

## ***An Investigation of Relation Between the Economic Development and Confidence in the Major Institutions<sup>1</sup>***

*Ekonomik Gelişim ile Temel Kurumlara Olan Güven İlişkisinin Araştırılması*

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### **ABSTRACT**

This paper compares citizens' confidence in some major public and civil institutions within their countries. An erosion or loss of confidence in the major institutions of the society is very serious threat to democracy. The continuity of institutions and political systems depends on the citizens' confidence which may be a better indicator of public disaffection because they are the central pillars of society within the modern world and strongly related to societal trust. The confidence in institutions is the most important element to establish an interconnection between the citizenship and their own states, a part of a cohesive society in where citizens have confidence in national-level institutions and having a critically important emphasis in terms of institutionalization and consolidation of democracy.

In this context, the aim of this study is the comparison of the countries taking into account the perception of confidence in court, government, political parties, parliament, university, labor unions, press, armed forces and police. In this study, the confidence in public and civil institutions is measured based on the perceptions of citizens, using the data, obtained from VI. Wave of world-values survey over the period 2010-2013.

**Keywords:** Economic development, Confidence in Institutions, Regression analysis.

### **ÖZET**

Bu çalışmada, ülkelerinin bazı kamu kurumlarına ve sivil toplum kuruluşlarına olan güven düzeylerinin bir karşılaştırması yapılmaktadır. Ülke vatandaşlarının kamu kurumlarına, politikacılara ve sivil toplum örgütlerine karşı duydukları güven kaybı veya güven erozyonu ülke demokrasilerine çok ciddi bir tehdit oluşturmaktadır. Kurumların ve siyasal sistemin devamlılığı, vatandaşların kurumlara güven duyması ve değişim taleplerine cevap bulabilmesine bağlıdır. Kamu kurumlarına ve sivil toplum örgütlerine güven vatandaşlık ve devlet arasındaki en önemli bağ unsurudur. Ayrıca bu kurumlara güven, demokrasinin kurumsallaşması ve pekiştirilmesi açısından önem kazanmaktadır.

Bu bağlamda, bu çalışmada ülke vatandaşlarının yargıya, siyasi partilere, parlamentoya, basına, devlet yönetimine, sendikalara, üniversitelere silahlı kuvvetlere ve polis teşkilatına güven algısı dikkate alınarak karşılaştırma yapılmıştır. Çalışmanın veri seti, dünya değerleri araştırmalarından ve 2010-2013 dönemini kapsayan VI. dalga veri tabanından elde edilmiştir.

**Anahtar Kelimeler:** Ekonomik gelişme, Kurumlara Güven, Regresyon analizi.

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## 1. Introduction

After the third and fourth wave of the European Union (EU) membership, the prospects for EU impress the some states outside the west Europe. Democracy winds have drawn much more attention between the eastern European countries after the collapse of the Soviet Union, and then, the excitement of being a member of the EU has been spread among them. Willingness and enthusiasm to be a member of the Union provided the necessary pressure for creating the regulations in institutions and also push toward the democracy. The establishment of democratic institutions was necessary to secure the economic benefits for the community membership and imposes candidate states with democratic changes. Besides of these factors, global economy and business partnership enforced the regulations of laws, considering the long established standards in western countries. Since then, fully effective democracy and partial democracy has become an important issue. Although many of these new democracies lack substantial qualities such as the protection of human rights, still there is no sufficient clarity for effective democracy theoretically (Welzel and Alexander, 2008). There is only one agreement that democracy is the first and foremost institutional concept, the focus is on deficiencies of essential institutional qualities, not on deficiencies of democracy's socioeconomic or sociocultural prerequisites (Alexander, Inglehart & Welzel, 2011).

The characterization of democracy is considered as a human development instrument and a key of the emancipative notion to empower the ordinary people (Alexander, Inglehart & Welzel, 2011). Willingness and enthusiasm to be more democratic society have brought some tasks, which is more difficult than it may seem, to execute. So there is a clear role for government in all fields, include social, economic and political areas, because the impact of various institutions, varying across the countries depending on domestic economic and social environments have to be considered for the successful society.

Confidence in the major institutions of society is the central indicator of the underlying feeling of the general public about its polity. An erosion of confidence in the major institutions of society, especially those of representative democracy, is a far more serious threat to democracy than a loss of trust in other citizens and politicians. Without a doubt, social and cultural norms, especially higher education, participation to the community with a cooperative culture, create the manifestation of cooperation and civic mindedness, and then it helps to create strong, effective and successful social organizations and institutions, including political groups and governmental institutions in which people can invest their confidence.

The confidence in institutions can be considered in two terms such as cultural and performance perspectives. According to the cultural perspective, confidence is generated from non-political factors, although the confidence in institutions is explained from the citizens' perceptions about how they work for their demand (Sapsford and Abbott, 2006). The performance-based theory argues that institutional trust depends on the perceived performance of the system in terms of economic and political perspective (Lühiste, 2006). Confidence should probably be attributed the existence to perceptions

and satisfactions of citizens' via the sort of pluralism, and can be observed in media, especially in newspapers (Shlapentokh, 2006).

The social and cultural theory argues that individual life situations and experiences, especially higher education, participation in a community with a cooperative culture, and involvement in voluntary activities to create social trust and cooperation, civic mindedness, and reciprocity between individuals, all of them help to create strong and effective social organizations and institutions (Lühiste, 2006). Effective institutions cooperate in conjunction and in cooperation with each other to be inclusive economics institutions, and they can allow and encourage participation of citizens in economic activities. The participation that makes the best use of their talents and skills, and enables individuals to make the choices they wish. But extractive economic and political institutions support the elites who have the power for the use of state resources, destroying the law and basic economic incentives (Acemoglu and Robinson, 2012).

According to the institutional theory, associated with Daron Acemoglu, Simon Johnson and James Robinson, effective institutions established in a country attribute economic growth (Veise, 2010). There is no doubt that, citizens in the country are interested not only in performance and absolute economic welfare of institutions, but also how they are performing their jobs and they feel themselves satisfied with bureaucratic behavior of institutions.

Georgarakos and Fürth (2014) examined the role of beliefs about corruption in general and with respect to specific institutions and authorities, public perceptions about the justice system, and religiosity. The result of their study stressed the similar arguments for the repayment behavior in Europe, after accounting the specific character of households and country difference, that households' arrears are the main cause of corruption beliefs, low confidence in institutions and authorities. They have found a proportionally stronger association between arrears and views about corruption regarding more local institutions, and arrears occur less frequently in regions where households find it difficult to win legal disputes against institutions.

Educational institutions have taken an important place at the human resource development and the learners who come out of these centers are expected to go the society and take up some responsibility in business and in society. Good human resource with ethic and moral values will ultimately return to community or society as the service and task again. Educational institutions in a country are dominant factor to develop knowledgeable people who are the important resource in the process of developing human resource and of shaping the future of the nation (Gonda, 2014). Thereby, taking various steps and making investments in educational system probably improve the national development.

Another dominant key attribute of successful civil societies is the court decision which will be useful while providing the rights of individuals against others harms, including equity and international human/business rights in their domestic country and abroad (MacLeod, 2013).

In a society, having different political ideas as much as possible, the participation of citizens into politics with self confidence and trust on politics and politic system are important variables for advanced democracies. The degree of political trust or distrust of a political man as main constituent of a healthy democracy is vital factor. Thereby this factor has to be followed carefully by administrations for their own legitimacy, stability and continuity (Shlapentokh, 2006). As mentioned by Acemoglu and Robinson (2013), politic power in the hands of elite group inhibits the economic success of nations, and causes the distrust towards the politicians and authority within the country. The reason of lack confidence in the parliament and political parties lies in the country's mistrust of election procedures. Trust level should probably be attributed the existence to a sort of pluralism (Shlapentokh, 2006) and feeling to what politicians make proper use of their power for the betterment of the society.

In the literature, there are valuable empirical studies for the confidence in institutions. It is obvious that confidence in institutions is mostly not steady, and also institutions have the process of change as everything in the world. The changes do not depend on the cultural and geographic differences of the countries (Acemoglu and Robinson, 2012), but it depends on some socioeconomic, politic and international factors. So it can be needed to observe the impact of the changes on society, directly affected the whole process of institutions. (Nawaz, 2015) attempted to examine the impact of various institutions on economic growth by using panel data for 56 countries over the period 1981-2010. The empirical analysis confirms a positive relationship between institution and economic growth. The positive impact of control over corruption, qualitative and effective bureaucracy on economic growth is greater in high income countries as compared to low income countries. The impact of investment profile is more growth enhancing in developing countries in contrast to developed economies. It is also established that institutions play a great role in determining growth in developed economies relative to developing economies. The implication of this finding is that different countries require different sets of institutions for ensuring long-term economic growth.

Georgarakos and Fürth (2014) studied about the role and effects of social capital and institutional, political, and religious beliefs. They investigated households' repayment behavior in Europe and showed that arrears are more common among households living in regions with dense corruption beliefs, low confidence in institutions and authorities.

Institutions are the central pillars of society within the modern world, and they have strongly and mutually interactions with the society and states. Institutions are categorized as inclusive and exclusive of the institution. It can be understood from the institution that it is the whole rules and organizations establishing relations in the country (Acemoglu and Robinson, 2012). Therefore, confidence in institutions is the most important element to establish and to serve the national wealth within the interconnection between the citizenship and their own states. It is also a part of a cohesive society in where citizens have confidence in national-level institutions and having a critically important emphasis in terms of institutionalization and consolidation of democracy. An erosion or loss of confidence in the major institutions of the society is

very serious threat to democracy, and sometimes a breakdown of social trust and confidence has referred to as cultural trauma (Sapsford and Abbott, 2006). The continuity of institutions depends on the citizens' confidence which may be a better indicator of public affection.

The authors of this study argue that confidence in institutions is a powerful instrument, and impresses the growth in economics or vice versa, and also welfare-enhancing activities in society support the institutional improvement or vice versa.

The aim of this paper is to compare the citizens' confidence perceptions in some major public and civil institutions within the countries. In this study, the confidence in public and civil institutions is measured by the perceptions of citizens, using the data which is obtained from VI. Wave of world-values survey over the period 2010-2013.

## 2. The data and variables

Data set of the study was obtained from VI. Wave of world-values survey including 2010-2013 periods for 51 countries. The data set are categorized into four groups considering the democracy index. Table 1 gives the sample countries with available data. The democracy index is published by the Economist Intelligence Unit and based on view that measures of democracy that reflects the state of political freedoms and civil liberties.

Table 1. Selected Countries and Classification into Groups

Full democracies	Flawed democracies	Hybrid regimes	Authoritarian regimes
Japan	Malaysia	Singapore	Uzbekistan
Germany	Ghana	Kyrgyzstan	Qatar
Sweden	Philippines	Ukraine	China
South Korea	Estonia	Pakistan	Nigeria
Netherlands	Cyprus	Turkey	Azerbaijan
Uruguay	Chile	Morocco	Kazakhstan
New Zealand	Colombia	Ecuador	Rwanda
	Trinidad and		
Spain	Tobago	Palestine	Zimbabwe
Australia	Mexico	Lebanon	Belarus
United States	Poland	Iraq	Kuwait
	Peru	Armenia	Russia
	Romania	Libya	Egypt
	Slovenia	Tunisia	Jordan
			Yemen

The Democracy index is based on five categories of measure of democratic participation. The index values are used to place countries within one of four types of

regimes. Definitions of regimes are given in Table 2. The index also shows that although almost half of the world's countries can be considered to be democracies, the number of "full democracies" is relatively low and only 30 countries while 50 countries are rated as "flawed democracies". Countries, placed in flawed democracy have free and fair elections and even if there are problems (such as infringements on media freedom), basic civil liberties will be respected. However, there are significant weaknesses in other aspects of democracy, including problems in governance, an underdeveloped political culture and low levels of political participation (the Democracy Index, 2014).

Table 2. Definition of regimes

	Definition	% of world population
Full democracies	Democracy in which the power is exercised directly by the people rather than through representatives.	12.5
Flawed democracies	These countries also have free and fair elections and even if there are problems (such as infringements on media freedom), basic civil liberties will be respected. However, there are significant weaknesses in other aspects of democracy, including problems in governance, an underdeveloped political culture and low levels of political participation.	35.5
Hybrid regimes	This is also called a pseudo democracy, partial democracy, low intensity democracy, empty democracy or delegative democracy. It is a governing system in which, although elections take place, citizens are cut off from knowledge about the activities of those who exercise real power because of the lack of civil liberties and so there is no open society in this regime. The rulers may centralize powers between branches of the central government and local government. The rulers may centralize powers between branches of the central government and local government. Country is neither free nor not free and falling somewhere between democratic and nondemocratic regimes.	14.4
Authoritarian regimes	Authoritarianism is characterized by highly concentrated and centralized power maintained by political repression and the exclusion of potential challengers. It uses political parties and mass organizations to mobilize people around the goals of the regime.	37.6

Source: Kekic, Laza (2007), The Economist Intelligence Unit's index of democracy, The World in 2007, 1-11.

The cross country comparison of confidence data were obtained from the database of world-values survey, and they cover the nine major institutions; confidence in court, government, political parties, parliament, university, labor unions, press, armed forces and police of selected countries for the time period of 2005-2013.

In the world wide survey, confidence in institutions are measured in five scale such as “A great deal” , “Quite a lot”, “Not very much”, “None at all” and “A Great Deal + a lot”. In this study, for each institution, respondents answering “a great deal” and “quite a lot” confidence are summed to obtain the percentages of respondents confident in each institutions of a country; the total percentage value reflects the degree of confidence in institution for the particular country.

Additionally, the Human Development Index (HDI) and the GNI per capita in PPP (\$) for each country are considered as the primary indicators of a country's socio-economic development level.

### 3. Empirical Results

#### 3.1. Descriptive analysis of the data

In this section, we performed some descriptive analysis in order to observe the general confidence level in major institutions, and also by considering the democracy level of the countries.

Figure 1 show that, when whole sample of countries are considered the most trusted institutions are the universities (70.61%), after the universities, armed forces, police and court are coming in the sequence While the most untrustworthy institutions are the political parties (30.68%).

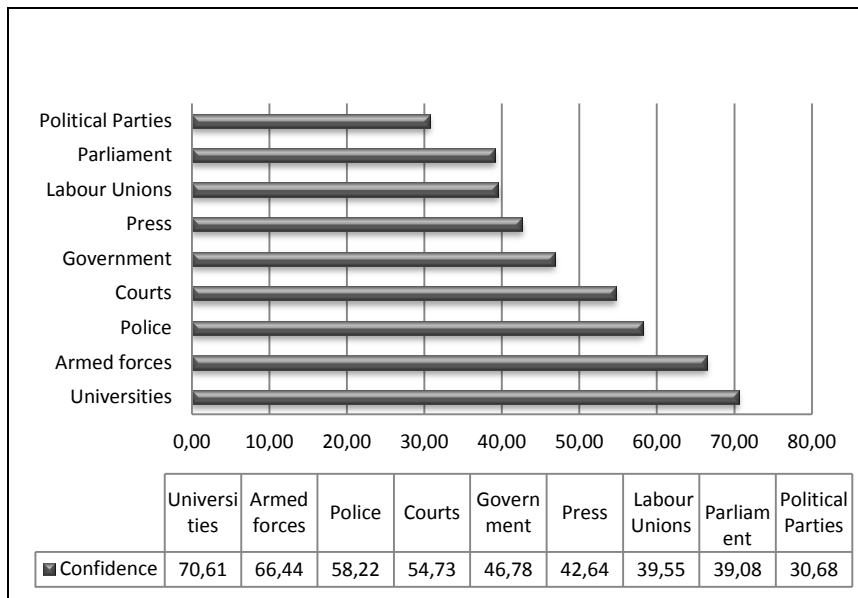


Figure1. Average confidence to the each of the institution

Figure 2 shows that when the authoritarian regimes are considered, the most trustable institution is the armed forces (72.75%) while the least trustable institution is political parties (45.51%). When the hybrid regimes are considered, the most trustable institution is the armed forces (65.89%) while the least trustable institution is political parties (27.47%). When the flawed democracies are considered, the most trustable institution is the universities (75.58%) while the least trustable institution is labor unions (37.24%). When the full democracies are considered, the most trustable institution is the universities (76.13%) while the least trustable institution is political parties (22.21%). It is observed clearly that advanced democracies have the more confidence in universities and less confidence in political parties, parliament and labor unions. In the authoritarian regimes a relatively high confidence exists in the armed forces.

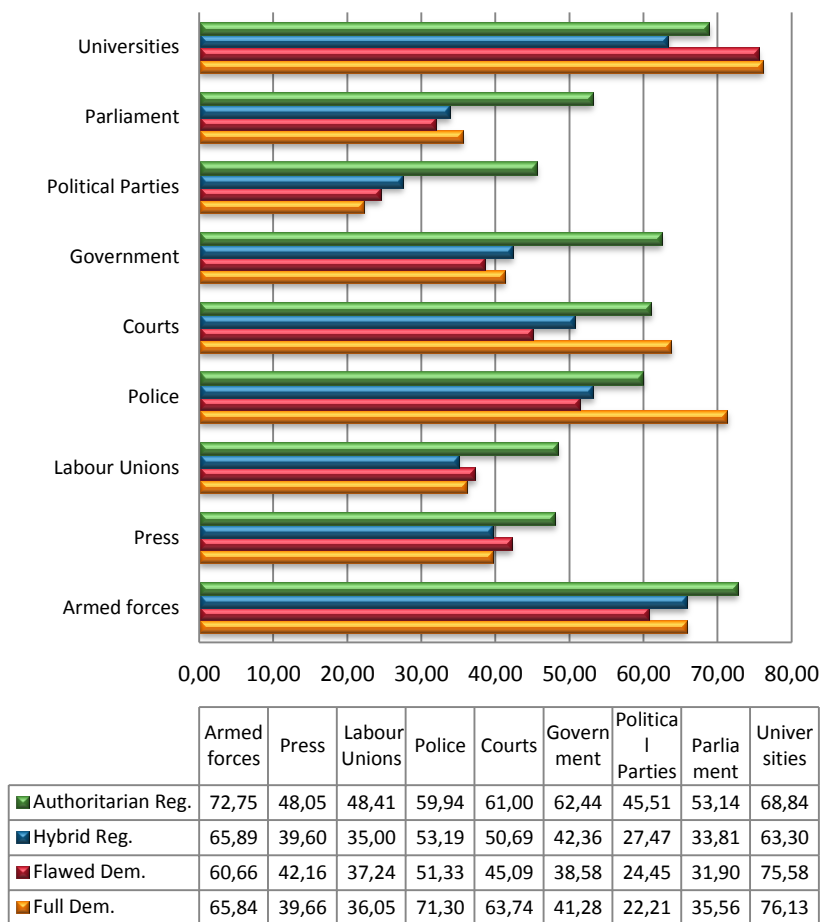


Figure2. Average confidence in the institutions by country groups



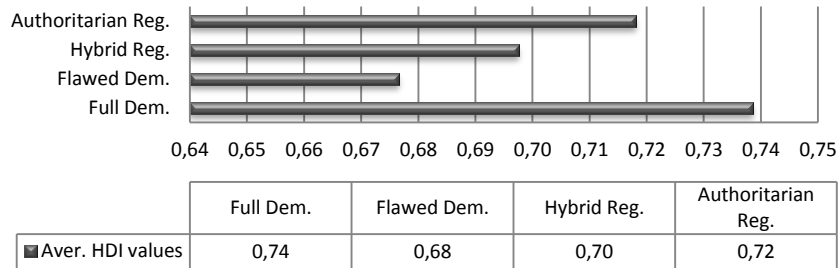


Figure3. Average HDI values by groups of countries

Figure 3 also shows notable differences among the country groups in terms of average Human Development Index (HDI) values. Average HDI values in the full democratic group of countries are the highest. Surprisingly, full democracy countries followed by the authoritarian regimes. There exist the least average HDI values for flawed democracy countries.

### 3.2. Cross-country Regression Analysis

In this section a cross-country regression analysis was performed in order to observe that economic development level which is measured by GNI per capita in PPP\$ for each country have any explanatory power on trust in major institutions.

In the regression analysis, GNI per capita in PPP is considered as explanatory variable and each of the individual relevant indicator as dependent variable, since it can be expected that level of that indicator could be explained by the economic development level.

**Table 7:** Impact of one standard deviation increase in GNI on the confidence in the institutions\*

Indicators	Statistics of the Models			Statistics of standard coefficients		
	Adj. R <sup>2</sup>	F Stat.	Sig.	Coef.	t stat.	Sig.
HDI rank	.444	40.16	.000	-.675	6.337	.000
Police	.248	17.12	.000	.513	4.138	.000
Court	.193	12.69	.001	.457	3.56	.001
Labor Union	.085	5.56	.022	.322	2.359	.022

\*Independent variable: GNI per capita in PPP

In regression analysis, standardized coefficients are calculated because standardized coefficients can be used to unfold and compare the effects of the independent variable

on the dependent variable, and refer to how many standard deviations the dependent variable will change, per standard deviation change in the independent variable (GNI per capita in PPP).

Table 7 gives the results of the regression analysis. First column of Table 7 indicates adjusted R square values which indicate explanatory power of the GNI per capita in PPP for the corresponding indicator. second, third, fourth, fifth, and sixth columns gives the F statistics of the models, significant value of F, standard coefficients of the models, t statistics of the coefficients and corresponding significance values of t statistics respectively.

Coefficients of GNI per capita in PPP with respect to the HDI rank is  $-.675$ . That is the most significant effects observed. This means that as expected, economic development level evenly improves HDI rank. Economic development level significantly increases confidence in police, court and labor union. No significant effects observed with the other institutions.

#### 4. Conclusion

As stated before, erosion or loss of confidence in the major institutions of the society is very serious threat to democracy, and sometimes a breakdown of social trust and confidence has referred to as cultural trauma (Sapsford and Abbott, 2006). The continuity of institutions depends on the citizens' confidence which may be a better indicator of public affection.

According to the results of the study, when the authoritarian regimes are considered, the most trustable institution is the armed forces while the least trustable institution is political parties. When the hybrid regimes are considered, the most trustable institution is the armed forces while the least trustable institution is political parties. When the flawed democracies are considered, the most trustable institution is the universities while the least trustable institution is political parties. When the full democracies are considered, the most trustable institution is the universities while the least trustable institution is political parties. It is observed clearly that advanced democracies have the more confidence in the universities and less confidence in the political parties and parliament.

We could assume that lack of public confidence in a major institution reflects some degree of corruption about that institution. General empirical results of this study show that, in all of the political regimes considered the most trusted institutions are the universities (70.61%), while the most untrustworthy institutions are the political parties (30.68%) and the parliaments (39.08%). Lack of social confidence in these institutions, to some extent, could be considered as an indicator of existence of corruption in the political systems in all of these regimes types. Interestingly, least confidence level about these institutions is observed in advanced (full) democracies; confidence in the political parties 22.21% and the parliaments 35.56%.

Also, cross-country regression results show that economic development level significantly increases confidence in police, court and labor unions.

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