The Relationship between Economic Well-being and Trust in Political Institutions (Evidence from the Transition Economy Countries)
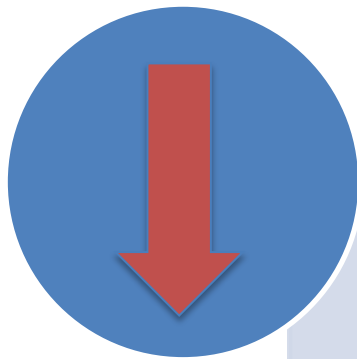
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The "Life in Transition" data disclose divergent tendencies of political trust during the economic crisis (2007 – 2009) in the transition economy countries.

Kyrgyz Republic, Mongolia, Romania, Slovakia, Slovenia

Armenia, Montenegro, Poland, Russia, Ukraine, Uzbekistan

Can institutional performance explain these different tendencies? Has trust increased in those countries where the institutional performance remains high and enables to cope with the negative consequences of the economic crisis? Or maybe, economic factors do not matter at all and these different tendencies are shaped by other factors?

H1. Subjective economic well-being increases trust in political institutions.

H2. The cultural and consequentialist theories of institutional trust are complementary. The higher social capital is, the stronger positive effect of subjective economic well-being on political trust is.

H3. Welfare policy moderates the relationship between economic factors and institutional trust.

H3.1 The more generous welfare policy is, the weaker positive effect of individual economic well-being on political trust we can observe.

H3.2 The more liberal welfare policy is, the stronger positive effect of individual economic well-being on political trust we can observe.

Welfare policy as a moderator variable

Mutual benefits

Social security compensates for short-term fluctuations in the individual economic well-being.

Persistence of welfare models

- Path-dependence theory
- Power resource theory

WHAT IF ALTERNATIVE ARGUMENTS ARE TRUE?

The data **do not** reveal any "effect" of economic factors on trust in political institutions.

- The cultural and consequentialist theories stand in rivalry.
- In contrast to social capital, economic factors do not matter!

No difference in the "effect" is revealed.

- Short-term fluctuations in subjective well-being are significant.
- Enduring welfare practices are less important.

The data reveal differences in the effect of economic factors on political institutions, but this is a misleading conclusion!

- Political regime?
- Quality of government?

VARIABLE	INDICATOR	DATA SOURCE
Trust in political institutions (constructed by PCA, 1st principal component extracted)	Trust in government	Life in Transition Survey (2nd round)
	Trust in Parliament	
	Trust in political parties	
The effect of the economic crisis (2007 – 2009) on the household	*How much, if at all, has this crisis affected your household in the past two years?* The original categorical scale was recoded into a <u>binary</u> one (1 stands for sustainable households (the 3rd and the 4th categories were merged), 0 stands for non-sustainable households (the 1st + the 2nd categories)).	
Material prosperity	*"Imagine a 10-step ladder where on the bottom, the first step, stand the poorest 10 per cent of people in [their country] and on the highest step, the 10th, stand the richest 10 per cent of people in [the country]. On which step is your household?"*	

DATA (2)
INDIVIDUAL LEVEL VARIABLES

VARIABLE	INDICATOR	DATA SOURCE
Interpersonal trust (Trust in friends and acquaintances) (Bonding social capital)	*How much do you trust your friends and acquaintances? – categorical scale (5 categories)*	Life in Transition Survey (2nd round)
Generalized trust (Bridging social capital)	*"How much do you trust people in general?" – categorical scale (5 categories)*	
Participation in voluntary organizations (Bridging social capital)	*The scale varies from 0 to 8 (additive index of binary variables that stand for the participation in each of the eight voluntary organizations).*	
Social benefits as an important source of livelihood	Binary variable: if a respondent get either pensions or state social assistance, the variable takes value "1". Otherwise, it takes a value "0"	
Help from friends and relatives as an important source of livelihood	Binary variable (1 – help from friends and relatives is important; 0 – otherwise)	
Age	Interval variable	
Higher education	Binary variable	
Gender	Binary variable (1 stands for male, 0 – for female)	

DATA (3)
COUNTRY LEVEL VARIABLES

VARIABLE	INDICATOR	DATA SOURCE
Social safety nets (Equality of outcomes)	ranges from 1 (the absence of social safety nets) to 10 (comprehensive social safety nets encompass the society)	The Bertelsmann Stiftung's Transformation Index
Equality of opportunities	ranges from 1 to 10 (The highest score is intended for those countries where different social groups have equal access to public services and employment)	
Economic growth	GDP per capita growth (annual %)	The World Bank
Political regime	It was calculated by averaging Freedom house and Polity democracy indices. The scale was transformed to a range of 0 (least democratic) – 10 (10 stands for the highest level of democracy)	The Quality of Government Database (University of Gothenburg)
Government effectiveness	The higher the value is the higher quality of government is.	The Worldwide Governance Indicators Project

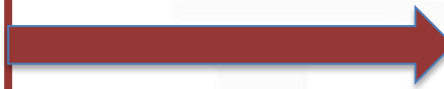As a main method in our research we apply multilevel modeling with random effects for subjective economic well-being

1) hierarchical structure with individuals as sample units of the first level nested within 29 countries (*Albania, Azerbaijan, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Ukraine, and Uzbekistan*)

2) ICC = 26%. Multilevel modeling technique allows to take into account different sources of data variability.

	Trust in political institutions	Trust in political institutions (with interaction terms)
Material prosperity (self-esteem)	**0,099***** **(0.011)**	**0,099***** **(0.011)**
The effect of the economic crisis (subjective)	**0.262***** **(0.0395)**	**0.253***** **(0.089)**
Help from friends as a source of livelihood	− 0.014 (0.024)	− 0.014 (0.024)
Social benefits as a source of livelihood	0,068** (0.018)	0,068** (0.018)
Voluntary organizations	0,023*** (0,007)	0,023*** (0,007)
Generalized trust	0,264*** (0,008)	0,259*** (0,011)
Trust in friends	0,129*** (0,009)	0,131*** (0,013)
Higher education	− 0.066*** (0,02)	− 0.066*** (0,02)
Gender (male)	9,436 (10,481)	9,443 (10,481)
Age	0,002*** (0,0005)	0,002*** (0,0005)
The effect of the economic crisis× generalized trust		0,009 (0,0191)
The effect of the economic crisis× trust in friends		−0,004 (0,019)
Intercept	− 6,44 (4,99)	− 6,44 (4,99)

RANDOM EFFECTS	95% CONFIDENCE INTERVALS
Standard deviation (Intercept)	[0.623; 1.059]
Standard deviation (Effect of the economic crisis)	[0.138; 0.265]
Standard deviation (Material prosperity)	[0.039; 0.075]

Random effects for the indicators of economic well-being are significant → Moderator effect? Country-level predictors?

	Trust in political institutions as a dependent variable			
Material prosperity (self-esteem)	**0,105***** **(0.005)**	**0,105***** **(0.005)**	**0,055**** **(0.018)**	**0,065***** **(0.018)**
The effect of the economic crisis	**0,259***** **(0.017)**	**0,259***** **(0.017)**	**0,181***** **(0.056)**	**0.205***** **(0.061)**
Control variables at the individual level				
Social safety nets	− 0,065 (0.1001)		− 0,102 (0,101)	
Equal opportunities		− 0,0317 (0,122)		− 0,059 (0,123)
Political regime	− 0,168** (0,057)	− 0,164** (0,058)	− 0,169** (0,057)	− 0,165** (0,057)
Economic growth	0,0895 (0,049)	0,0878 (0,051)	0,089 (0,05)	0,087 (0,051)
Government effectiveness	0,445 (0,349)	0,348 (0,341)	0,4402 (0,35)	0.343 (0,342)
Social safety nets × material prosperity (self-esteem)			**0,009**** **(0,0029)**	
Social safety nets × effect of the economic crisis			0,014 (0,0095)	
Equal opportunities × material prosperity (self-esteem)				**0,007**** **(0,003)**
Equal opportunities × effect of the economic crisis				0,009 (0,01)
Intercept	− 2,929 (3,648)	− 3,543 (3,523)	− 2,839 (3,628)	− 3,458 (3,519)

1. Separate dimensions of political trust (trust in political parties, trust in government and trust in Parliament) as dependent variables.
Multilevel ordered logistic regressions demonstrate that the results hold robust.

2. Outlier deletion (Tajikistan, Uzbekistan). Only the magnitude of some effects changed slightly. However, the type of the relationship between the key predictors and institutional trust remains the same.

3. Long-term effects (averaging the values of country-level predictors for the period of the economic crisis). The type of the relationship remains robust.

4. Trust in courts? The consequentialist theory is irrelevant.

1) Subjective economic well-being matters for trust in political institutions. Higher self-position on the socio-economic ladder and weaker negative effect of the economic crisis on a household increase the level of institutional trust.

2) The findings corroborate the cultural theory as well. Both bridging and bonding social capital increase institutional trust. However, social capital does not moderate the relationship between political trust and economic well-being.

3) The hypothesis about the moderator effect of welfare policy was partially confirmed.

3.1 Both dimensions of welfare policy (equal outcomes and equal opportunities) moderate the relationship between economic well-being and institutional trust.

3.2 Higher generosity of welfare policy and the provision of more equal opportunities strengthen the positive effect of individual material prosperity on trust in political institutions.

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