world present in the bigger sample size. The question still left open, however, is why citizens in both sample sizes evaluate their public sector in equal fashion.

One possible explanation is given by Heath et al. (2016) in which they show that higher-income individuals and individuals with higher education are more likely to perceive corruption, while higher income countries are also perceived as less corrupt by experts (p.67). The means that the expected relationship of finding high levels of perceived corruption (by citizens) in countries that are rated as very corrupt by experts is mitigated by the fact that such countries are characterized by having less citizens that are highly educated and a smaller amount of high-income citizens. Assuming there are more citizens with higher incomes and more citizens that are highly educated in higher-income countries (that experts thus rate as less corrupt) citizens rate their country more negatively than we could expect from the actual level of corruption present in those countries following this logic.

Statements like this which involve both system and individual level characteristics are very difficult to investigate and risk being an ecological fallacy, and providing a definitive answer is beyond the scope of this thesis. In this section, however, I set have out to study whether expert and public perception indicators are out of touch, or very similar following the seemingly contrasting statements of studies on this topic. My findings show that expert and citizen perception of corruption are closely aligned in the smaller sample central to this thesis, whereas they seem of touch with each other based whole sample of countries of which the CPI and GCB provide data.

**The analysis of perceived corruption and institutional trust**

In this section the empirical analysis of the effect of corruption on institutional trust will be presented. As followed from my theoretical framework, I expect to observe a strong negative relationship between perceived corruption levels and the level of institutional confidence. In the methodology section, I've argued that studying the relationship between corruption and institutional trust at the level of individual institutions can provide more precise and insightful

results based on the differences in how citizens evaluate different institutions. Table 2 presents the question wording and descriptive statistics of the main variables used in this analysis. Data on the dependent variable, institutional trust, is gathered by calculating the country means of the European Social Survey (2012). The data representing the independent variables, the level of perceived corruption, is gathered by calculating the means of the results of the Global Corruption Barometer (2013) per institution, and by gathering the results of the overall country scores of the CPI indicator (2013). Both public opinion surveys provide results at the level of 4 political institutions, while the CPI provides an overall country score. The variable 'institutional trust' is created by averaging the country level results of all 23 countries on the four political institutions. By calculating this variable on basis of the scores of the four institutions, it to captures the level of institutional trust at the system similar to most studies on this topic.

Table 2. Question wording and descriptive statistics for analytical variables

| Variables | | N | Min | Max | Mean | SD |
|---|---|---|---|---|---|---|
| **Dependent variable** | | | | | | |
| Question wording institutional trust (ESS 2012) | On a score of 0-10, how much do you personally trust each of the following institutions. 0 means you do not trust an institution and 10 means you have complete trust (higher is better). | 23 (169.911 total observations) | 0 | 10 | | |
| *Trust in the police* | | 23 | 2.05 | 8.1 | **5.56** | 1.44 |
| *Trust in the legal system* | | 23 | 1.87 | 7.68 | **4.60** | 1.58 |
| *Trust in country's parliament* | | 23 | 1.85 | 6.3 | **3.9** | 1.29 |
| *Trust in political parties* | | 23 | 1.80 | 5.31 | **3.10** | 1.13 |
| *Institutional trust* | | 92 | 1.91 | 6.76 | **4.29** | 1.30 |
| **Independent variables** | | | | | | |
| Question wording public perception of corruption (GCB 2013) | To what extent do you see the following categories to be affected by corruption in this country? Please answer on a scale from 1 to 5, where 1 means 'not at all corrupt' and 5 means 'extremely corrupt' (lower is better). | 23 (72.861 total observations) | 1 | 5 | | |
| *Perceived corruption level police* | | 23 | 1.80 | 4.5 | **3.19** | 0.71 |
| *Perceived corruption level judiciary* | | 23 | 1.68 | 4.48 | **3.27** | 0.83 |
| *Perceived corruption level parliament* | | 23 | 2.38 | 4.3 | **3.59** | 0.52 |
| *Perceived corruption level political parties* | | 23 | 2.75 | 4.50 | **3.92** | 0.42 |
| *Perceived corruption public sector* | | 23 | 2.19 | 4.62 | **3.96** | 0.65 |
| Question wording expert perception of corruption (CPI 2013) | Indicator is based on multiple data sources that ask a wide range of questions to assess the level of corruption in the public sector of a country based on the answers of experts (public officials and businessmen; higher is better). | 23 | 0 | 100 | | |
| *Expert perception perceived corruption* | | 23 | 25 | 91 | 59.61 | 20.1 |

As we observe in table 2, there are notable differences between the confidence levels and perceived corruption levels of all four institutions. In our sample of 23 European countries, the police are the most trusted of all institutions with a mean of 5.5, while political parties are least trusted with a mean of 3.1. Citizens also perceive the police as least corrupt (3.19) and rate political parties as most corrupt (3.92). The judiciary scores second best, followed by trust levels and perceived

corruption levels of the parliament. The means presented in table 2 suggests that implementing institutions are characterized by higher confidence levels, but also better (lower) scores on the level of perceived corruption. It is also interesting to note that citizens evaluate the level of corruption in the public sector of their country more negatively than any of the four individual institutions (3.96).

The main hypothesis in this thesis states that we expect to observe a strong negative correlation between the level of perceived corruption and institutional confidence levels. In this section, all tables presenting the data of my analysis between the dependent and independent variables will be shortly introduced after which they will be presented and discussed. In table 3 to 6, the results of the means of all variables are presented per country sorted by the lowest score on the dependent variable (trust in institutions) and assigned a rank from 1 (worst) to 23 (best) for each institution. In order to make sense of the data, table 7 shows the difference in ranking of the country scores on each variable.

This makes it possible to easily identify the relative scores of each country per institution. Following Mariën (2011), I've grouped the relative rankings of the countries means on basis of four categories. Those categories include the Nordic countries, other established democracies, Southern European countries (including Israel), and new democracies. The countries in table 3 to 6 are assigned a color representing each group of countries that helps to visually recognize each country with the group of countries they represent. Lastly, table 9 presents the result of the correlation analysis between the dependent and independent variables at both the level of individual institutions and at the system level.

*Table 3. Means confidence police and perceived corruption level police*

| Country | Confidence police (ESS) Mean | Rank | Perceived corruption police (GCB) Mean | Rank | Expert perception (CPI) Score | Rank |
|---|---|---|---|---|---|---|
| Ukraine | 2.05 | 1 | 4.42 | 2 | 25 | 1 |
| Russia | 3.49 | 2 | 4.5 | 1 | 28 | 2 |
| Bulgaria | 3.52 | 3 | 3.89 | 4 | 41 | 5 |
| Slovakia | 4.15 | 4 | 3.76 | 5 | 47 | 7 |
| Kosovo | 4.68 | 5 | 3.05 | 15 | 33 | 4 |
| Albania | 4.91 | 6 | 3.72 | 6 | 31 | 3 |
| Cyprus | 5.08 | 7 | 4.09 | 3 | 63 | 14 |
| Czech Republic | 5.1 | 8 | 3.62 | 7 | 48 | 8 |
| Israel | 5.12 | 9 | 3.5 | 8 | 61 | 12 |
| Hungary | 5.34 | 10 | 3.25 | 10 | 54 | 9 |
| Portugal | 5.37 | 11 | 3.17 | 12 | 62 | 13 |
| Slovenia | 5.38 | 12 | 3.17 | 13 | 57 | 10 |
| Spain | 5.88 | 13 | 3.08 | 14 | 59 | 11 |
| Estonia | 5.9 | 14 | 2.59 | 19 | 68 | 15 |
| France | 5.93 | 15 | 3.28 | 9 | 71 | 16 |
| Italy | 6.11 | 16 | 2.86 | 17 | 43 | 6 |
| Belgium | 6.12 | 17 | 3.23 | 11 | 75 | 17 |
| United Kingdom | 6.53 | 18 | 3.02 | 16 | 76 | 18 |
| Germany | 6.84 | 19 | 2.71 | 18 | 78 | 19 |
| Norway | 7.16 | 21 | 2.4 | 20 | 86 | 21 |
| Switzerland | 7.16 | 20 | 2.26 | 21 | 85 | 20 |
| Denmark | 7.95 | 22 | 2 | 22 | 91 | 23 |
| Finland | 8.1 | 23 | 1.8 | 23 | 89 | 22 |

*Table 4. Means confidence legal system and perceived corruption level judiciary*

| Country | Confidence legal system (ESS) Mean | Rank | Perceived corruption judiciary (GCB) Mean | Rank | Expert perception (CPI) Score | Rank |
|---|---|---|---|---|---|---|
| Ukraine | 1.87 | 1 | 4.48 | 1 | 25 | 1 |
| Bulgaria | 2.25 | 2 | 4.38 | 3 | 41 | 5 |
| Kosovo | 2.7 | 3 | 4.31 | 5 | 33 | 4 |
| Slovakia | 3.23 | 4 | 4 | 6 | 47 | 7 |
| Slovenia | 3.28 | 5 | 3.57 | 8 | 57 | 10 |
| Portugal | 3.48 | 6 | 3.89 | 7 | 62 | 13 |
| Albania | 3.51 | 7 | 4.32 | 4 | 31 | 3 |
| Russia | 3.57 | 8 | 4.41 | 2 | 28 | 2 |
| Spain | 3.7 | 9 | 3.48 | 10 | 59 | 11 |
| Czech Republic | 4.04 | 10 | 3.52 | 9 | 48 | 8 |
| Italy | 4.46 | 11 | 3.39 | 11 | 43 | 6 |
| Hungary | 4.66 | 12 | 3.05 | 14 | 54 | 9 |
| Cyprus | 4.82 | 13 | 3.1 | 13 | 63 | 14 |
| Belgium | 4.92 | 14 | 3.29 | 12 | 75 | 17 |
| Estonia | 4.94 | 15 | 2.81 | 17 | 68 | 15 |
| France | 5.03 | 16 | 3.04 | 15 | 71 | 16 |
| United Kingdom | 5.52 | 17 | 2.68 | 18 | 76 | 18 |
| Israel | 5.61 | 18 | 2.93 | 16 | 61 | 12 |
| Germany | 5.83 | 19 | 2.61 | 19 | 78 | 19 |
| Switzerland | 6.51 | 20 | 2.2 | 20 | 85 | 20 |
| Finland | 7.04 | 21 | 2.01 | 22 | 89 | 22 |
| Norway | 7.22 | 22 | 2.03 | 21 | 86 | 21 |
| Denmark | 7.68 | 23 | 1.68 | 23 | 91 | 23 |

*Table 5. Means confidence parliament and perceived corruption level parliament*

| Country | Confidence parliament (ESS) Mean | Rank | Perceived corruption parliament (GCB) Mean | Rank | Expert perception (CPI) Score | Rank |
|---|---|---|---|---|---|---|
| Ukraine | 1.85 | 1 | 4.24 | 2 | 25 | 1 |
| Bulgaria | 2.07 | 2 | 4.01 | 5 | 41 | 5 |
| Portugal | 2.57 | 3 | 3.93 | 7 | 62 | 13 |
| Kosovo | 2.63 | 4 | 3.94 | 6 | 33 | 4 |
| Albania | 2.92 | 5 | 3.87 | 10 | 31 | 3 |
| Slovenia | 2.96 | 6 | 3.89 | 8 | 57 | 10 |
| Czech Republic | 3.14 | 7 | 3.75 | 11 | 48 | 8 |
| Italy | 3.16 | 8 | 4.09 | 3 | 43 | 6 |
| Slovakia | 3.17 | 9 | 3.74 | 9 | 47 | 7 |
| Russia | 3.39 | 10 | 4.3 | 1 | 28 | 2 |
| Spain | 3.43 | 11 | 3.87 | 9 | 59 | 11 |
| Cyprus | 3.46 | 12 | 4.02 | 4 | 63 | 14 |
| Hungary | 3.91 | 13 | 3.6 | 14 | 54 | 9 |
| Estonia | 3.94 | 14 | 3.12 | 19 | 68 | 15 |
| Israel | 4.12 | 15 | 3.63 | 13 | 61 | 12 |
| France | 4.12 | 16 | 3.49 | 17 | 71 | 16 |
| United Kingdom | 4.21 | 17 | 3.59 | 15 | 76 | 18 |
| Germany | 4.74 | 18 | 3.38 | 18 | 78 | 19 |
| Belgium | 5.02 | 19 | 3.49 | 16 | 75 | 17 |
| Finland | 5.91 | 20 | 2.89 | 20 | 89 | 22 |
| Denmark | 6.1 | 21 | 2.38 | 23 | 91 | 23 |
| Switzerland | 6.14 | 22 | 2.76 | 21 | 85 | 20 |
| Norway | 6.28 | 23 | 2.57 | 22 | 86 | 21 |

*Table 6. Means confidence political parties and perceived corruption level political parties*

| Country | Confidence political parties (ESS) Mean | Rank | Perceived corruption political parties (GCB) Mean | Rank | Expert perception (CPI) Score | Rank |
|---|---|---|---|---|---|---|
| Bulgaria | 1.8 | 1 | 4.14 | 8 | 41 | 5 |
| Portugal | 1.87 | 2 | 4.1 | 10 | 62 | 13 |
| Spain | 1.88 | 3 | 4.35 | 3 | 59 | 11 |
| Ukraine | 1.9 | 4 | 4.12 | 9 | 25 | 1 |
| Italy | 2 | 5 | 4.5 | 1 | 43 | 6 |
| Kosovo | 2.01 | 6 | 4.25 | 4 | 33 | 4 |
| Slovenia | 2.27 | 7 | 4.17 | 7 | 57 | 10 |
| Albania | 2.32 | 8 | 4.03 | 13 | 31 | 3 |
| Cyprus | 2.46 | 9 | 4.43 | 2 | 63 | 14 |
| Czech Republic | 2.69 | 10 | 4.07 | 11 | 48 | 8 |
| Slovakia | 2.74 | 11 | 3.87 | 16 | 47 | 7 |
| Russia | 3.01 | 12 | 4.19 | 6 | 28 | 2 |
| France | 3.13 | 13 | 4.04 | 12 | 71 | 16 |
| Israel | 3.14 | 14 | 4.2 | 5 | 61 | 12 |
| Estonia | 3.2 | 15 | 3.67 | 19 | 68 | 15 |
| Hungary | 3.24 | 16 | 3.88 | 14 | 54 | 9 |
| United Kingdom | 3.61 | 17 | 3.85 | 17 | 76 | 18 |
| Germany | 3.68 | 18 | 3.81 | 18 | 78 | 19 |
| Belgium | 4.23 | 19 | 3.88 | 15 | 75 | 17 |
| Finland | 4.89 | 20 | 3.32 | 20 | 89 | 22 |
| Switzerland | 4.99 | 21 | 3.27 | 21 | 85 | 20 |
| Norway | 5.15 | 22 | 3.26 | 22 | 86 | 21 |
| Denmark | 5.31 | 23 | 2.75 | 23 | 91 | 23 |

*Table 7. Difference in ranking dependent and independent variables*

| | Police | | | Judiciary/ Legal system | | | Parliament | | | Political Parties | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ESS-GCB DV/IV | ESS-CPI DV/IV | GCB-CPI IV/IV | ESS-GCB DV/IV | ESS-CPI DV/IV | GCB-CPI IV/IV | ESS-GCB DV/IV | ESS-CPI DV/IV | GCB-CPI IV/IV | ESS-GCB DV/IV | ESS-CPI DV/IV | GCB-CPI IV/IV |
| **Nordic countries** | | | | | | | | | | | | |
| Finland | 0 | -1 | -1 | 0 | -1 | 0 | 0 | -2 | -2 | 0 | -2 | -2 |
| Denmark | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -2 | 0 | 0 | 0 | 0 |
| Norway | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 2 | 1 | 0 | 1 | 1 |
| **Other established democracies** | | | | | | | | | | | | |
| Switzerland | -1 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 0 | 1 | 1 |
| Germany | 1 | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -1 | 0 | -1 | -1 |
| United Kingdom | 2 | -1 | -1 | 0 | -1 | 0 | 2 | -1 | -3 | 0 | -1 | -1 |
| Belgium | 6 | 2 | -3 | -5 | -3 | -5 | 3 | 2 | -1 | 4 | 2 | -2 |
| France | 6 | 1 | 0 | -1 | 0 | -1 | -1 | 0 | 1 | 1 | -3 | -4 |
| **Southern Europe** | | | | | | | | | | | | |
| Italy | -1 | 0 | 5 | 5 | 5 | 5 | 5 | 2 | -3 | 4 | -1 | -5 |
| Spain | -1 | -1 | -2 | -1 | -2 | -1 | 2 | 0 | -2 | 0 | -8 | -8 |
| Portugal | -1 | -1 | -7 | -6 | -7 | -6 | -4 | -10 | -6 | -8 | -11 | -3 |
| Israel | 1 | 2 | 6 | 4 | 6 | 4 | 2 | 3 | 1 | 9 | 2 | -7 |
| Cyprus | 4 | 0 | -1 | -1 | -1 | -1 | 8 | -2 | -10 | 7 | -5 | -12 |
| **New democracies** | | | | | | | | | | | | |
| Estonia | -5 | -2 | 0 | 2 | 0 | 2 | -5 | -1 | 4 | -4 | 0 | 4 |
| Slovenia | -1 | -3 | -5 | -2 | -5 | -2 | -2 | -4 | -2 | 0 | -3 | -3 |
| Hungary | 0 | -2 | 3 | 5 | 3 | 5 | -1 | 4 | 5 | 2 | 7 | 5 |
| Czech Republic | 1 | 1 | 2 | 1 | 2 | 1 | -4 | -1 | 3 | -1 | 2 | 3 |
| Albania | 0 | 3 | 4 | 1 | 4 | 1 | -5 | 2 | 7 | -5 | 5 | 10 |
| Kosovo | -10 | -2 | -1 | 1 | -1 | 1 | -2 | 0 | 2 | 2 | 2 | 0 |
| Slovakia | -1 | -2 | -3 | -1 | -3 | -1 | 0 | 2 | 2 | -5 | 4 | 9 |
| Bulgaria | -1 | -1 | -3 | -2 | -3 | -2 | -3 | -3 | 0 | -7 | -4 | 3 |
| Russia | 1 | 6 | 6 | 0 | 6 | 0 | 9 | 8 | -1 | 6 | 10 | 4 |
| Ukraine | -1 | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 1 | -5 | 3 | 8 |

*Table 8. Correlation analysis trust and perceived corruption levels individual institutions **

| | Trust police | Trust legal system | Trust parliament | Trust political parties | Institutional trust |
|---|---|---|---|---|---|
| No. of countries | 23 | 23 | 23 | 23 | 23 |
| Perceived corruption police | **-.916**** | -.766** | -.762** | -.683** | (-.823**) |
| Perceived corruption judiciary | -.897** | **-.963**** | -.*909*** | -.849** | (-.950**) |
| Perceived corruption parliament | -.813** | -.875** | **-.906**** | -.*904*** | (-.912**) |
| Perceived corruption political parties | -.651** | -.748** | -.811** | **-.886**** | (-.801**) |
| Perceived corruption public sector | (-780**) | (-.853**) | (-.886**) | (-.910**) | (-.892**) |
| CPI | (.795**) | (.885**) | (.872**) | (.808**) | (.906**) |

* The results within brackets indicate that the variable captures corruption and institutional trust at the system level.

** Correlation is significant at the 0.01 level (2-tailed). All correlation coefficients show a p value of 0.000 associated with the correlation.

**Findings**

In this section the results of my analysis will be posited. The analysis of the strength of the relationship between the variables conducted at the level of individual institutions (table 8) will first be presented, after which this section proceeds with discussing the results of the country level means in more detail. The result of the correlation analysis between the means of the perceived corruption levels and institutional confidence levels in our sample of 23 countries (table 8) confirms the strong negative relationship between corruption and institutional trust as hypothesized in the beginning of this thesis. The scores that are made bold in table 8 represent the results of the strength of the relationship between institutional trust and the level of perceived corruption measured at the level of each individual institution. In the methodological section of this thesis the assumption was posited that we expect to observe that institutions which are perceived to be most corrupt, are also less trusted by citizens. The descriptive statistics presented in table 2 confirmed that this is the case as noted earlier in this chapter.

However, the correlation analysis shows that the means of the results of both trust in political parties and trust in the parliament are more closely related to the means of the perceived corruption level of other institutions. What this means is that there is a stronger relationship between how much trust citizens have in political parties and how corrupt they perceive the parliament to be than between how corrupt they evaluate each individual institution. In the case of trust in the parliament, this difference is negligible although the perception of the judiciary still shows a stronger relationship between both concepts. In both cases, the second strongest relationship relates to the institution captured by both variables.

The data in table 8 also shows that the biggest differences are observed in the case of the strength of the relationship between trust levels and perceived corruption levels of the police and political parties. This is shown by the relatively low Pearson's correlation coefficients between the means of the trust levels and perceived corruption levels of both institutions (-0.916/-0.651 and -.886/-0.683). This indicates that people evaluate both institutions in a relatively distinct way, although all correlation coefficients shown in this analysis are relatively strong.

Despite those differences, the results presented in table 8 show that in general, the strongest relationship is found when we compare the relationship of corruption and institutional trust at the level of the same institutions which is in the case of all 4 institutions stronger than the comparison of experts measuring the overall level of corruption (CPI). In addition, the relatively high

differences between some institutions (most notably, the police and political parties) indicate that citizen use more distinct evaluations for some institutions than for others (the parliament and the judiciary). This observation would not be possible by studying the relationship between both concepts at the system level, and my analysis seems to suggest thus far that at least in the case of the police and political parties, citizens make relatively distinct evaluations between how corrupt they perceive each institution to be and how much confidence they possess in those institutions.

The following section will discuss the results of table 3-7 in which the country means between both variables are compared with each other. The results of table 3-6 focused at the level of each institution show that, in general, countries which score worst on the level of perceived corruption (indicated by the lower rankings) are also characterized by the lowest confidence levels in those institutions. However, despite the fact that in general, this clear trend is visible, the comparison of the relative rankings presented in table 7 shows that there are interesting variations between both the evaluation of the institutions in general, the differences between the groups of countries and the results of some individual countries.

First, the ranking results presented in table 7 show that there is considerable variation between the scores on each institution between the dependent and independent variables based on public opinion (ESS-GCB). The ranking scores in table 7 show that judiciary presents the least amount of variation amongst the ranking results followed closely by the police, whereas the parliament and political parties show much more variation in ranking. What this means is that citizens' evaluations in the case of the trust and corruption in the judiciary and the police are more stable, and vary considerably more in the case of political parties and the parliament which might be accounted for by the fact that the latter institutions are partisan, while the former are usually characterized by more impartial rule, the effect of which might be stronger in countries where people are unsatisfied with politics.

Focusing on the different groups of countries, the data in table 7 shows that the evaluations of both Nordic countries and other established democracies are relatively stable in comparison to the scores of countries in Southern Europe and countries that are categorized as new democracies. The data in table 7 also suggests that there are notable differences between both independent variables between Southern European countries and countries categorized as new democracies in the case of citizen corruption levels in political parties. While all countries in Southern Europe show negative ranking scores between both variables, most New democracies show positive

rankings instead. What this means is that countries in Southern Europe overestimate the level of corruption present in political parties relative to the country score attributed by experts, while most countries in the category new democracies show relatively much confidence in this institution in comparison to how corrupt experts perceive their countries to be. This effect is not caused solely by the higher ranking of those countries in terms of CPI score, as table 6 shows that the country means of Southern European countries are amongst the worst of all scores.

Focusing on the results on some of the individual countries, the results of table 7 show that in the case of trust in the police in both France and Belgium, the difference in ranking between the results of the ESS (DV) and the GCB (IV) are considerable given the otherwhise relatively stable rankings within this group of countries. This means citizens in both countries possess relatively much confidence in the police in comparison to how corrupt they perceive this institution to be in relation to the scores of other countries. In addition, France and Belgium also stand out by the relatively high negative score between the ranking of both independent variables (GCB-CPI) which is also caused by the relatively high negative score that citizens in those countries attribute to this institution as experts attribute a more positive score on the overall level of corruption in those countries.

The country result of Russia is also remarkable. In the case of three of the four institutions (the police being the exception), the differences between institutional trust levels and perceived corruption levels are notably high and go in the same direction. That is, we can observe that citizen confidence levels are very high compared to that of other countries relative to the high level of corruption that Russian citizens attribute to those institutions. In addition, in the case of Italy, the results on confidence and corruption levels of the police also shows that citizens possess relatively high confidence in this institution compared to the high level of perceived corruption that citizens attribute to this institution and the overall country score by experts. The differences in the variation between the dependent and independent variables that are presented in this thesis are unique in that following the method of how corruption and institutional trust is usually studied, such differences are neglected. The findings presented in this chapter present interesting insights between the relationship of measures of corruption and institutional trust that can provide a basis for additional research that can help explain those observations.

## Limitations and further research

The biggest limitation of the exploration presented in this thesis is the fact that only a relatively small number of countries have been analyzed which results in finding relatively high correlation coefficients for all institutions. Due to time and format limitations, issues of endogeneity have also been left aside.[5] The data presented in the exploration on the results of institutional trust and perceived corruption of individual countries can be used in qualitative studies of those countries to help explain the observed findings for those countries. In addition, quantitative research can show whether the observed relationships prove to be robust.

## Conclusion

The main goal of the present study is to explore two issues on the study of corruption and institutional trust that have gone relatively unnoticed in the literature on this topic. First, this thesis explores the similarity of two commonly used corruption perception indicators based on public opinion and the general assessment of experts given the seemingly contradictory statements made in the literature about the similarity of the GCB and the CPI indicators. It is shown that the similarity between both indicators heavily depends on the sample size used in the comparison. In addition, this thesis argues that the variance within the CPI data can account for this difference between both sample sizes, as there is much more variance within the CPI data than there is within the results of the GCB. A possible explanation has been presented on why there is so much discrepancy between both indicators that may account for the differences noted by some authors, although more research is needed to provide substantive conclusions on this issue.

The second empirical concern by which this thesis aims to increase the quality of the study of corruption relates to the way of the measurement of its effect on the level of institutional trust. The empirical contributions on this topic show that corruption deteriorates trust in public institutions. However, most authors have studied this effect by studying institutional trust at the system level, instead of looking at its effect on individual institutions. Given the degree of variance of how citizens evaluate distinct institutions in terms of both confidence levels and the level of corruption, this thesis has set out to explore whether the analysis at the level of individual institutions can provides more precise results.

The hypothesis which states that corruption negatively influences institutional trust is

[5] For the analysis of the issue of endogeneity between corruption indicators and the level of trust in institutions, see Clausen, Kraay and Nyiri (2011).

accepted based on the findings presented in this thesis following the scholarly consensus on the trust deteriorating effect of corruption. While the relatively small sample size of the analysis conducted in this thesis has to be kept in mind, the findings show that in general, investigating perceived corruption levels and the level of trust conducted at the level of individual institutions provides the strongest relationship between both concepts. In addition, the analysis presented in this thesis is able to capture some findings which are not noticed in the study of both concept at the system level.

First, this study suggests that citizen evaluation on the perceived level of corruption and the level of confidence of some institutions are more closely related than that of others. Most notably, citizens seem to evaluate the police and political parties in terms of confidence and corruption more distinctively than they do for other institutions suggesting that the effect of corruption is better studied independently in case of those two institutions. In addition, this thesis is able to capture the variation between the results of the dependent and independent for each institution, the scores of each group of countries, and at the level of individual countries providing unique insights to the effect of corruption on institutional trust that can be used for additional research on this topic.

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