Chapter 1
Economic and Other Determinants of Political Trust

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ABSTRACT
Political trust is important for the effective functioning of government. This chapter uses cross country regression analysis to see whether three different measures of economic performance matter for political trust. In this chapter, an economic approach to politics has been developed. The results lend support to the hypothesis that political trust is influenced by economic growth, the standard of living, and the appropriate use of government spending.

INTRODUCTION
Political trust, trust in politicians and the political system, is the foundation for a stable political system, and a stable political system is a key precondition that provides the essential environment for a healthy economy. An adequate (sufficient) level of political trust is needed to maintain the legitimacy of a political system and to perpetuate its continual existence. Insufficient levels of political trust can lead to discontent. This, in turn, can create tensions between citizens, with desires to change or possibly even overthrow the government, and the government, which is apt to resist undesired activities by repression or other means. While many people have found that perceived overall economic performance matters for political trust, this paper, hopefully, gives greater insight into the role of economic performance on political trust by considering three different dimensions of actual economic performance on political trust, the standard of living, economic growth, and government spending waste. The study is also unique in that it investigates a large cross section of countries without using World Value Survey data.

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The paper is divided into five sections. The first section reviews a few of the relevant articles in the literature. The second section presents a simple political trust model, and discusses the variables that will be considered in the empirical section. The third section documents the sources of the variables. The fourth section presents the empirical results, and the fifth and final section concludes.

**BRIEF OVERVIEW OF SOME OF THE LITERATURE**

Applying a vector autoregressive model on quarterly data for the U.S. from 1980 to 1997, Chanley, Rudolph, and Rahn find that favorable economic expectations have a positive effect on public trust in government, but that greater sensitivity to crime, higher concern for international affairs, and congressional scandals have a negative effect (Chanley, Rudolph, and Rahn 2000). Keele estimates a single equation error correction model on quarterly data from 1970 to 2000 (Keele 2007). He finds that, in addition to economic performance and government institutional performance as measured by congressional approval, social capital, especially in the long run, seems to exercise a strong influence on people’s trust in government. Ligthart and Oudheusden focus on fiscal decentralization. Looking at household survey data on 35,259 individuals for thirteen countries over the period 1994 through 2007, and estimating using an ordered logit model, they find that fiscal decentralization leads to greater trust in government (Ligthart and Oudheusden 2011). They also find that government size and income inequality have a negative effect on government trust, but, surprisingly, that government quality and macroeconomic performance do not seem to matter.

Two potential sources of diffuse political support are the socialization process and identity-based trust (the common trust that is based on common group identity). In countries that have just undergone a political transition, although diffuse political support from the socialization process may impact political trust negatively because the populace has been subject to the socialization of the previous government, diffuse political support arising from identity-based trust, depending on the situation, could still be positive. Askvik employs regression analysis on survey data for South Africa from 1995, 2001, and 2006, the years following its transition from an apartheid government to a democratic government (Askvik 2010). His results show that performance and diffuse support founded on identity-based trust are positive determinants of political trust for South Africa.

Using the 2006 Asia Barometer survey containing a sample of 1006 adults from face to face interviews, Wong, Hsiao, and Wan, compare political trust between Taiwan, with similar socio-economic conditions, but a more democratic government, and Hong Kong (Wong, Hsiao, and Wan 2009). They look at a whole host of potential political trust determinants in the five broad areas of government performance, culture, satisfaction with democratic rights and freedoms, life satisfaction, and personal individual characteristics. Among other results, their ordinary least squares regressions for the two different countries show that trust in the judiciary and economic performance are important for political trust in both countries, but more so for Taiwan than for Hong Kong, and that, while respect for tradition plays a role in Taiwan, it is unimportant in Hong Kong. Kim uses the Asia Barometer survey to compare the countries of Japan and South Korea for the years 2003, 2004, and 2006 (Kim 2010). Her regression analysis indicates that for Japan, in separate regressions for each of the three years, trust in the central government is consistently positively related to perceived performance with regard to the economy, the quality of public services, and the control of corruption, and, a dimension of self-expression, the right to criticize government, is also important for trust in the central government in two of the three years, 2004 and 2006. In