



**The relationship between economic well-being and  
trust in political institutions in the context of  
welfare policy**

**Research proposal by  
Daria Salnikova,  
LCSR research assistant**

**April 1, 2015**

# Introduction

**Pragmatic theory of support  
for political institutions**

Institutional performance  
(e.g., Powell G.)

Economic outcomes  
(e.g., Weatherford M., Uslaner E.)

**Economic factors do not  
matter!**

Social capital (Mishler, Rose;  
Job)

Individual factors (age,  
education)  
(e.g., Hachverdian, Mayne)

# Key research question

**The puzzle is that contemporary studies on determinants of public trust don't give robust results.**

**Does the effect of economic well-being on political trust vary across countries, and if it does, which country characteristics explain this variation?**

# Specific contribution

The main drawback of existing studies is that individual- and country-level factors of trust are empirically tested not as complementary approaches but as rival theories. There were too few attempts to synthesize two approaches.

In our study we make an attempt to test whether *the country-level characteristic – welfare policy – makes the relationship between economic well-being and trust in political institutions more or less significant.*

# Theoretical framework

- 1) Long-term income distribution generates corresponding expectations of social groups. Thus, social security offsets short-term fluctuations in the individual economic well-being. The generous welfare state reduces costs of unemployment and other social risks, reduces costs of paid taxes by providing social order.
- 2) The persistence of welfare models matters (path-dependence theory + power resource theory).

# Hypothesis

*The more generous the welfare policy model is, the weaker positive effect of individual economic well-being on political trust we can expect.*

# Data

The European Social Survey, the 4<sup>th</sup> round (2008):  
25 countries – members of the European Union

# Variables (1)

## Individual-level variables (the European Social Survey)

trust in country's parliament	0 (no trust at all) – 10 (complete trust)
trust in political parties	0 (no trust at all) – 10 (complete trust)
Feeling about household income	Reversed ordinal scale (1 (very difficult on current income) – 4 (living comfortable))
Social benefits as a main source of income	Binary (1 – yes; 0 - no)
Government's responsibility: job for everyone	0 – 10 (full government's responsibility)
Government's responsibility: health care for the sick	
Government's responsibility: standard of living for the old	
Generalized trust (Most people can be trusted)	



# Variables (2)

## Individual-level variables (the European Social Survey)

gender	(1 – male; 0 - female)
age	Continuous scale
employment status	3 categories: employed; non-active; unemployed
higher education	1 – higher education; 0 – without higher education

# Methodology: multilevel modeling

- 1) We need to take into account both micro- and macro-level predictors;
- 2) Intraclass correlation coefficients (ICC)

*An empty model (without predictors) with trust in parliament as a dependent variable: ICC = 0.21*

*An empty model (without predictors) with trust in Political parties as a dependent variable: ICC = 0.2*

# Preliminary results (1)

	Trust in parliament	Trust in political parties
<b>Feeling about household income</b>	0,219*** (0,014)	0.197*** (0.013)
<b>Gender</b>	– 0,006 (0.02)	0.074*** (0.0189)
<b>Age</b>	0.001 (0.001)	0.001 (0.001)
<b>Higher education</b>	0.188*** (0.025)	– 0.095*** (0.026)
<b>Generalized trust</b>	0.237*** (0.005)	0.213*** (0.004)
<b>Employment status: non-active</b>	0.011 (0.026)	– 0.033 (0.024)
<b>Employment status: unemployed</b>	– 0.011 (0.025)	0.034 (0.025)
<b>Government responsibility</b>	– 0.072*** (0.008)	– 0.098 *** (0.007)
<b>Social benefits as a main source of household income</b>	0.081** (0.029)	0.185*** (0.027)
<b>intercept</b>	2.322*** (0.204)	1.587*** (0.175)

# Methodological issue: dealing with the ordinal predictor

	Trust in political parties	Trust in political parties
Feeling about household income	0.197*** (0.013)	
Category 1 (the least satisfied)		- 0.637*** (0.043)
Category 2		- 0.365*** (0.032)
Category 3		- 0.232*** (0.026)
Control variables	+	+
intercept	1.587*** (0.175)	2.391*** (0.173)

**We can approximate the scale to the interval one:**

	Category 1	Category 2	Category 3
Dummy variable coefficient	- 0.637*** [- 0.723; - 0.553]	- 0.365*** [- 0.429; - 0.302]	- 0.232*** [- 0.282; - 0.181]
Coefficient * increment in the independent variable	- 0.591	- 0.394	- 0.197

# Multilevel models: taking into account the welfare policy

$$y_{ij} = \gamma_{00} + \sum_{n=1}^{k-1} \gamma_{0n} W_{nj} + \gamma X_{ij} + \sum_{n=1}^{k-1} \gamma X_{ij} W_{nj} + u_{0j} + u_j X_{ij} + \varepsilon_{ij}$$

$y$  (dependent variable) is trust in political institutions;

$\gamma$  is fixed effects ( $\gamma_{00}$  is a fixed part of the intercept);

$X$  is a vector of main independent (economic well-being) and control variables;

$W$  is a variable-indicator (dummy) for the welfare type;

$u$  denotes random effects ( $u_{0j}$  is a random part of the intercept, its variability for a country  $j$ );

$\varepsilon_{ij}$  is the first-level error-term.

Inferior indices are as follows:  $k$  is a number of welfare types;  $i$  is an indicator for an individual  $i$ ; and  $j$  denotes country  $j$ .

# Cluster analysis: classification of welfare policy models

Cluster analysis (squared Euclidian distance, Ward's method agglomeration) with orthogonalization as the preceding step

GDP per capita (World Bank)

Social expenditure (% GDP) (Eurostat)

Gini coefficient (World Bank)

Corruption level (Corruption Perception Index)

# Results of cluster analysis

Cluster	Models proposed in the literature
Austria, Belgium, Germany, France, Ireland, the United Kingdom	Conservative-corporatist + liberal models
Denmark, Finland, Sweden, the Netherlands	Social-democratic model
Greece, Spain, Portugal, Cyprus	Southern model
Bulgaria, Latvia, Lithuania, Poland, Romania, Estonia, Croatia	Hybrid regimes (post-communist countries)
Hungary, Slovenia, Slovakia, Czech Republic	Hybrid regimes (post-communist countries, but the level of inequality is relatively low)

# Preliminary results: fixed effects (2)

	Trust in parliament	Trust in political parties
Feeling about household income	0,343*** (0,039)	0.306*** (0.056)
Feeling about household income ×welfare model 1	0,002 (0.046)	0,04 (0.069)
Feeling about household income ×welfare model 3 (southern)	0.232*** (0.049)	0.165** (0.076)
Feeling about household income ×welfare model 4	0.215*** (0.046)	0.188** (0.069)
Feeling about household income ×welfare model 5	0.148*** (0.053)	0.105 (0.078)
Welfare model 1	– 1.142** (0.395)	– 1.153** (0.395)
Welfare model 3	– 0.129 (0.429)	– 0.851** (0.427)
Welfare model 4	– 1.676*** (0.383)	– 1.54*** (0.381)
Welfare model 5	– 1.172** (0.432)	– 1.24** (0.431)
Control variables	+	+
Intercept	3.169*** (0.316)	2.616*** (0.315)



# Dealing with the endogeneity problem

As an instrumental variable we propose the objective measure of financial situation “household’s total net income (income decile)”. This indicator is **correlated** with current economic well-being (subjective perception depends on objective measures) but has an effect on current trust in political institutions only through perception.

# Further steps

- 1) To reveal the relationship between economic well-being and trust in political institutions in **dynamics** (European Social Survey – other waves, Eurobarometer)
- 2) To check if results are robust to other classifications of welfare policy
- 3) Dealing with omitted variables: political regime?

**Thank you for your attention!**

This report was presented at the training methodological workshop  
"Economic and Social Changes: values effects across Eurasia".

March 31 - April 6, 2015 – Turkey.

[http://lcsr.hse.ru/en/seminar\\_m2015](http://lcsr.hse.ru/en/seminar_m2015)

Настоящий доклад был представлен на методологическом учебном семинаре  
«Экономические и социальные изменения: оценка эффектов по всей Евразии».

31 марта – 6 апреля 2015 года – Турция.

[http://lcsr.hse.ru/seminar\\_m2015](http://lcsr.hse.ru/seminar_m2015)