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# **The Conditioning Effect of Economic Crisis on Trust in Political Institutions: Evidence from Five Latin American Countries, 1995-2001**

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## **Abstract:**

While research has provided ample evidence that culture and institutional performance strongly effect individual level trust in political institutions, scholars have neglected to adequately estimate the effect of macroeconomic conditions on political trust. Considering that low levels of trust in political institutions are documented globally, it is imperative to understand how economic context shapes individual attitudes. Using data from two World Value Survey waves – one a period of economic growth and the other a time of economic crisis – for five Latin American countries, we show that economic crisis, measured as relative GDP growth, weakens the effects of interpersonal trust and satisfaction with national officeholders on trust in congress and political parties. Our analysis shows that while political trust may be generated both exogenously via culture and endogenously through government performance, the macroeconomic context largely conditions the strength of both.

**KEYWORDS:** political trust, Latin America, economic crisis, interpersonal trust, government performance, social capital

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## **The Conditioning Effect of Economic Crisis on Trust in Political Institutions: Evidence from Five Latin American Countries, 1995-2001**

Trust is central to the functioning of and deepening of democracies. By serving as the foundation for the representative relationship between citizens and politicians, trust facilitates the workings of democracy. In particular, it provides the political space for governments to maneuver through policy decisions when regime actions are unpopular, uncertain, or unfavorable (Mishler and Rose 1997). Moreover, citizen trust in political institutions serves as a check on government. A trusting society is not one made of absolutely faithful individuals, but rather a vigilant and active society with a healthy degree of skepticism willing to exercise control over government if politicians have violated the rules of the game (Hardin 1999; Sztompka 1999; Uslaner 2001; Warren 2001; Cleary and Stokes 2006). Trust also is a critical component of deepening democracy. Booth and Seligson (2009) find that trust in political institutions as a piece of general system legitimacy strongly influences the “perceived supply of democracy”. More trusting individuals, they assert, perceive their country as more democratic and are more satisfied with their democracy.

Clearly, trust is important for democracy. But, troublingly low levels of political trust are documented globally. As Dogan points out, “Very few countries today are immune to political mistrust” (2005a: 1). This is demonstrated by data from the World Values Survey, 1999-2004. The average level of trust—or those that say they have “a great deal” or “quite a lot” of confidence—in the political institutions of the legislature and political parties is about 36% in Europe, 28% in Eastern Europe, 25% in Post-Communist States, 16% in Asia, 48% in Southeast Asia, 24% in Latin America, 41% in Africa, and 31% in the United States.<sup>1</sup>

To explain these levels of trust, studies have generally fallen into two theoretical camps—cultural and institutional (see Mishler and Rose 2001). Cultural theorists argue political trust is exogenous, stemming from cultural norms and life socialization. Low levels of trust in Latin America, for example, have been attributed to political culture (Cleary and Stokes 2006) and “a common regional heritage of distrust” (Lagos 2001: 142). Political trust is also theorized to originate from interpersonal trust — an individual’s interactions with others in society predicts whether they trust politicians and by extension political institutions or not. On the other hand, institutionalists hypothesize that political trust is endogenous and contend that government political and economic performance shapes political trust. Trust “stems from how people perceive political institutions to work, thus reflecting evaluations of regime performance in relation to citizen demands” (Luhiste 2006: 478).

While studies employing both theoretical traditions have found support in various regions of the world — the United States (Brehm and Rahn 1997; Newton and Norris 2000), Canada (Newton and Norris 2000), Europe (Newton and Norris 2000, Dogan 2005b), the Post-Communist nations (Luhiste 2006), and Latin America (Gronke and Levitt 2004; Booth and Seligson 2009) — they have not sufficiently examined how macroeconomic conditions affect political trust. Even recent analyses that demonstrate economic outcomes matter for trust (McAllister 1999; Mishler and Listhaug 1999; Mishler and Rose 2001) do not adequately measure and estimate the effect of the economy on political trust by using static measures and failing to model the multi-level structure of the data (Booth and Seligson 2009). Moreover, these studies have neglected to explore how macroeconomic performance influences the cultural and institutional origins of political trust.

We fill this void in the literature by exploring how relative economic crisis conditions the effect of cultural and institutional factors long known to be associated with political trust. Specifically, we model the individual level effects of interpersonal trust and evaluations of national officeholders conditioned by the country level effect of relative GDP growth on trust in two political institutions — the legislature and political parties — for two time periods — the first of economic growth and the second of economic crisis — in five Latin American countries. This approach allows us to comprehensively explore the origins of political trust by testing for competing cultural and institutional explanations, adequately integrating the concept of economic crisis, and sampling across two distinct time periods. Moreover, keeping the dimensions of trust in the legislature and in political parties separate recognizes that citizens distinguish among institutions (Hibbing and Theiss-Morse 1995), thereby permitting us to capture how economic crisis influences the responsibility citizens assign to these institutions that, in part, function to formulate and execute economic policy but do so in different ways.

The remainder of the paper proceeds as follows. In the first section we discuss the two competing explanations—cultural and institutional performance—for political trust and the testable predictions generated by each approach. Second, we outline our model, variables and data. The third section offers our statistical results and discusses the findings. We conclude by exploring the implications of our study as well as avenues for future analyses of political trust.

### **Explanations for Political Trust: Cultural and Institutional Approaches**

Political trust, as defined by Miller and Listhaug (1990: 358), is:

Evaluations of whether or not political authorities and institutions are performing in accordance with normative expectations held by

the public...An expression of trust in government (or synonymously political confidence and support) is a summary judgment that the system is responsive and will do what is right even in the absence of constant scrutiny.

The cultural and institutional theoretical traditions offer distinct explanations for the origins of political trust. Cultural explanations contend political trust is exogenous, maintaining individuals with high levels of trust in others “do not fear that they will be taken advantage of by following the rules because they expect that others will follow them too. Therefore, people who expect that others will comply with authorities find it easier to accept the decisions of authorities” and possess greater confidence in political institutions (Brehm and Rahn 1997: 1003). By contrast, institutional explanations view political trust as endogenous, arising from evaluations of government performance.

Political trust is thought to flow from social capital by scholars of the cultural tradition (Almond and Verba 1963; Inglehart 1988; Putnam 1995). Social capital for Putnam is “features of social organization such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action” (1993: 167). It is social capital that mediates the relationship between interpersonal trust and political trust. A society of individuals possessing high levels of trust in others and participating actively in the community creates a cooperative environment conducive to confidence in political institutions (Woolcock and Narayan 2000; Damico, et al. 2000). Many scholars have found evidence that social capital, specifically interpersonal trust, is positively associated with confidence in political institutions (Finkel, et al. 2000; Brehm and Rahn 1997; Booth and Seligson 2009). The logic is as Lagos argues, “Interpersonal trust lies at the heart of attitudes toward institutions...People who do not trust

their peers will have difficulty trusting the leaders and institutions that represent them” (2001: 144). Drawing on extant research and theory, we expect individuals that are more trusting of one another to be more trusting of their political institutions.

*Hypothesis 1: Trust in others is positively associated with trust in political institutions.*

In contrast to cultural theory, institutional explanations for political trust focus on citizen evaluations of the governing regime. As Cejudo puts it, “Trust in institutions is a product not only of institutional design but also of institutional performance” (2007: 590). Confidence in political institutions, from this perspective, is contingent on the efficiency and effectiveness of government policy. Mishler and Rose (2001) offer support for this contention in their analysis of post-Communist regimes, finding a significant relationship between evaluations of the governing regime (i.e. satisfaction with the current government) and political trust. Similarly, Cleary and Stokes (2006) examined perceptions of government performance as part of citizens’ trust in political institutions in Mexico and Argentina. They found that citizens in regions with good government performance—good behavior on fiscal matters, low levels of political violence, competitiveness of elections—have greater institutional trust. Following institutional theory and past analyses, we expect that good government evaluations build political trust.

*Hypothesis 2: Positive evaluation of the governing regime's performance is positively associated with political trust.*

We also expect economic crisis to condition the effects of both the cultural and institutional factors on political trust. However, it is unclear what direction the relationship between economic crisis and interpersonal trust as well as between economic crisis and evaluation of the governing regime will take or how it may manifest differently for the legislative institution versus the institution of political parties.

### **Modeling Political Institutional Trust: Description of Variables and Model**

We employ data from the World Values Survey to test how economic crisis conditions the impact of cultural and institutional factors on political trust across five countries in Latin America for the years 1995-2001. Specifically, we test the conditioning effect of relative GDP growth on interpersonal trust and government evaluations in predicting levels of political trust. We are interested in assessing if economic crisis influences the effect culture or institutional evaluations have on political trust.

The World Values Survey allows us to analyze comparable data from different Latin American countries at different points in time as the same questions were asked in each country. At the same time these countries provide interesting variation in terms of wealth, size, economic performance, and experience with democracy. Our dataset includes surveys conducted in Argentina (1995 and 1999), Chile (1996 and 2000), Mexico (1996 and 2000), Peru (1996 and 2000), and Venezuela (1996 and 2000).<sup>2</sup>

To fully estimate the conditioning effect of economic crisis on the cultural and institutional variables, we use surveys from two time periods. The first period between 1995 and 1997 (also called “wave 1” in our discussion) was a time of economic growth for the region, and the second period between 1999 and 2001 (also referred to as “wave 2” in our discussion) was a

time of economic crisis.<sup>3</sup> The average regional GDP growth was 3.6% in 1995, with Chile and Peru topping the list at 10.6% and 8.6% respectively. By contrast, the average regional GDP growth in 1999 was 0.3% (eight countries in the region experienced negative growth and three countries had more or less than 1% growth), with Venezuela faring the worst with -6%.

Surveys carried out as part of the World Values Survey queried citizens as to whether they had “a great deal of confidence” (1), “quite a lot of confidence” (2), “not very much confidence” (3), or “none at all” (4) in a variety of institutions and organizations. For the legislature and political parties, we collapsed values under 3.0 which would correspond to overall levels of “a great deal of confidence” and “quite a lot of confidence” into a “trust” category, coded one, and combined responses of 3 or higher corresponding to averages of “not very much confidence” or “none at all” into the “not trusting” category, coded zero. Thus, our dependent variable reflects whether, on balance, citizens are inclined to trust or distrust the legislature and political parties. We have chosen to dichotomize the dependent variable instead of analyzing the four categories because we get a sharper contrast between those who fully trust political institutions and have some healthy skepticism versus those who are skeptical to the detriment of democracy or who are completely distrusting. It is reasonable to collapse responses in this manner because fully trusting individuals and those that have some skepticism about government are believed to contribute to the development of democracy while those who are very skeptical and outright distrustful are not (Cleary and Stokes 2006).

To test our cultural hypothesis, we include a dichotomous measure of interpersonal trust that records whether the respondent believes that “most people can be trusted” (coded 1) or “you can't be too careful” (coded 0). We test our institutional hypothesis by modeling the effect of evaluations of the governing regime on political trust. Evaluation of the regime is measured

using a four-point scale ranging from “very satisfied” (1) to “very dissatisfied” (4) with people in national office. We collapsed those who said they were "very satisfied" or "fairly satisfied" into a satisfied category (coded 1) and those who were "fairly dissatisfied" or "very dissatisfied" into a dissatisfied category (coded 0) for analysis.

In addition to these variables, we include a series of control variables to account for any effect a respondent’s political orientation, and socio-demographic characteristics have upon his or her level of political trust. Thus, we include measures of the respondent’s age, gender, education level, income level, whether they are employed or unemployed, and a self-placement on a left-right scale all of which scholars have found to affect trust in other parts of the world (Mishler and Rose 1997 and 2001; Luhiste 2006; Newton 2001; Dogan 2005b). Consistent with numerous studies of political trust (Mishler and Rose 1997 and 2001; Espinal, Hartlyn, Kelly 2006), we include a measure of satisfaction with the financial situation of the household, reported on a 10-point scale with increasing values indicating higher levels of satisfaction. In addition, consistent with past studies (Mishler and Rose 2001; Newton 2001; Luhiste 2006), we include a control for political interest. Respondents whose self reported level of interest in politics on a four-point scale was "very interested" or "somewhat interested" are coded as being interested (1), those who said they were "not very interested" or "not at all interested" are coded as uninterested (0).

We also include a measure of dynamic, relative economic crisis to predict the way in which culture and institutional performance affect political trust. Booth and Seligson (2009) contend that individual levels of trust are most likely to be affected by over-time, dynamic macroeconomic change and that citizen evaluations of the economy are relative to their neighbors. We concur and measure economic crisis using relative GDP growth calculated with

data available from the World Development Indicators. We constructed this indicator by first averaging GDP growth for the region then subtracting each country's level of growth from the average.<sup>4</sup> This gives us a country level measure of dynamic economic change relative to the entire region with negative values corresponding to worse than average growth and positive to better than average growth.

While the data are individual level observations of opinions, they are also group data in the sense that individuals live within countries. To take advantage of this extra information by treating the data as grouped, we use a multilevel modeling strategy (Steenbergen and Jones 2002).<sup>5</sup> The multi-level model allows the inclusion of both individual-level and country-level predictors as well as the manipulation of variation of both intercepts and slopes. We do not specify country level predictors for variations in intercepts, but allow the intercepts to vary across countries to account for unmodeled variation in baseline levels of trust due to differences in history, culture and particular experience of that country. As discussed above, we allow the slopes to vary for the cultural variable—interpersonal trust—and the institutional performance variable—evaluation of those in office—because we do not assume that the effect of each of these variables is constant across countries and we are primarily interested in assessing how economic crisis conditions the effect these variables exert on political trust.<sup>6</sup> We treat this variation as having both random components but also being influenced by the effect of economic performance. The results of these tests are outlined in the following section.

### **The Determinants of Political Trust: Multi-Level Analysis and Discussion of the Results**

Table 1 presents the multi-level model estimation testing the effect of relative economic crisis on cultural and institutional factors that affect trust in political institutions. As described

above, we examine the determinants of confidence in political parties and the legislature as different political institutions. Neither institution has primary responsibility for macroeconomic policy. However, because the legislature is the institution responsible along with the executive for policy formulation and execution and the political party institution is intimately linked with the legislature in rules and procedures, citizens may assign responsibility in part to the legislature and parties for economic conditions. Anecdotal evidence suggests citizens blame parties for corruption which might lead them to blame them for poor economic performance. We analyze the two waves of the survey separately to further facilitate comparisons across the changed international environment. Thus, Table 1 reports four separate models. An initial examination of the table reveals that both culture and institutional performance are positive predictors of an individual's confidence in political institutions. Both variables are highly statistically significant, and all coefficients are positive as expected. Additionally, an individual's interest in politics is a strong, positive predictor of institutional confidence in all cases.

#### Table 1 About Here

Economic performance does affect confidence in political institutions; however this effect is not constant across institutions nor across time suggesting that economic crisis may be shaping the way actual economic performance impacts citizen's perceptions. Positive rates of GDP growth compared to the regional average (that is to say above-average macroeconomic performance) build confidence in political parties in both ways of the survey. While it also has a positive effect on trust in congress, the effect is statistically significant only in the first wave and then only at the more permissive .10 level suggesting that while economic growth exerts an

independent effect on confidence in political parties, there is no direct effect on confidence in the legislature. Relative growth does condition the extent to which cultural factors (interpersonal trust) affect confidence in the legislature, but only in the first wave of the survey. In the other three equations it does not achieve statistical significance. Economic performance also conditions the way institutional performance affects confidence in institutions, but only in times of regional crisis.

The coefficients reported in Table 1 are logit coefficients, thus beyond sign and significance they are not directly interpretable. Moreover, because we have allowed the intercepts and the slopes of the cultural and institutional performance variables to vary across countries there is only so far a discussion of the fixed effects in Table 1 can take us. Thus, to illustrate the specific way in which relative macroeconomic performance conditions the effect of interpersonal trust as well as institutional performance on trust in institutions we compute the probability a respondent trusts the institution varying the key independent variables in turn. Calculated probabilities are reported in Table 2.<sup>7</sup>

Table 2 About here

As shown in Table 2, there is wide variation in the baseline level of trust across the five countries sampled. Across both waves of the survey and both institutions Peruvians demonstrate the lowest levels of confidence across these five countries for what we term the "average respondent".<sup>8</sup> The "average respondent" in Peru has only a 6% chance of expressing confidence in parties in the first wave of the survey, which decreased very slightly to 5% in the second wave. The congress is only slightly better thought of as they have a 9.5% chance of trusting them

in the first wave falling to a 6% chance in the second. In sharp contrast are Chileans who had a 24% chance of trusting parties and a 40% chance of trusting the legislature in the first wave when regional (and especially Chilean) economic performance was good; these odds fell to 21% and 17%, respectively in the second wave once regional (and Chilean) economic performance had declined noticeably.<sup>9</sup> Also worth noting in the baseline case is the fairly low levels of confidence Argentines express in either parties or the legislature in both waves of this survey. This is not necessarily surprising as for Argentina both years were rather crisis ridden (they are the only one of the five countries with negative growth in both periods) with growth at almost 6.5 percentage points below the regional average in 1995 (wave 1) and 3.7 percentage points below the regional average in the second wave. In all, baseline trust in congress declines in the second wave – the period of economic crisis – while change in trust in political parties is mixed, increasing in three of the five cases in the second wave. This consistency may reflect that individuals are more likely to blame the legislative institution for poor economic performance whereas calculation of trust in political party institutions as a result of economic crisis is not as clear perhaps because the perceived responsibility of political parties is less clear.

The cultural measure (interpersonal trust) exhibits significant positive correlations with trust in political institutions as shown in Table 1. This is more clearly illustrated in Table 2 which calculates the probability the average respondent trusts political institutions for different values of the key independent variables. Compared with a respondent who has no trust in others (the baseline), an individual who believes most people can be trusted has a higher chance of trusting both parties and congresses in all countries in both waves. Since we allow the slope of this coefficient as well as the intercept to vary across countries, the effect is not constant and some countries observe bigger gains than others. We observe bigger gains in institutional trust

resulting from culture for both parties and congress in the first wave than in the second. The biggest gains in trust occur in Brazil during the first wave where respondents who believe most people can be trusted had a 47% chance of trusting congress and a 31% chance of trusting parties compared with 31% and 17% chance for those who said "you can't be too careful". The smallest gains in the first wave are observed in Venezuela where interpersonal trust raises the probability of trusting congress from 23.6% to 27% and parties from 12% to 17% in the first wave. Moderate gains are observed in both Brazil and Chile raising the probability of trusting congress from 31% to 47% in Brazil and trusting parties from 24% to 30% in Chile.

In the second wave – where we argue regional economic conditions approximate a picture of economic crisis – we observe smaller gains in political trust from interpersonal trust of one to four percentage points compared with gains ranging from one to 16 percentage points in the first wave. Again the most significant gains attributable to the effect of interpersonal trust conditioned by economic performance are in Venezuela – where both the probability of trusting parties and trusting congress rose by four percentage points. The smallest gains occurred in Peru with only a one percentage point change. Perhaps because Argentina is somewhat in crisis in both periods even respondents with confidence in others are not very trusting of congress (12% chance) or parties (9% chance) in the second wave, although they are more trusting than their counterparts who do not trust others.

This analysis demonstrates that culture plays an important role in shaping individual trust in political institutions, thereby confirming hypothesis 1 and validating past research (Finkel, et al. 2000; Brehm and Rahn 1997). While it seems troubling to political leaders that the trust they garner from society is dependent on citizens trusting one another, it is a means by which states may institutionalize political trust and build on reservoirs of legitimacy (Lipset 1961; Easton

1965; Easton 1975; Booth and Seligson 2009). Newton and Norris elaborate, stating, “Social trust can help build effective social and political institutions, which can help governments perform effectively, and this in turn encourages confidence in civic institutions” (2000: 60). Not only can interpersonal trust help build political trust, our analysis also demonstrates that the extent to which that is true is strongest when a country's economic performance is better and they are not experiencing economic crisis.

We also test whether the effect of institutional performance (hypothesis 2), measured as performance of current office holders, is also conditioned by economic performance. The differences in the probability of trusting political institutions for those who are satisfied with the performance of office holders versus those who are not are shown in Table 2. We see the largest differences between positive and negative evaluations of current office holders in Argentina, where those unhappy with officeholders have a 13% chance of trusting congress in the first wave while those who are satisfied with their officeholder's performance have a 33% probability – an increase of 20 percentage points; a similarly large increase from an 11% chance to a 28% chance is observed in the second wave. Similarly in Venezuela we see a 19 percentage point increase from 24% to 43% in the probability of trusting congress during the first wave attributable to satisfaction with officeholder's performance. In all countries, we see a larger gain in trusting congress due to satisfaction with officeholders in the first wave than in the second wave. Gains range from 15 to 20 percentage points in the first wave, but only 6 to 17 percentage points in the second wave. In both waves, the largest gains in the probability of trusting congress occur in Argentina which experienced some of the worst economic performance in both samples. The fewest gains occurred in Chile. However, in both cases Chile started with a higher chance of

trusting institutions, and thus despite these relatively smaller gains Chileans still have a greater chance of trusting congress than do others.<sup>10</sup>

In the case of institutional performance however, we do not find a consistent effect of crisis across both institutions. While we observe larger gains in the probability of trusting congress across all five cases in the first wave than in the second – suggesting this effect like cultural factors is stronger when there is not an economic crisis – we are not able to draw consistent conclusions on the political parties front. Three of the five cases – Argentina, Brazil, and Peru – experience larger gains in the second wave than in the first wave while the other two – Chile and Venezuela experience larger gains in the first wave. Perhaps the explanation for this finding is found in the economic expectation thesis. While overall Latin America was doing worse in 1999 than in 1995, the Chilean and Venezuelan economies – when compared to the regional average – were doing better than their neighbors; in this relative prosperity, citizens’ higher expectation of their political system manifested in lower levels of expressed trust. This is similar to McAllister’s (1999) finding in a study of 24 OECD countries that individuals in more affluent societies expect more from their government and therefore trust less.

These results provide strong evidence that regime performance in the form of citizen evaluations of officeholders influence individual political trust. In other words good performance is rewarded with trust. This validates hypothesis 2 and supports numerous past studies that find institutional performance shapes trust in political institutions (Mishler and Rose 2001; Cleary and Stokes 2006; Evans and Whitefield 1995; Gronke and Levitt 2004; Luhiste 2006).

In sum, we find that macroeconomic performance conditions the way in which interpersonal trust and satisfaction with officeholders affects confidence in institutions even those political institutions that do not have primary responsibility for managing the economy.

Better economic performance seems to reinforce the effect of these individual variables. At the same time, by examining the two different time periods with different international environments we find that national level effects are not the whole story. Additionally, global or at least regional economic context – crisis or not – matters. In all, this analysis demonstrates not only that both cultural factors and institutional performance determine trust in political institutions, but that overall economic conditions also play an important role, something previous studies have neglected.

Our analysis includes a variety of control variables that have also been found to affect confidence in political institutions. For all control variables we assume constant slopes across all countries. Increasing levels of satisfaction with the household's financial situation predict higher levels of confidence in the legislature in both waves, however household satisfaction is not a predictor of confidence in political parties in either wave, although it is also positive in both models as shown in Table 1. This finding may be interpreted that citizens assign economic policy responsibility – in part – to the legislature and adjust their levels of expressed trust in this institution according to how their household economy is faring.

Political interest also shapes trust in political institutions, as demonstrated in past studies (Gibson, Caldeira, Baird 1998). Individuals who are interested in politics have higher odds of trusting both congress and parties in both waves, than do individuals who are not interested. For instance, as shown in Table 2 the average Brazilian respondent who is not interested in politics had a fairly low probability of trusting political parties in the first wave (17%) compared with a 30% chance of trusting parties for the Brazilian who was interested in politics. The average Venezuelan who was interested in politics had a 40% chance of trusting the congress compared with a 28% chance for the uninterested average Venezuelan in the second wave. The selection

of these two countries at these points in time to illustrate the positive effect that interest has on evaluations is not random. In neither case does knowledge seem to breed contempt. While political parties consistently are less trusted in Brazil than elsewhere in the region, skepticism seems more common among those who are disinterested in politics. Similarly despite rising levels of distrust in Venezuela at the end of the 1990s, those who were interested in politics had more confidence.

Age is not a significant predictor of individual trust in political institutions with the exception of predicting trust in parties in the second wave. Women are expected to have lower levels of confidence in the legislature in both waves and lower confidence in parties in the second wave as well. Relative to the least educated individuals in a country, those with the highest level of education are less likely to trust political parties both during crisis and non-crisis periods; the same is true for those with a medium level of education. Interestingly, while there is no difference, statistically speaking, between high and low income individuals in the chances they trust either parties or congress, compared with low income respondents those in the middle income category are less likely to trust both congress and parties, but only in the first wave. When asked the same question in a time of regional economic crisis there was no difference between the two groups. The only case in which we notice a significant effect attributable to a respondent's employment status is that those who are employed have a higher probability of trusting political parties, but this is only in the first wave; in all other cases the coefficient is both insignificant and in the opposite direction.

Finally, a respondent's self placement on a left-right scale affects the probability they trust both congress and political parties both during crisis and non-crisis periods. As respondents move more toward the right (higher values on the 1-10 scale used to measure this variable) they

are more likely to express trust in political institutions across the board. Since the average for this variable is close to the political center (5.89) the difference between the baseline reported in Table 2 and the far left (1) and far right (10) reported in the last column of Table 2 provide a good illustration of the substantive effect of this variable. The change in probability of trusting political institutions varies from an increase of only 1.4 percentage points – the change from a 4% to a 5.5% chance the average Peruvian trusted parties in the second wave – to an increase of 12.8 percentage points reflecting the increase from a 17.8% chance left-wing average Chileans trusted parties in the first wave to the 31% chance right-wing average Chileans did. The average increase in the probability of trusting institutions moving from left to right is around five percentage points. This is similar to the changes observed in moving from the far left to the far right for confidence in the congress in Argentina in the first wave and Brazil in the second wave as well as parties in both Chile and Venezuelan in the second wave.

In sum, this analysis provides evidence that cultural factors, measured as interpersonal trust, as well as institutional performance, indicated by governing regime evaluations, positively affect an individual's trust in political institutions. Moreover, we find that the performance of the national economy relative to the region as a whole conditions these effects magnifying them when overall economic performance is good and weakening them as performance deteriorates.

### **The Conditioning Effect of Economic Crisis: Concluding Thoughts on Political Trust**

This analysis has filled a void in the extant scholarship on political trust by exploring how relative economic crisis conditions the effect of cultural and institutional factors. Specifically, we have shown that the individual level effects of interpersonal trust and evaluations of national officeholders are conditioned by the country level effect of relative GDP

growth on trust in two political institutions — the legislature and political parties. Both cultural and institutional effects on trust are weakened in times of economic crisis.

We find that economic crisis has significant consequences for political trust, particularly in the legislature. In our two samples — the first of economic growth and the second of crisis — the baseline trust in congress is lower in the period of economic crisis. We find that economic crisis, to a degree, washes out the positive effects interpersonal trust and satisfaction with national officeholders has on political trust in the legislature while the effects are mixed for the political party institution. In all this demonstrates that economic crisis is particularly pervasive for trust in the legislature. In times of economic crisis individuals blame the workings of congress while they are uncertain as how to proportion responsibility to political parties.

Trust in political institutions is the work of developing democracy. As Diamond puts it, “improving levels of trust (or at least reducing levels of distrust) is part of the challenge of legitimating, and thus consolidating democracy” (1999: 206). Certainly, this challenge is being confronted by Latin American governments as well as new democratic regimes in other regions of the world. The finding of our analysis that both cultural and institutional factors explain political trust holds hope for governments in the process of building the legitimacy of their political institutions since there are multiple ways in which that confidence can be generated. However, our study also shows that economic crisis conditions these effects, making their direct influence on trust weaker and more difficult to obtain in times of macroeconomic decline.

## Endnotes

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<sup>1</sup> These statistics were computed using the fourth wave (1999-2004) of the World Values Survey. The countries included in the aggregate scores of each region are as follows: Europe—Finland, Germany, Norway, Spain, Sweden, Switzerland; Eastern Europe—Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey; Post-Communist States—Armenia, Belarus, Estonia, Georgia, Latvia, Lithuania, Republic of Moldova, Russian Federation, Ukraine; Asia—Japan and Republic of Korea; Southeast Asia—India and Philippines; Latin America—Argentina, Brazil, Chile, Colombia, Dominican Republic, El Salvador, Mexico, Peru, Uruguay, and Venezuela; and Africa—Nigeria and South Africa.

<sup>2</sup> These are five of the eleven Latin American countries covered by the World Values Survey. These cases were selected for the analysis because surveys were conducted in two time periods—one of economic growth and the other of economic crisis. The countries excluded did not have surveys across the two time periods.

<sup>3</sup> Note that the World Values Survey refers to the 1995-1997 survey as Wave 3 and the 1999-2001 survey as Wave 4. Our reference to these as waves is not intended to imply that this is a panel study or to insinuate that the same respondents were sampled in the two time periods.

<sup>4</sup> The regional average of GDP growth was calculated using data from the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

<sup>5</sup> We estimated models in R using the lmer function written by Gelman and Hill (2007).

<sup>6</sup> The effect of interpersonal trust and evaluations of those in office on trust in parties and congress is hypothesized to vary across countries and includes both random and systematic

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components. We test for the systematic effect using standard tests of significance on the coefficients in the fixed effects part of the model.

<sup>7</sup> We compute point probabilities using the invlogit function in R written by Gelman and Pittau which provides point estimates, but not confidence intervals.

<sup>8</sup> The average respondent (baseline) is an unemployed 37-year-old male with a low level of education and low income who places himself at 5.89 on the left-right scale, is not interested in politics and has an average level (5.85) of satisfaction with the household's financial situation. In the baseline case this "average" respondent has no trust in others and is not satisfied with the performance of current officeholders. GDP performance is set to the country's actual value for that year.

<sup>9</sup> Average growth in Chile dropped from 10.6% annually in 1995 to -0.8% in 1999.

<sup>10</sup> Variation in the initial level of confidence in political institutions in the baseline estimates in Table 2 is due in part to the fact that we compute the probability of trusting political institutions using the observed levels of relative GDP growth so that we are also able to test how observed economic performance mediates the effect of social capital or institutional performance respectively. It also results from the random variation on the intercept.

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**Table 1: The Determinants of Trust in Political Institutions**

<i>Fixed Effects</i>	<i>Trust in Congress, First Wave</i>	<i>Trust in Parties, First Wave</i>	<i>Trust in Congress, Second Wave</i>	<i>Trust in Parties, Second Wave</i>
Believe most people can be trusted	.447*** (.091)	.666*** (.167)	.183* (.090)	.241* (.095)
Positive evaluation of those in national office	.855*** (.109)	.527*** (.133)	.768*** (.077)	.550*** (.083)
Satisfaction with household's financial situation	.048*** (.014)	0.018 (.017)	.045** (.014)	.020 (.016)
Interested in politics	.463*** (.074)	.706*** (.083)	.557*** (.077)	.869*** (.082)
Age	.0004 (.003)	.005 (.003)	.003 (.003)	.005 ^ (.003)
Female	-.176* (.074)	.014 (.084)	-.149* (.076)	-.149 ^ (.084)
High education level	-.073 (.099)	-.322** (.121)	-.093 (.115)	-.254* (.124)
Medium education level	-.125 (.087)	-.238* (.098)	-.085 (.090)	-.249* (.099)
High income level	-.137 (.093)	-.150 (.105)	-.049 (.101)	.095 (.111)
Medium income level	-.245** (.087)	-.275 ** (.099)	.004 (.091)	.124 (.100)
Employed	-.033 (.075)	.185 * (.087)	-.042 (.077)	-.046 (.084)
Self-placement to right	.056*** (.015)	.079 *** (.017)	.033* (.015)	.035 * (.016)
GDP growth relative to Region	.113 ^ (.068)	.134 * (.060)	.092 (.070)	.161 ** (.055)
Others can be trusted * Relative GDP growth	.058* (.027)	.004 (.047)	.016 (.022)	-.014 (.024)
Satisfied with officials * Relative GDP growth	-.052 ^ (.030)	-.024 (.038)	-.098*** (.019)	-.075*** (.022)
Intercept	-1.830*** (.317)	-2.699*** (.311)	-2.309*** (.324)	-2.553*** (.288)
<b>Random Effects</b>				
Intercept	Var: .306 St. Dev: .553	Var: .224 St.Dev: .474	Var: .324 St. Dev: .569	Var: 190 St.Dev: .435
Believe most people can be trusted	Var: .004 St. Dev: .063	Var: .090 St.Dev: .301	Var: 5.0 e-10 St. Dev:2.2 e-5	Var: 5.0 e-10 St. Dev:2.2 e-5
Positive evaluation of those in national office	Var: .027 St. Dev: .164	Var: .049 St.Dev: .222	Var: 5.0 e-10 St. Dev: 2.2 e-5	Var: 5.0 e-10 St. Dev:2.2 e-5
N	4429	4473	5247	5310
AIC	4998	4078	4919	4270
Log Likelihood	-2477	-2017	-2437	-2113
* p > .05; ** p > .01; *** p > .001;				

Notes: Dependent variable is coded as “1” for those respondents who have “a great deal of confidence” and “quite a lot of confidence” and “0” for individuals with “not very much confidence” or “none at all”. Results produced from a multi-level model estimated in R using the lmer function written by Gelman and Hill (2007)

**Table 2: Predicted Probabilities of Trust in Political Institutions**

		Baseline Trust	Trust Others	Positive Evaluation of Officeholders	Financial Satisfaction		Interested in Politics	Left-Right Self Placement	
					Minimum	Maximum		Far Left	Far Right
<b>Argentina</b>	Congress Wave 1	0.129	0.140	0.330	0.105	0.150	0.190	0.101	0.160
Relative Growth: <i>Wave 1</i> -6.443	Congress Wave 2	0.110	0.120	0.280	0.091	0.131	0.180	0.096	0.125
<i>Wave 2</i> -3.689	Parties Wave 1	0.053	0.100	0.096	0.049	0.056	0.100	0.036	0.071
	Parties Wave 2	0.065	0.086	0.138	0.060	0.071	0.140	0.056	0.075
<b>Brazil</b>	Congress Wave 1	0.311	0.470	0.470	0.263	0.360	0.420	0.256	0.360
Relative Growth: <i>Wave 1</i> 4.143	Congress Wave 2	0.260	0.300	0.380	0.216	0.292	0.370	0.226	0.280
<i>Wave 2</i> 1.854	Parties Wave 1	0.173	0.310	0.230	0.162	0.184	0.300	0.125	0.225
	Parties Wave 2	0.179	0.212	0.247	0.165	0.191	0.340	0.155	0.20
<b>Chile</b>	Congress Wave 1	0.402	0.520	0.550	0.348	0.450	0.520	0.339	0.460
Relative Growth: <i>Wave 1</i> 1.869	Congress Wave 2	0.170	0.200	0.230	0.139	0.194	0.260	0.145	0.190
<i>Wave 2</i> 3.967	Parties Wave 1	0.241	0.300	0.402	0.226	0.255	0.390	0.178	0.306
	Parties Wave 2	0.210	0.242	0.255	0.194	0.224	0.390	0.183	0.234
<b>Peru</b>	Congress Wave 1	0.095	0.150	0.260	0.077	0.110	0.140	0.074	0.120
Relative Growth: <i>Wave 1</i> -0.753	Congress Wave 2	0.060	0.070	0.130	0.049	0.072	0.100	0.052	0.069
<i>Wave 2</i> -1.096	Parties Wave 1	0.058	0.160	0.069	0.053	0.062	0.110	0.040	0.078
	Parties Wave 2	0.048	0.061	0.087	0.044	0.052	0.110	0.041	0.055
<b>Venezuela</b>	Congress Wave 1	0.236	0.270	0.430	0.196	0.270	0.330	0.190	0.280
Relative Growth: <i>Wave 1</i> -3.469	Congress Wave 2	0.280	0.320	0.430	0.237	0.317	0.400	0.247	0.310
<i>Wave 2</i> 1.051	Parties Wave 1	0.119	0.170	0.233	0.110	0.127	0.220	0.084	0.157
	Parties Wave 2	0.204	0.243	0.291	0.189	0.218	0.380	0.178	0.228

Baseline: No trust, negative officeholder evaluation, average satisfaction with household finances (5.85), not interested in politics, male, low education, low income, unemployed, average left-right self placement (5.89).