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# Social Trust and Electoral Populism:

## Explaining the Quality of Government

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## **Abstract\***

Voters would be better off if they removed politicians whose populist policies lead to low-quality government and re-elected those who improved government quality with sustainable policies. In many political contexts, including those with free and fair elections, voters do the opposite. Low social trust can account for this paradox: voters must act collectively to shape political incentives, but low trust among voters is an obstacle to collective action. Low-quality government, and in particular populism, emerge as optimal electoral strategies of political candidates in this environment. This paper analyzes new survey data from 6,040 respondents in seven Latin American countries and finds that the data provide support for a novel argument about populism and the quality of government: voters who express low trust are significantly more likely to prefer populist candidates and policies that reflect a low quality of government.

**JEL classifications:** D72, H41

**Keywords:** Trust, Collective action, Populism, Quality of government

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\* The findings and interpretations in this paper are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank or the governments it represents. Authors' email addresses: Keefer ([pkeefe@iadb.org](mailto:pkeefe@iadb.org)); Scartascini ([carlossc@iadb.org](mailto:carlossc@iadb.org)); Vlaicu ([vlaicu@iadb.org](mailto:vlaicu@iadb.org)).

## 1. Introduction

Why does electoral competition often fail to drive societies inexorably towards higher quality government? Why do voters sometimes opt for populist politicians who advocate ultimately disastrous policies? This paper reviews recent research on the relationship between social and political trust, on the one hand, and the quality of government and populism, on the other. It identifies a new channel through which social trust might affect both the quality of government and preferences for populism, operating through the impact of social trust on collective action by voters. Voters who cannot act collectively can less credibly threaten to punish politicians who renege on their commitments, reducing politician incentives to pursue sustainable, welfare-improving economic policies and to preserve institutions that yield impartial, credible, and sustainable policies. Low trust among voters is a basic obstacle to collective action.

A rich literature has linked politicians' inability to make credible commitments to both populism (Alesina, 1987) and the quality of government (e.g., Keefer and Vlaicu, 2008 and 2017). Other work points to the ability of voters to act collectively, for example through political parties, as key to their ability to hold politicians to account for breaking their promises (e.g., Aldrich, 1995; Knack, 2002). Voter mistrust in politicians is a clear indicator that politicians' ability to make credible pre-electoral commitments is weak. Low voter trust in each other is an even more fundamental concern: if voters do not trust fellow voters to act with them to hold politicians accountable, politicians have less reason to fear the electoral consequences of breaking their promises, and more generally of welfare-reducing policy and institutional choices.

New survey evidence from Latin America provides support for this novel theoretical mechanism centered on voter trust and politician commitment. The Latin American data indicate a strong correlation between low trust and preferences for policies associated with low quality and populist governments. It identifies a significant correlation between various dimensions of voter trust and voter support for policies associated with high-quality government. An implication of this evidence is that low social and political trust reduces voter incentives to support candidates who promise high-quality government and increases their incentives to support populist candidates.

The paper proceeds as follows. The next section reviews the central notions of trust, populism, and quality of government, and it touches on issues of measurement that challenge empirical research on these issues. The third section summarizes the main theoretical arguments

linking social trust to quality of government and political trust to populism. Section 4 then advances a novel theoretical mechanism that elucidates why voters may tolerate suboptimal policies and institutions. Section 5 reviews empirical work to date on the causal effect of social trust on government quality and of political trust on populism, arguing that micro-level evidence on mechanisms is necessary to better interpret the accumulating evidence from a mostly reduced-form literature. The sixth section provides individual-level evidence in support of the novel argument that links voter trust to voter preferences for populist policies such as targeted transfer payments and low public investment in public safety and education. Section 7 concludes.

## **2. Trust: Concepts and Measurement**

Individuals trust others when they believe that others will not act opportunistically to take advantage of them. Trust therefore involves the risk of loss, which can be material, psychological or relational. However, trust enables individuals to develop relationships and cooperate with other individuals to exchange goods and information and to achieve common goals. Beliefs about others' honesty, fairness, or benevolence are crucial to the emergence of trust: if individuals believe that others are not trustworthy, trust is difficult to sustain. These beliefs can be part of an individual's personality traits formed early in life. They can also be developed over time through repeated interactions with others: a trusting individual is more likely to act in a trustworthy manner as they are expecting others to reciprocate; experience with trustworthy behavior therefore also encourages trust.

Trust has long been studied in psychology and philosophy as a key variable shaping human behavior and interactions. Economics and political science have more recently embraced the study of trust to show, based on the increasing availability of quantitative data, that trust has beneficial effects for the economy and society more generally. For example, trust—together with norms and networks—is a key component of social capital, a community-level variable shown to associate strongly with good democratic governance (Putnam, 1993) and sustained economic growth (Knack and Keefer, 1997).

Social scientists have distinguished between generalized interpersonal trust, also described as social trust, and particularized interpersonal trust; and between out-group trust and in-group trust. Social trust reflects the societal propensity for a member of a society to trust a person they have not met before. Particularized interpersonal trust captures trust in specific and known persons.

Out-group trust refers to trust in persons outside the social group, and in-group trust refers to trust in persons belonging to one's social or professional circle.

Trust in organizations—in political parties, legislatures, firms, the Church, the military or the police, for example—are also key concerns of individuals. Can individuals trust the commitments that organizations make to them? Trust in organizations can be distinct from interpersonal trust in society at large because the internal norms of organizations lead their members to act differently than they would act outside of the organization. Organizations can expend resources, or not, to select the most trustworthy members of society or to instill norms of trustworthiness; they can reward, or not, member behavior that enhances individuals' trust in the organization.

Theories linking trust, populism and the quality of government focus most on either social or political trust: i.e., trust in other individuals or trust in political institutions and actors. The World Values Survey (WVS) began to collect data on social and political trust in the early 1980s. Since then, other major survey organizations, such as the Pew Research Center and Latinobarómetro, have collected time series data on social and political trust from multiple countries. The typical variable is a categorical discrete-scale measure of self-reported degree of trust in others, for social trust, or in political institutions such as political parties, congress, or president, for political trust.<sup>1</sup>

More recently, experimental measures of interpersonal trust have become common. These address the issue that respondents to surveys have no incentive to give answers to trust questions that correspond to their actual beliefs and behavior because there are no stakes attached to their responses. Laboratory experiments, in contrast, offer monetary rewards that incentivize participants to act as they would outside of the lab. Fortunately, experimental measures of trust, based on trust, investment or public good games, validate the usefulness of survey questions.<sup>2</sup> Experimental measures have been found to correlate well with survey-based measures of interpersonal trust (Naef and Schupp, 2009), validating the use of survey-derived measures of

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<sup>1</sup> A standard survey question for measuring social trust is: "In general, do you think that most people can be trusted? (or you can never be too careful when dealing with people)." For political trust, a standard formulation is: "How much confidence do you have in the following [organizations, institutions, groups of people]."

<sup>2</sup> A robust observation of behavior in these experiments is that they deviate from the predictions of the rational choice model based purely on the assumption of self-interested preferences. For example, in a one-shot prisoner's dilemma game, the equilibrium prediction is mutual non-cooperation, whereas in the lab individuals are observed to cooperate with non-negligible frequency.



social trust. Survey-based measures of political trust, however, have yet to be backed by experimental counterparts.

### **3. Quality of Government and Populism: Concepts and Measurement**

Trust is a well-researched concept with ample and widely accepted measures. In contrast, there is less agreement about how to define the quality of government and populism. A literature rooted in economics focuses on the economic manifestations of populism and low-quality government. The policies that governments pursue and their effects on voter welfare to determine the quality of government and the presence of populism. Research largely grounded in political science focuses on their institutional manifestations. The quality of government and populism are defined by the processes through which public policies are adopted and executed and, especially, whether those are predictable and rule-bound. A close relationship between low-quality government and populism emerges under either the economic or institutional criteria.

#### ***3.1 The Quality of Government***

Economic assessments of the quality of government observe government decision-making and asks whether different decisions exist that could increase social welfare (see La Porta et al., 1999). To the extent that government provides valuable public goods (from highways to security), uses regulation to solve serious market failures (from pollution to product safety), and efficiently redistributes income to meet society's demands for egalitarianism, the economic assessment of the quality of government is higher.

A persuasive institutional yardstick for measuring government quality is the degree to which government impartially applies the law without taking "into consideration anything about the citizen/case that is not beforehand stipulated in the policy or law" (Rothstein and Teorell, 2008: p. 170). For example, corruption is a strong violation of the principle of impartiality (Rothstein, 2011), thus a clear manifestation of low quality of government. This definition extends naturally to the quality of the policies and laws themselves: governments *impartially* adopt new laws when they do not vary the procedures they use to approve those laws depending on the citizens who are affected by them or the cases that have prompted them. For example, events that trigger outrage or fear are not used to justify shortcuts in the procedures used to adopt new laws.

Economic and institutional definitions of the quality of government are related, since impartiality has all the characteristics of a public good: it is non-rivalrous and non-excludable. The benefits of impartiality, ranging from predictability to the diffusion of norms of fairness across a society, extend to all citizens and do not decline with the number of citizens who enjoy them. Hence, they are non-rivalrous. Moreover, the benefits of impartiality are, by definition, non-excludable: when governments deny the benefits of impartiality to some citizens, they cease to act impartially. Hence, in societies in which citizens cannot easily persuade governments to pursue economic policies that raise their welfare, the economic definition of the quality of government, they also find it difficult to ensure impartial government, the institutional definition of government quality.

As this discussion suggests, quality of government is a broad concept, sometimes conflated with good government or good governance, that is difficult to collapse into a single unidimensional variable. Most measures are more closely related to institutional definitions of the quality of government and are based on institutions, outcomes, or perceptions. The World Bank Worldwide Governance Indicators, or WGI (Kaufmann, Kraay and Mastruzzi, 2003), is a country-level database that reports six indices, namely “voice and accountability,” “government effectiveness,” “the rule of law,” political stability,” “regulatory quality,” and “control of corruption.” These do not directly capture the notion of “impartiality,” which is key to institutional definitions of quality of government. However, partial governments are likely to receive lower scores on measures of effectiveness and the rule of law. Another, narrower, country-level measure is an index of legal quality, ranging from no security of property rights to full security (Gwartney and Lawson, 2007). Partial governments are less likely to protect property rights, but weak property rights are only one possible manifestation of partial government.

Corruption is, as well, certain to be associated with partiality and is often used as a proxy for low government quality; nevertheless, partial governments need not be corrupt. It has been measured in multiple ways, such as the World Bank control of corruption index mentioned above, or the Corruption Perceptions Index (CPI) developed by Transparency International based on the perceptions of experts and businesspeople. Direct and objective measures of corruption are more difficult to construct, and they are typically not comparable across countries. Two examples of innovative direct measures of corruption are results of government audit reports on subnational

governments in Brazil (Ferraz and Finan, 2011) and official statistics on the conviction rate in corruption cases in the United States (Kube, 2013).

The Quality of Government Institute in Gothenburg has undertaken broad efforts to measure impartiality directly.<sup>3</sup> For example, it goes beyond the measurement of corruption to document the presence of processes to control corruption, limit conflicts of interest, etc. The QoG Expert Survey asks 1,294 experts who are knowledgeable about 159 countries to rate countries on such key dimensions as politicization, professionalization, openness and impartiality. The European Quality of Government Index is constructed from a 24-country survey of European citizens that elicits information about their experiences and perceptions regarding partiality in public sector organizations.<sup>4</sup>

### ***3.2 Populism***

As with the quality of government, economic and institutional views yield two definitions of populism. Economic analyses of populism emphasize the adoption of expansive fiscal and credit policies and an overvalued currency meant to accelerate growth and redistribute income. Populists achieve these goals in the short run but, in the end, real wages plummet as inflation surges, leaving the economic system on the verge of collapse and most of the beneficiaries of the previous expansion worse off than they were before (Dornbusch and Edwards, 1991: 7). Despite evidence in their own countries' histories of the inevitability of this sad denouement, voters elect populist candidates.<sup>5</sup>

By construction, countries that qualify as populist according to economic criteria also score poorly according to the economic yardstick of the quality of government. Obviously, in both cases economic policies ultimately reduce the welfare of citizens. In addition, the policy failures of populist governments go beyond the macroeconomic: they include the deterioration of public good

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<sup>3</sup> <https://qog.pol.gu.se/data>

<sup>4</sup> Respondents were asked to rate three government services, law enforcement, health care, and education, along three dimensions, quality, impartiality, and corruption. Their perceptions were combined into a single standardized quality of government score.

<sup>5</sup> Other economic definitions of populism emphasize only two elements: a distributional conflict over economic resources, and a group that claims privileged access to this resource based on the assertion that it represents society (Williamson and O'Rourke, 2001; Rodrik, 2018a). This definition appears to center on the lack of "sustainable" redistribution, as opposed to the downward spiral towards crisis emphasized by Dornbusch and Edwards. However, research discussed below (e.g., Alesina, 1987) emphasizes the dynamic consequences of group competition for state resources and the incentives that it creates for groups, once in power, to pursue unsustainable policies.

provision, as populist governments rely more on transfers to favored constituencies to maintain support; the use of regulation for objectives that may ultimately exacerbate rather than correct market failures, as populist governments respond to fiscal constraints by turning to regulation to deliver benefits to favored constituencies; and private sector collapse, when populists ignore the incentive effects of taxation on investment and labor supply when designing policies to raise revenues and transfer income.

Institutional definitions of populism emphasize the political and institutional strategies of populist politicians: populist politicians make personalistic (rather than partisan) appeals to voters, dismantle existing intermediary institutions (political parties or labor unions), and establish their own, personally-controlled institutions (Kaufman and Stallings, 1991; Weyland, 1999; Panizza, 2005). In its 1944 manifesto, the Liberal Party of Ecuador emphasized the institutional dimension of populism when it contrasted its own principles with those of José María Velasco Ibarra, a frequent, successful candidate for president who did not have a formal party organization:

“The times are not made for idolatry. They cannot be because the time for providential men has gone away. The true statesman who embodies principles, personifies collective aspirations and synthesizes ideals has replaced the demagogue and the caudillo. The organization of political parties as orienting forces of the political life of nations implies the extinction of old-fashioned personalistic forms of government” (quoted in Panizza, 2005: 19).

Their appeals to voters can appear to be democratic, as when Hugo Chávez declared “the people to be the only and the true owners of their sovereignty” (Panizza, 2005: 4). In fact, leaders use such declarations to undermine the influence of institutions that aggregate individual demands and to identify themselves as the authentic and sole interpreters of popular will.

The institutional definition of populism parallels the institutional measure of the quality of government. Leaders who are not bound by institutions are free to execute government policies unconstrained by the specific criteria laid out in law, and to change the law to meet new criteria. Populist government is necessarily partial: it can exercise authority taking account of any considerations it chooses, regardless of whether these are established by law.

Populism is no less challenging to capture in a single measure than quality of government. Studies generally limit themselves to coding a party as populist or not, together with the dominant

ideological leaning, left or right. However, the criteria underlying the “populist” assignment are generally opaque, in the sense that they are based on the possibly heterogeneous and unstated criteria of diverse authorities. It is, in particular, unclear whether they capture the degree to which parties seek to undermine the institutional foundations of a country. Van Kessel (2015) presents one of the most comprehensive efforts to classify European populist parties, covering the period 2000-2013. The coding choices are based on the party literature and country experts and distinguish between left and right variants of populism. Rodrik (2018b) constructs another list of populist parties for a global sample of countries spanning the period 1960-2013. Parties are coded as populist in his dataset if they are labeled as such in the academic literature or in the press at some point in their history, and if they pursue an electoral strategy stressing cleavages between an in-group and an out-group. This dataset also includes a distinction between left-wing and right-wing ideology.<sup>6</sup>

Whether the quality of government and populism are viewed economically or institutionally, the question therefore arises: why would a rational voter prefer a candidate who lowers the quality of government or embraces populism? We expect voters to prefer politicians who make them better off, materially, all else equal. Likewise, voters should prefer impartial government, operating according to the law and not the personal whim of the official executing policy. Instead, voters often prefer politicians who promise particularistic benefits and express disregard for institutional constraints on their authority.

Although it would be tempting to invoke voter ignorance or irrationality to explain voter support for politicians who make them worse off, scholars who have investigated populism have largely discarded this facile explanation. On the contrary, Remmer (2012), looking at survey evidence from Latin America, underlines voters’ fundamental rationality. Using aggregate and individual-level data, she finds that support for leftist (redistributionist) populist parties is not associated with dissatisfaction with market-oriented policies, economic performance or social inequality, but rather with improving external economic conditions, e.g., the commodity boom in Latin America, that increase the resources available for redistribution and make redistributionist promises more credible. Survey data indicate *positive* correlations between citizen satisfaction with democracy, the state of the economy, and support for leftist-populist presidents.

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<sup>6</sup> The underlying data on parties and elections is from the Global Elections Database (GED) and the Constituency-Level Elections Archive (CLEA).

The fact that voters are sensitive to aggregate budget constraints when making electoral choices does not explain why politicians who reduce the quality of government by embracing unsustainable economic policies are more likely to be elected and re-elected in some countries and not in others. Variation in voter trust across countries, on the other hand, does account for their tolerance of low-quality government and support for populism.

#### **4. Theoretical Mechanisms Linking Trust to Government Quality and Populism**

The relationship between trust, the quality of government and populism is complicated by the role played by social and political trust. It is further complicated by the presence of a two-way relationship between the quality of government and trust. For example, when the quality of government is low, political trust may fall, but the reverse is also true. Finally, the quality of government can influence voter preferences for populism. This section briefly reviews research that has explored different dimensions of the relationship among these various phenomena. It then proposes a novel pathway from low social trust to low political trust to both low quality of government and populism.

##### ***4.1 Political Trust, the Quality of Government and Populism***

The link from low political trust to support for populism is a well-established proposition. Political mistrust implies that voters believe that established political actors and organizations will act opportunistically towards them rather than seek to improve their welfare. Populist parties, though, typically emerge to cater to popular dissatisfaction with the workings of the current political system. At the core of populist rhetoric is an anti-establishment message where the populists identify with the concerns of ordinary people and vow to take on the corrupt and elitist establishment.<sup>7</sup> Hence, political mistrust should promote support for populism (Van Kessel, 2015).

An equally well-established literature documents that experiences with low-quality government reduce political trust. Rothstein (2009) argues when voters perceive the quality of government to be low, for example because of negative personal experiences with public service providers, their political trust is eroded. Levi and Stoker (2000) and Grimes (2016) show that

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<sup>7</sup> Of course, for populism to prevail, candidates need to emerge, or parties need to form that supply a populist agenda that taps into voter discontent and mistrust. This mechanism may be more likely to be activated particularly in periods of increased economic and cultural anxiety, e.g., due to spreading globalization and technological change.

political trust increases when citizens perceive that political institutions promote integrity and fairness. Rawls (1971) argues that these perceptions of fairness are grounded in individuals' experiences with procedural and distributive justice. Those experiences should naturally affect trust in political institutions and other organizations since the latter mete out both procedural justice (courts, administrative agencies, etc.) and distributive justice (legislatures, etc.). Left open in this work is the question of why the quality of government is low in the first place, an issue we return to below.

Another body of research ties populism to social polarization and fractionalization. Trust, though not explicitly discussed in this work, plays a key role. For example, Kaufman and Stallings (1991: 30) argue that in deeply polarized political settings, political competitors are caught in a prisoner's dilemma in which the pursuit of unsustainable policies is the dominant strategy no matter who is in office. Of course, the prisoner's dilemma would be solved if competitors could trust each other. Since they cannot, incumbents are more likely to pursue winner-take-all policies.

In a series of articles, Alesina and co-authors formally model the logic underlying this argument. They examine how political parties with competing distributive objectives (e.g., because they represent polarized social groups) can generate large deficits that are contrary to the interests of all parties. Each party fears that opposing parties, if they take office in the future, will adopt policies far at odds with their own policy preferences. To preempt this, incumbent parties adopt policies that transfer current rents to the social groups that they represent. In addition, though, and to limit the power of opponents to reverse policies in the future, they undertake significant borrowing and distribute the proceeds to their social groups. The winner not only takes all the resources currently available for redistribution, but also redistributes future resources (see, e.g., Alesina, 1987, and Alesina and Tabellini 1990).

The analysis in Alesina, Campante, and Tabellini (2008) establishes an explicit link between populism and the quality of government, though they do not frame their analysis in these terms. Their focus is the politics of procyclical fiscal policy, a variant of populist macroeconomic policy in which governments raise spending in good times and cut it in bad times, precisely contrary to the fiscal policy that would maximize citizen welfare. They find that procyclical policy is most common in corrupt countries where the quality of government, defined either institutionally or economically, is evidently low. Voters, confronted with corrupt politicians,

demand that spending, e.g., on transfers to them, rise in good times to prevent politicians from converting the wealth of new resources into rents.<sup>8</sup>

#### ***4.2 Social Trust, the Quality of Government and Populism***

Social trust appears to underlie the relationships among political trust, the quality of government and populism documented in the literature. Individual-level data certainly reveal a strong link between social (interpersonal) trust and perceptions of organizational, institutional, or societal fairness (Begue, 2002; Van Den Bos, 2001). You (2018) also argues that low corruption improves social trust, and vice versa, that corrupt government leads to a deterioration in social trust. Two basic mechanisms can explain why social trust might engender higher quality government.

One has to do with the supply of trustworthy public officials in charge of implementing public policies. In this argument, voters do not need to demand good government for good government to emerge; when social trust is high, public officials incur a larger intrinsic cost from treating citizens badly. A second, demand-side mechanism also exists. Social trust facilitates the expression of citizen demand for good government by lowering the costs of collective action, allowing citizens to achieve their common goals by holding politicians accountable at the ballot box. They can demand higher quality government, strengthening incentives of politicians to improve state institutions. Such voters must be less susceptible to populist politicians, who are dedicated to the circumvention or even destruction of state institutions.

Bjørnskov (2010) develops one supply-side mechanism. A principal (politician) oversees the activities of an agent (bureaucrat) whose role is to provide a service for a client (citizen, firm). The agent can choose to provide special treatment to the client in exchange for an illegal bribe rather than provide normal treatment in exchange for the legal service fee set by the principal. The agent faces an extrinsic penalty for special treatment, given by the effectiveness of the legal system in detecting illegal transactions, and an intrinsic penalty, the moral cost of illegal behavior. Assuming that the moral cost is higher when the level of social trust is higher, a higher level of social trust increases the necessary bribe to sway the agent into providing special treatment and

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<sup>8</sup> Acemoglu, Egorov, and Sonin (2013) also link government quality and (left-wing) populism. Using a formal model, they argue that when voters fear that politicians might become beholden to the rich right-wing elite, adopting policies lowering general welfare, honest politicians signal that they are not aligned to the right-wing elite by choosing policies to the left of the median voter.



thus reduces the incidence of these illegal transactions. This effect operates independently of any political incentives of the principal to be responsive to voters.

The supply-side channel linking social trust to good government reflects the Weberian notion of the “ideal bureaucrat” whose trustworthiness is key to improving the implementation of policies handed down from the political principals. This feature of quality government is captured in the data sources mentioned earlier (e.g., by indicators in the Quality of Government databases or by the WGI component of “government effectiveness”).

The supply-side argument explains why high social trust can lead to better government, but not necessarily why it makes populism less likely. Nor does it explain why voters cannot demand high quality government when social trust is low. We identify a second, demand-side mechanism that links social trust to good government through electoral accountability. It also explains how low social trust can spur the rise of populism.

This novel demand-side mechanism begins with the basic observation that the economic and institutional failures of low-quality government and populist parties impose costs on most voters. Civic action to contain them is therefore similar to a public good: the group is better off if every member contributes to the public good (civic action), but every member of the group has an incentive to free ride on the efforts of the others. If voters were able to act collectively, as Keefer (2015) explains, they could credibly threaten to expel from office the incumbents responsible for reducing the quality of government, deterring this behavior. In many democratic settings, however, voters lack the capacity to act collectively.

Social trust is central to this capacity: if voters cannot trust each other to incur the personal costs of contributing to the collective good of monitoring and expelling the poorly performing incumbent, no voter has an incentive to do so.<sup>9</sup> Political parties can mitigate this problem, but only if they are sufficiently organized to impose sanctions on free riders. Again, in many democracies, parties are not capable of imposing sanctions. When they are, the sanctions are often aimed at ensuring continuing party access to resources rather than improving the quality of government.

In the absence of sanctions for free-riding, collective action might still occur. Intrinsic motivation—solidarity with other citizens, outrage, patriotism—could persuade citizens to

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<sup>9</sup> You (2018) observes that resisting corruption requires collective action that social trust facilitates. However, the literature he summarizes is unclear about the exact nature of the collective action that citizens must undertake to reduce corruption. The argument here aims to fill this gap.

overcome the individual costs of voting and of supporting better government. In environments where low trust among voters prevails, such intrinsic incentives are likely to be weaker.

Of course, incumbents understand the collective action challenges that voters confront and pursue strategies to make free-riding more attractive. Clientelism is one such strategy. By offering clientelist benefits to individuals and narrow groups of voters in exchange for their votes, free riding becomes more attractive to them and their willingness to participate in collective action on behalf of candidates who promise to improve the quality of government declines. Ironically, in the aggregate, these clientelist payoffs are likely to be small and do not offset the costs that low-quality government and populism impose on all voters. Voters know that if they demand higher payoffs in exchange for free riding, they can be replaced by others who demand less. They also know that, because no majority of voters can credibly commit to supporting a challenger to the low-performing incumbent, rejecting the incumbent's clientelist payoffs will make them worse off.

Low social trust and its deleterious effects on voters' collective action mean that voters cannot credibly threaten to punish politicians who renege on their commitments. This, in turn, means that politicians can less easily make credible commitments. Prior research has shown that where the credibility of politicians' commitment is low, the quality of government falls. Politicians engage in targeted transfers and rent extraction (Keefer and Vlaicu, 2008). Vote-buying is high and public good provision is low (Keefer and Vlaicu, 2017). The rule of law, related to the threat of partiality and the institutional dimensions of the quality of government, is weaker in younger democracies where political credibility is low (Keefer, 2007). Younger democracies, however, are precisely where organizations such as political parties are least likely to be sufficiently institutionalized to help overcome voters' collective action challenges.

In sum, low social trust and the inability of voters to act collectively lead to an electoral equilibrium in which political trust is low, politicians renege on (or do not make) electoral promises, voters therefore demand and politicians pursue suboptimal policies that yield low-quality government (echoing an argument in Keefer, Scartascini and Vlaicu, 2019). Populism is a natural corollary of this equilibrium. Low political trust provides an opportunity for political entrepreneurs to appeal to voters with anti-establishment rhetoric. Voters understand that if electoral dynamics yield only mediocre benefits from government, their best hope is to identify politicians whose sense of personal well-being is most likely to be linked with their own. The appeals of those politicians will be populist: they know the interests of voters and they are best

able to serve them if institutional arrangements that constrain them are removed. But voters, seeing such politicians as their best chance of receiving benefits from government, have no reason to resist their efforts to free themselves from the constraints of law and institutions, shifting authority for public policy choices to themselves.

Of course, the best outcome would be that voters converge on the politician whose intrinsic interests lie in serving *all* of them, a search for a “principled agent” detailed in Besley (2006). But this outcome is subject to the same collective action obstacles as the effort to expel the low-performing incumbent. On the one hand, voters can more reliably identify politicians who place their own interests above those of other voters. On the other hand, the same lack of trust among voters that impedes them from acting collectively to expel non-performing incumbents also affects their ability to collectively select politicians who are intrinsically motivated to serve the broad public interest.

The foregoing supply- and demand-side arguments linking social trust to the quality of government exhibit a certain asymmetry. The first is rooted in the intrinsic incentives of government officials (the moral costs they incur in a high trust society when they treat citizens badly). The second focuses on the extrinsic incentives of politicians: voters who can act collectively can offer politicians a tangible reward, re-election. However, intrinsic voter incentives can also play a role on the demand side. High social trust leads to a citizenry with a strong sense of civic-mindedness (Putnam, 2001). These voters have intrinsic incentives to participate in the political process by acquiring information and turning out to vote, offsetting extrinsic incentives to free ride. High levels of social trust also solve a second challenge: to what standard of behavior should politicians be held? Heterogeneous ideas regarding this question also disrupt collective electoral action by voters. When most voters are trusting, however, they will also share a normative expectation that politicians are trustworthy; when they see evidence to the contrary, they will be ready, collectively, to sanction politicians who betray their trust.

Knack (2002) offers a variant of this argument, observing that across U.S. states social trust is associated with the frequency of policy innovations. Voters who mistrust each other are also likely to be skeptical about politicians’ motives when they advocate policy innovations. In an

environment of high social trust, politicians do not have the difficulty of dealing with voter skepticism about their potentially ulterior motives.<sup>10</sup>

## **5. Empirical Evidence Linking Trust to Government Quality and Populism**

Since Putnam's (1993) seminal contribution linking social trust to political corruption in Italy, empirical research has sought to find evidence of a causal effect of social trust on government quality as well as evidence for the causal mechanisms between the two. An early influential study was La Porta et al. (1997), using trust data from the World Values Survey, who found cross-national evidence of a positive effect of social trust on corruption control and bureaucratic quality, controlling for GNP per capita. Usaner (2004) extended this analysis to a panel of countries observed over the 1980s and 1990s, finding a similar beneficial effect of social trust on reducing corruption as measured by the Transparency International's CPI.

Methodologically, attempts at establishing causality remain a challenge in this line of inquiry. It is difficult to isolate credible exogenous variation in trust that would eliminate the influence of confounders and reverse causality. Instrumental variables for social trust have been proposed, e.g., monarchy, cold winters (Bjørnskov, 2010), or obsolete historical borders (Becker et al., 2016), but concerns may still linger about the validity of what are ultimately untestable exclusion restrictions.

Other studies exploit the time variation in the data to establish causality. Graeff and Svendsen (2013) use a Granger causality model and find stronger support for the hypothesis that social trust reduces corruption than the other way around. Using the same standard data sources, Robbins (2012) proposed an identified non-recursive structural equation model and instrumental variables to test for a reciprocal relationship between institutional quality and generalized trust. His results indicate that generalized trust and institutional quality exhibit a positive reciprocal relationship, but again finds that the stronger connection is from generalized trust to institutional quality. However, studies relying on time series variation in longitudinal data suffer from short time spans, which makes it difficult to separate real changes from measurement error, which in

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<sup>10</sup> More research is needed to identify the conditions under which Knack's conjecture holds. That is, under what conditions does an equilibrium with low policy innovation and low social trust emerge if voters have correct expectations about politician motivations?

turn can lead to spurious correlation. Several additional decades of data may be needed to produce convincing causal evidence using panel data.

In the meantime, a promising empirical direction would be to explore micro-level evidence for the possible mechanisms through which social trust leads to high quality government, such as the ones mentioned in the previous section. An example of research in this vein is Uslander (2008) whose individual-level data from Romania and Estonia shows that less trusting individuals are more likely to perceive high corruption in the public sector. These data cannot, however, test whether these individuals are more willing to report or resist corruption. This further causal link remains to be empirically tested.

Bjørnskov (2010) attempts to distinguish empirically between the supply- and demand-side mechanisms through which social trust might improve the quality of government. He finds that the quality of governance and legal quality are more strongly associated with social trust when electoral competition is intense, which can be interpreted as a demand-side mechanism where voters in high-trust environments use their vote to demand better policies. At the same time, corruption seems to be affected by social trust through a supply-side mechanism, i.e., the supply of trustworthy public officials is higher in high-trust polities, since the negative association of corruption with social trust does not depend on the competitiveness of elections.

Empirical research on the link between quality of government and populism is relatively more recent and remains largely correlational. Some studies find evidence for a reduced-form relationship between low government quality and populism. Using fuzzy-set quantitative comparative analysis of national-level data from 31 countries, Van Kessel (2015) concludes that high levels of perceived corruption, measured by the CPI, are associated with better electoral performance of populist parties. This effect is stronger in periods of high nativism and economic hardship. Relying instead on individual-level perceptions of quality of government from 206 European regions, Agerberg (2017) finds that individual perceptions of low quality of government are associated with higher expressed support for populist parties. Aggregating at the regional level, the actual vote share of populist parties is higher in regions where citizens report low quality of government. This data structure gets closer to voter-level behavior and incentives, as it can rule

out many of the usual explanations for the success of populist parties, such as the electoral system or the unemployment rate.<sup>11</sup>

In terms of mechanisms, several studies have found evidence that low government quality is associated with a decline in political trust (e.g., Kumlin, 2004; Dahlberg and Holmberg, 2014) and that a decline in political trust is associated with populist support (e.g., Denmark and Bowler, 2002, for New Zealand and Australia, Hooghe, Marien and Pauwels, 2011, for Belgium). These studies define political trust in terms of generalized support for the institutions of the political system, as opposed to particularized distrust in specific partisan groups. This suggests that the results are not driven by voter disaffection for specific political parties or leaders, but by a more fundamental lack of trust in the established political institutions.

Trust plays a role in the literature on polarization and the quality of government, but the specific type of trust is not easy to identify. Reduced-form evidence indicates that polarization (ethnic or economic) yields lower quality government. Keefer and Knack (2002) conclude that where polarization, including inequality, is high, property rights are less secure and growth is lower. Alesina, Baqir, and Easterly (1999) further show that polarization (here defined in terms of ethnic division) reduces public good provision. One interpretation of these results is that polarized environments reduce political trust, suppressing political incentives to pursue policies that raise the quality of government. Another is that in environments characterized by social mistrust, politicians can exacerbate benign social divisions to further reduce the degree to which voters are willing to hold them accountable for the low quality of their policies.<sup>12</sup>

The two are difficult to disentangle. We can only say with some certainty that an association between mistrust and polarization exists. Bjørnskov (2008) identifies a relationship between inequality, political (though not ethnic) diversity, and social trust. Keefer and Knack (2002) observe, however, that polarization and fractionalization are not the same—highly fractionalized societies, characterized by many small ethnic groups, need not be polarized. Consistent with this, Uslander (2010) shows that generalized trust is lower in societies with large minority groups living apart from majority groups.

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<sup>11</sup> This data was compiled at the Quality of Government (QoG) Institute of the University of Gothenburg.

<sup>12</sup> Income inequality can be a causal factor for political polarization. Vlaicu (2018) shows how income inequality can change political participation away from voting and toward donating, which allows candidates and parties to win elections with more extreme policy positions.

One can, however, make the case that the mechanism from polarization to populism or to lower quality government does not, in contrast to the assumptions underlying the theoretical work discussed earlier on economic populism, involve conflict between well-organized, monolithic social groups. That earlier work (e.g., Alesina, 1987) models conflict between two political parties that cannot make credible commitments to each other, leading each to pursue unsustainable policies once in office. Keefer (2015) argues that the incentives of politicians to engage in destructive policies, including unsustainable policymaking, are greatest precisely when their voters cannot act collectively to discipline them—as when social trust is low or when political parties *cannot* provide a mechanism for citizens to discipline party leaders or the heads of social movements. The inability of voters—even of the same ethnic group—to act collectively means that politicians cannot easily make credible commitments to them. They respond to their inability to make credible commitments even to members of their own social groups by raising the specter of winner-take-all behavior by other social groups.

Similarly, the high levels of corruption that Alesina, Campante and Tabellini (2008) associate with populist fiscal policies, or the insecure property rights that Keefer and Knack (2002) link to polarization, are both more likely to emerge in countries where citizens find it most difficult to hold political leaders accountable for their actions. These are linked to the weakness of collective action and political parties, not their strength: Keefer (2007) shows that corruption is significantly higher in younger compared to older democracies, and Cruz and Keefer (2015) demonstrate that public sector reforms—the reforms that are most directly intended to combat corruption—are least likely to succeed where political parties are weakest, e.g., in new democracies.

The apparent weakness of institutions, including political parties, in countries with low quality government and a proclivity to populism suggests that the most salient problem of trust and credible commitment may not be the one that divides social groups, but the one that separates citizens from each other and from their elected representatives. In these settings, not only is it difficult for polarized elites to make credible agreements with each other, the focus of research on populism, but it is also difficult for them to commit to provide welfare-enhancing policies to voters.

This difficulty explains why the personalization of political appeals by populist politicians plays such a significant role. Absent institutional guarantees that promises will be fulfilled, politicians use personality to convince voters that their interests and those of their base are entirely

aligned—that for the politician to cheat them or deprive them of promised benefits would hurt the politician as much as it would hurt them.

## **6. Voter Trust and Policy Preferences: New Evidence**

An alternative way to establish the impact of trust on the quality of government and support for populism is to examine how individuals' policy preferences vary with social and political trust: are low-trust individuals more likely to prefer the unsustainable policies associated with populism and less likely to care about the impartial government processes associated with the quality of government? The Latin American survey data analyzed below yield evidence on these issues.

The data do not allow us to examine directly whether low social trust leads to less collective action by voters (Knack, 2002, finds that voter turnout is negatively correlated with social trust), or to greater electoral support for populists and less support for politicians who promise to improve the quality of government. We can first examine, however, whether novel measures of low political trust are associated with support for public policies that are more likely to be found in high quality governments and less likely in populist governments. Second, we can show that these associations are significantly stronger when we look only at that component of political trust that is explained by social trust (trust in others).

Specifically, the survey data include information on respondent trust levels and their preferences for three policies: higher taxes to fund greater redistribution to the poor; higher taxes to fund greater support for police and the justice system; and higher taxes to increase funding for education. These policies have two characteristics that link them to the quality of government and populism. First, high-quality governments provide public goods and populist governments underprovide them, according to the economic definitions of either concept. Law and order and, arguably, education, are classic public goods.

Second, again according to the economic definitions of either concept, voters who oppose populists and support the candidates of high-quality government must necessarily also support policies that are sustainable. Higher public good provision and greater redistribution without the resources to pay for them are unsustainable, a hallmark of populism, and typically lead to the rationing of services according to criteria that are *partial*. Hence, voter support for the taxes necessary to fund these policies should be associated with their opposition to populists and their preference for the candidates of high-quality government. In the discussion below, trust emerges



as a significant mediating factor in these relationships: those who express less trust in others or in politicians are less likely to support sustainable policies associated with quality, non-populist government.

The analysis relies on the IDB-LAPOP survey data collected originally by Keefer, Scartascini and Vlaicu (2018). Their research highlights the association of low voter trust with weak support for taxes to pay for public goods. In related research, Keefer, Scartascini and Vlaicu (2019) use these trust data to explain a policy bias, characteristic of populist governments, in favor of transfer payments and against public investment. The analysis here extends that work in three ways.

First, it explicitly draws out the implications for the quality of government and populism of the correlations between trust and policy. Second, where those two works show that various measures of trust in government drive policy preferences, this analysis also highlights the underlying role of generalized trust in fellow citizens. Third, the analysis here shows that an important source of spurious correlation is not responsible for the association. It is possible that people who believe that support for the poor is very important, for example, might be both more trusting and more supportive of higher taxes to pay for redistribution to the poor. Even after controlling for beliefs about the importance of support for the poor, however, a strong correlation remains between trust and support for taxes.

The empirical relationships documented here are related to the work of Doyle (2011), who explores the empirical links between trust and populism. Using data from 48 presidential elections in 18 Latin American countries, he shows that where public trust in political institutions is low, voters are attracted to candidates who portray themselves as radical “outsiders” crusading against the established political order. The analysis below goes further, linking different measures of trust to support for specific public policies and the quality of government.

## ***6.1 The Data***

In 2017, the Inter-American Development Bank (IDB) in collaboration with the Latin American Public Opinion Project (LAPOP) undertook a survey to elicit the policy preferences and trust attitudes of 6,040 respondents from seven countries—Chile, Chile, Colombia, Honduras, Mexico, Panama, Peru, and Uruguay—and representative of residents of their capital cities. The questions

evaluated respondent preferences with respect to funding for education, policing, redistribution to the poor and red tape. The survey also examined numerous dimensions of trust.

Respondents were asked if they preferred higher taxes to increase funding for education, or lower taxes to promote parents' procurement of private education. Similarly, they were asked if they preferred more taxes for police or lower taxes so that citizens had more resources to finance their own security expenditures; a policy of lower expenditures and less security was not an option. Finally, they were asked whether they preferred higher taxes to redistribute to the poor or lower taxes to stimulate job creation. Respondents could answer that they preferred the "private" option (1) or the "public" option (3), or that they were indifferent (2).

The private option was introduced to make it clear to respondents that in the real world, budget constraints matter. Hence, if they choose lower taxes, public provision of education would have to be supplemented by private efforts. Respondents might prefer the private option because they do not value the public good (and therefore would prefer that public resources not be directed to it, instead shifting the burden to those who do value it); or because they do not believe the public option delivers value-for-money. Trust should have no impact on the first, but it should affect the value-for-money calculus: if citizens do not trust governments to exert effort on their behalf—and do not trust other citizens to act collectively to sanction governments that underperform—they have less reason to support the public option.

The first trust question is a standard version of the social trust query ("In general, would you say that the majority of people are very trustworthy, somewhat trustworthy, not very trustworthy or not at all trustworthy?"). We also asked a variation of the question that referred only to family members. Then, rather than eliciting responses as to whether various other groups in society were trustworthy or not, we asked more specifically whether respondents believed that different types of people keep their promises, and whether they obey the laws and regulations of the country. Is it very common, somewhat common, not very common or not at all common for politicians in general to keep their promises? Obey the law? Similarly, is it common for public officials, members of the respondents' families, businessmen, and union leaders to keep their promises or obey the law?

The final trust questions focused on the credibility of specific policies. For example, after asking individuals whether they preferred a policy of taxing the rich less in order to encourage the creation of jobs in the economy, or taxing the rich more, in order to distribute money to the poor,

we asked: “Imagine that the government passes a law to impose higher taxes on the rich. How likely is it that the revenue collected will reach the poor? (Very likely, somewhat likely, not very likely, very unlikely).” Table 1 summarizes the different variables used in the analysis.

**Table 1. Descriptive Statistics**

	Mean	SD	Min	Max	<i>N</i>
Support for tax-financed redistribution	1.769	0.893	1	3	5,797
Support for tax-financed police and judiciary	1.956	0.911	1	3	5,735
Support for tax-financed public education	1.571	0.855	1	3	5,847
Believe that higher tax revenues will go to the poor	1.984	0.860	1	4	6,002
Believe that politicians obey the law.	1.917	0.855	1	4	5,987
Believe that public officials obey the law.	2.034	0.881	1	4	5,951
Belief that politicians fulfill their promises	1.878	0.866	1	4	5,994
Trust in others	2.394	0.854	1	4	5,984
Importance of aid to the poor to solve 3 gravest problems of country	3.343	0.937	1	4	5,949
Importance of policing to solve 3 most important problems of country	3.471	0.875	1	4	5,989
Importance of education to solve three most important problems of the country	3.902	0.412	1	4	6,028

*Data source:* IDB-LAPOP 2017 survey.

*Note:* Total sample size is  $N = 6040$ . Sample size differs across variables due to non-response.

Across all policy dimensions, three questions are of special interest. Is trust in government (political trust) a key correlate of support for the policy? Is social mistrust at the root of the correlation? And is the association between trust and support for the policy robust to controlling for the importance that the respondent assigns to the policy?

To address these questions, we estimate regressions of the form  $y_{ij} = \beta_0 + \beta_1 x_{ij} + u_{ij} + e_j$ , where  $y_{ij}$  captures the policy preferences of individual  $i$  in country  $j$ , and  $x_{ij}$  are controls for individual characteristics, including their levels of trust. The variables  $u_{ij}$  and  $e_j$  are the error

terms, where  $e_j$  indicates that we control for country fixed effects: the regression coefficients are estimated based only on within-country variation across respondents.

Apart from trust,  $x_{ij}$  includes controls for gender; age; the respondent's last year of education; whether the respondent lives on a paved street; the income bracket of the household; the number of children under the age of 18 in the household; whether they have health insurance or a pension plan; and whether the household receives government assistance.

We also control for other behavioral and informational characteristics that might induce a spurious correlation between trust and policy support. One is the respondent's discount rate (patience), as assessed based on a battery of discrete choice questions that ask the respondent to choose between a payment of a certain magnitude now or of a larger magnitude in the future. Another is whether the respondent is politically knowledgeable, based on an assessment of the enumerator (an assessment that is correlated at .36 with the respondent's last year of education).

## **6.2 Trust and Redistribution**

The first question is whether trust affects support for redistribution. Support for redistribution *per se* is not necessarily indicative of attitudes either towards the quality of government or to populist politicians. However, support for higher taxes to finance redistribution to the poor is a more direct signal of support for sustainable redistribution, a policy not associated with either low-quality or populist governments. The alternative to higher taxes for redistribution is lower taxes that support job creation.

The natural measure of political trust for this policy setting is whether the respondent believes that tax revenues raised to finance redistribution will go to the poor: that is, whether government will fulfill its commitment to finance redistribution or divert the additional revenues to other uses. Note that whether individuals believe this or not should not determine how much they value the other policy option, lower taxes to increase job growth. Whether they believe government will fulfill its commitments should have no bearing on whether they believe lower taxes will increase job growth. Hence, any effect of respondent trust on preferences for the redistributive policy option should reflect the impact of low trust on their evaluation of the public option, not the private.

Yamamura (2014) also considers whether trust in government affects preferences for redistribution. The analysis in this section reaches similar conclusions (higher trust in government

is associated with greater support for redistribution). It differs, however, in asking whether the respondent supports *raising taxes* to redistribute income; in focusing on measures of trust that more directly describe the credible commitment problem of the politician; and in showing the relationship between generalized trust and trust in politicians.

The results reported in the first column of Table 2 demonstrate that citizens who believe that the government will do as it says and redistribute tax revenues to the poor are also more likely to support higher taxes to finance redistribution. A one-point increase in trust on the four-point scale has as large an effect on policy preferences (about 0.1 standard deviations) as 6.5 years of additional education or of respondents being 12 years older.

The second column of Table 2 addresses one potential source of spurious correlation between confidence in politicians' redistributive commitments and support for redistributive taxes: individuals may not regard assistance to the poor as an effective means to address what, in their estimation, are the most pressing problems confronting the country. The survey asks respondents what they believe are the three most important problems. They are then asked how important aid to the poor would be in solving these problems. To see if underlying beliefs about policies priorities drive the results in column one, column two uses the specification of column one and controls for individuals' beliefs regarding the importance of aid to the poor.

It might seem obvious that individuals who believe aid to the poor is important to solve a country's most pressing problems might automatically support higher taxes to finance redistribution. However, respondents can simultaneously believe that aid to the poor is vital, but that government is unable to deliver it. In fact, the correlation between a preference for redistributive taxes and belief in the importance of aid to the poor is only 0.13. Of the 5,718 respondents who answered both questions, 3,452 said that aid to the poor was very important for solving the country's problems. Of these, however, more respondents (1,702) preferred lower taxes to stimulate job creation than preferred higher taxes to finance redistribution (1,237).

**Table 2. Support for Redistribution, Trust in Government and Trust in Others**

	Base regression (OLS)	Add control for importance of Pro-Poor Policies (OLS)	Generalized trust instrument (2SLS)	Add Pro-Poor Policies as 2SLS
Dependent variable: Support for tax-financed redistribution				
TRUST: Believe that higher tax revenues will go to the poor	0.080*** (0.00003)	0.067*** (0.0004)	0.17** (0.020)	0.13 (0.17)
Age	-0.0067*** (0.0000)	-0.0064*** (0.0000)	-0.0069*** (0.0000)	-0.0066*** (0.0000)
Last full year of education completed	-0.012*** (0.0023)	-0.0097*** (0.0078)	-0.011*** (0.0024)	-0.0096*** (0.0056)
Household income	-0.011*** (0.0027)	-0.011*** (0.0020)	-0.010*** (0.0021)	-0.011*** (0.0011)
Type of health coverage	-0.035*** (0.0041)	-0.031*** (0.0081)	-0.034*** (0.0030)	-0.031*** (0.0050)
Importance of aid to the poor to solve 3 gravest problems of country		0.093*** (0.0000)		0.085*** (0.00019)
Constant	2.05*** (0.0000)	1.72*** (0.0000)	1.67*** (0.0000)	1.49*** (0.0000)
Observations (28 Clusters)	4482	4437	4460	4417
R <sup>2</sup>	0.059	0.067		
Kleinbergen-Papp statistic			107.3	87.9

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

*Data source:* IDB-LAPOP 2017 survey.

*Note:*  $p$ -values in parentheses, based on standard errors clustered by area of the country in which the survey took place (Estrato Primario).  $R^2$  cannot be interpreted as a goodness-of-fit measure for 2SLS specifications and is omitted in columns 3 and 4. All estimations control for country fixed effects (not reported). All estimations control for the following variables, all with insignificant coefficients: gender, household assets, whether the street in front of respondent's house is paved, the number of minor children (under 18) in the household, whether respondent has a retirement plan, whether household receives government assistance, whether interviewer regards respondent as politically informed, the patience score (discount rate) calculated from responses to the discrete choice questions, and the gender of the enumerator.

The results in column two indicate that individuals who believe that assistance to the poor is important are significantly more likely to support higher taxes for redistribution. However, the estimated effect of trust on support for taxes for redistribution is only slightly lower in column two compared to column one, even after controlling for preferences for aid to the poor.

The dependent variable in columns one and two is categorical. An alternative estimation strategy that is appropriate for categorical variables is ordered probit, rather than ordinary least squares, as in the table. All results here and in the tables below are robust to replacing OLS with ordered probit.

The association documented in column 1 could also be driven by reverse causality: individuals who disapprove of redistribution are inclined to say that they do not trust the government to redistribute tax revenues to the poor. The third column responds to this concern by estimating a two-stage least squares model in which generalized trust is used as an instrument for confidence in the redistributive commitments of government.

This estimate relies on two identification assumptions: that generalized trust affects preferences for redistribution only through its effect on trust in government, and that it is uncorrelated with the error term in the second stage regression (that is, it is uncorrelated with unobserved respondent characteristics that might affect policy preferences.)

In the first stage regression (not reported), generalized trust is a strong predictor of respondent confidence that money raised for the poor will go to the poor ( $t=9.4$ ). A one-unit increase in generalized trust increases confidence in redistributive commitments by about 0.2 standard deviations. The second stage estimate is reported in column three. Respondents' confidence that the government will meet its redistributive commitments, instrumented by respondents' general beliefs about the trustworthiness of others, continues to be significantly associated with preferences for redistributive taxes; the measured effect is larger in magnitude than in column one. The estimate in column three illustrates the deeper argument: mistrust in fellow citizens is a key factor in accounting for mistrust in government. Confidence in the willingness of other citizens to act collectively to hold government accountable for its commitments is central to the credibility of those commitments.

Column four examines the identification assumption that the instrument is uncorrelated with unobserved respondent characteristics that might also affect preferences for redistributive taxes. The main omitted variable that might invalidate the assumption is precisely the respondent's perceptions of priority policies. The column four estimate repeats the two-stage least squares estimate in column three, this time adding as a control whether the respondent believes that aid to the poor is important for solving the country's problems. This regression suggests that the identification assumption may not hold: the second stage estimate of the association between belief that tax revenues will reach the poor and preferences for taxes to finance redistribution is no longer significant. It remains, however, large in magnitude and twice the column two estimate, suggesting that the issue may be one of statistical power: the component of trust in government that is correlated with generalized trust has a noisier effect on preferences for redistributive taxes.

One final possible concern with the estimates in Table 2 is that the measure of trust—whether respondents believe that money raised for the poor will go to the poor—could be influenced by factors that are unrelated to trust. For example, respondents may report skepticism on this dimension not because they mistrust the government’s commitment to redistribution, but rather because they are doubtful of government administrative capacity to target the poor. The column three estimates do not support this concern since generalized trust has little to do with the government’s administrative capacity. Column three demonstrates that the component of confidence in redistribution that is correlated with generalized trust is significantly associated with support for redistributive taxes.

In addition, though, one can ask whether the results in Table 2 are robust to replacing “confidence in redistribution” with “confidence that politicians will fulfill their promises.” This is a pure measure of trust that should not be affected by government capacity, since politicians should not make promises if they know that lack of capacity will make the promises impossible to fulfill. Using confidence that governments will fulfill their promises as the trust variable in the Table 2 regressions yields results that closely mirror to the regressions using “confidence in redistribution.” The magnitudes of the effects are smaller, as might be expected when considering a more general measure of trust in politicians, but the estimates in columns one, two and three continue to be significant (results not reported).

### ***6.3 Trust and Policing***

Public safety is the fundamental task of government and would be expected to suffer in countries with weak incentives to improve the quality of government or that encourage populist appeals to voters. If trust plays a role in shaping the electoral incentives of voters and their willingness to support or tolerate these adverse outcomes, an association should also exist between trust and support for tax-financed policing rather than privately financed security.

In the case of policing, the central question for voters is whether they trust political commitments to turn taxes into better policing, comparable to the measure of confidence that tax revenues raised for the poor will indeed reach the poor. The 2017 IDB-LAPOP survey did not ask narrowly whether respondents believed that revenues from higher taxes would indeed be invested in their security. It did, however, ask about respondent beliefs regarding whether politicians and government officials are likely to obey the law. These beliefs are a reasonable proxy for



respondents' confidence in whether politicians are committed to investing tax revenues to improve security.

Table 3 presents specifications analogous to those of Table 2. Policy preferences in Table 3 are now with respect to higher taxes to invest in security, including police and the judiciary, or lower taxes so that households can invest privately in their own security. Trust is measured using respondents' beliefs that politicians obey the law.

**Table 3. Support for Police Financing, Trust in Government and Trust in Others**

	Base Regression (OLS)	Control for Importance of Pro-Police Policies (OLS)	Generalized trust as instrument (2SLS)	Add Pro- Police Policies to 2SLS
Dependent variable: Support for tax-financed police and judiciary				
TRUST: Believe that politicians obey the law.	0.089*** (0.0001)	0.082*** (0.0004)	0.34*** (0.0008)	0.31*** (0.0030)
Gender of respondent (1=male, 2=female)	-0.054 (0.11)	-0.058* (0.087)	-0.039 (0.22)	-0.042 (0.17)
Household income	0.0078* (0.061)	0.0071* (0.087)	0.0077** (0.046)	0.0071* (0.067)
Patience/discount rate of respondent	0.0050*** (0.0070)	0.0049** (0.011)	0.0046*** (0.0066)	0.0045*** (0.0093)
Importance of policing to solve 3 most important problems of country		0.055*** (0.00001)		0.026 (0.14)
Constant	1.82*** (0.0000)	1.67*** (0.0000)	1.34*** (0.0000)	1.30*** (0.0000)
Observations (28 Clusters)	4418	4401	4399	4383
$R^2$	0.052	0.054		
Kleinbergen-Papp statistic			120.8	104.2

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Data source: IDB-LAPOP 2017 survey.

Notes:  $p$ -values in parentheses based on standard errors clustered by area of the country in which the survey took place (Estrato Primario).  $R^2$  cannot be interpreted as a goodness-of-fit measure for 2SLS specifications and is omitted in columns 3 and 4. All estimations control for country fixed effects (not reported), and for the following variables, all with insignificant coefficients (not reported): age, last year of education, household assets, whether the street in front of respondent's house is paved, the number of minor children (under 18) in the household, whether the respondent has health insurance, whether respondent has a retirement plan, whether household receives government assistance, whether interviewer regards respondent as politically informed, and the gender of the enumerator.

The survey also asked respondents how important the police and justice system are for solving the most pressing issues confronting the country. The column one results indicate a large and significant association of beliefs regarding politician obedience to the law and support for higher taxes to pay for investments in police and judiciary. The magnitude of the association is similar to that reported in Table 2, between support for redistributive taxes and confidence that such revenues would in fact be transferred to the poor.

Column two investigates the possibility that the association in column one is the spurious consequence of the fact that both the trust and policy preference variables are correlated with respondents' beliefs regarding the policies that are most important for solving the country's problems. In fact, as column two demonstrates, belief that the police and justice system are important is a significant correlate of support for higher taxes for security. However, its addition as a control has practically no effect on the association between trust and support for higher taxes.

Whether citizens believe that politicians are law-abiding is a proxy variable and not strictly the same as whether they believe politician promises to invest tax money in security. Column three offers one way to test the trust interpretation of the results in columns one and two. As in the redistribution analysis, generalized trust is used as an instrument for the proxy variable and is highly significant in the first stage regression. Column three reports the results of two-stage least squares estimate of the association between beliefs regarding law-abiding politicians and support for taxes for security.

This estimate reflects only that component of the law-abiding variable that is correlated with generalized trust. This relationship follows from the argument that politician incentives to obey the law are a function of whether they believe citizens will act collectively to sanction politicians who break the law. The estimated coefficient on whether politicians obey the law is three times larger than in column one and highly significant. This supports the trust interpretation given to the column one results.

The estimated coefficient in column three also offers some reassurance that the results are not explained by reverse causation: it is not the case that respondents who are opposed to raising taxes for the police and courts are more likely to believe that politicians do not obey the law. The construction of the dependent variable, which asks respondents to choose between support for higher taxes for police or lower taxes for privately-provided security, also alleviates concerns that

the exclusion restriction does not hold: if generalized trust directly affected the demand for security, it should equally affect both alternatives.

As in Table 2, the last column in Table 3 investigates the identification assumption that generalized trust is independent of the error term. As before, it does so by adding a control for respondent beliefs about the priority policies that the country should follow. The column three estimates are replicated but supplemented with an additional control variable: views regarding the importance of policies to improve police and the courts. The law-obedience variable retains the significance and magnitude from column three; the priority that respondents attach to policies that support the police and courts is no longer a significant determinant of support for higher taxes for the justice sector.

All results in Table 3 are entirely robust to the use of two alternative measures of trust. One, the counterpart of the politician measure of obedience to the law, instead refers to government officials. Since police are themselves government officials, one might therefore expect even less support for higher taxes to pay for security among those respondents who believe that government officials do not obey the law. This is in fact the case: the findings in Table 3 are even stronger when using beliefs about whether government officials are law-abiding. The other possible trust measure is whether citizens believe that politicians fulfill their promises. Again, all the results in Table 3 are robust to the use of this measure.

#### ***6.4 Trust and Education***

Societies devote large sums to the public provision of education. Governments have significant discretion in how they use these funds, particularly whether they use them to improve student learning rather than dissipate them in the form of rents for other actors in the system. Low-quality and populist governments are more likely to permit dissipation. Hence, as with expenditures on security and redistribution, citizen trust in government should play a large role in whether citizens prefer higher taxes to fund the state provision of education or lower taxes to allow households to acquire education privately.

Again, the 2017 IDB-LAPOP survey offers convenient questions to investigate the issue. First, it asks respondents to express their preference between the higher tax/public education option and the lower tax/private provision option. Second, it asks them how important they think education is for responding to the most difficult problems the country faces. As with security, there

is no question that asks specifically whether the respondent trusts government to convert tax revenues into education spending. Instead, therefore, the analysis in this section utilizes respondent beliefs about whether politicians fulfill their promises.

**Table 4. Support for Education Financing, Trust in Government and Trust in Others**

	Base regression (OLS)	Control Importance Pro-Education Policies	for of trust instrument (2SLS)	Add Education Policies to 2SLS	Pro-
Dependent variable: support for tax-financed public education					
TRUST: Belief that politicians fulfill their promises	0.046* (0.058)	0.045* (0.058)	0.35*** (0.0056)	0.35*** (0.0057)	
Gender of respondent (1=male, 2=female)	-0.084** (0.020)	-0.085** (0.021)	-0.078** (0.036)	-0.078** (0.039)	
Age of respondent	-0.0019* (0.086)	-0.0019* (0.090)	-0.0012 (0.25)	-0.0012 (0.27)	
Index of household assets	0.29** (0.018)	0.30** (0.017)	0.17 (0.19)	0.17 (0.20)	
Importance of education to solve three most important problems of the country		0.0067 (0.79)		-0.011 (0.67)	
Constant	1.45*** (0.0000)	1.42*** (0.0000)	0.81** (0.017)	0.84** (0.013)	
Observations (28 Clusters)	4487	4483	4467	4463	
$R^2$	0.049	0.049			
Kleinbergen-Papp statistic			89.8	87.4	

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

*Data source:* IDB-LAPOP 2017 survey.

*Note:*  $p$ -values in parentheses based on standard errors clustered by area of the country in which the survey took place (Estrato Primario).  $R^2$  cannot be interpreted as a goodness-of-fit measure for 2SLS specifications and is omitted in columns 3 and 4. All estimations control for country fixed effects (not reported). All estimations control for the following variables, all with insignificant coefficients (not reported): last year of completed education, whether the street in front of respondent's house is paved, the number of minor children (under 18) in the household, the income range of the household, whether respondent has a retirement plan, whether household receives government assistance, whether interviewer regards respondent as politically informed, the patience score (discount rate) calculated from responses to the discrete choice questions, and the gender of the enumerator.

Table 4 above repeats the earlier analyses in Tables 2 and 3, differing only in the use of the trust and policy preference variables that are more relevant for education provision. Confidence that politicians will fulfill their promises is significantly associated with a preference for higher taxes to finance education in the first column, an association that is essentially unchanged after controlling for beliefs about the importance of education for solving the country's problems.<sup>13</sup> As

<sup>13</sup> However, the addition of this control is less instructive than in the cases of redistribution and security since there is

in the previous cases, the component of trust in politicians that is explained by generalized trust has a large and significant effect on support for education financing, as the two-stage least square estimates in the third and fourth columns indicate.

Private education in Latin America is pervasive, and the poor are significantly over-represented among public school students. Another reasonable measure of trust, therefore, is the one used for redistribution: whether respondents believe that taxes raised for the poor will reach the poor. All the results in Table 4 are robust to using this alternative variable.

## 7. Conclusion

This paper makes three contributions to the literature. First, through a systematic review of the literature on the quality of government and populism, it identifies fundamental similarities between two important phenomena that are the focus of two distinct bodies of research. Second, it presents the new argument that low social trust, by hindering citizen collective action, leads to the emergence of low-quality government and populism. When they cannot act collectively, they cannot punish politicians who break their promises and therefore cannot trust those politicians to keep their promises.

Third, through the analysis of new data from a 2017 survey of Latin Americans, we show how low social trust—citizens’ low trust in each other—is a key obstacle to collective action; therefore strongly associated with low political trust; and, finally, that low political trust strongly affects support for policies that are incompatible with the quality of government and consistent with populism.

This paper raises many questions for future research, especially related to the need for more evidence regarding the direct effects of social trust on voter collective action, the role of political parties in solving problems of trust, and the effects of political trust on support for democratic institutions, a central feature of definitions of the quality of government and populism. Documenting the mechanisms through which high social trust leads to greater support for institutions that ensure impartiality remains an important area for future research into the determinants of the quality of government.

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much less variation: 93.5 percent of respondents say that education is very important, compared to 67 percent of respondents regarding the importance of policing and 60 percent regarding the importance of aid to the poor.

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