

## Where trust matters most: subjective well-being, trust in institutions and income inequality

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### ABSTRACT

This paper offers new insights into the relationship between trust in institutions and individuals' subjective well-being (SWB) by acknowledging that institutional trust reflects not only the individuals' rational evaluation about how institutions are functioning but also individuals' beliefs. To better capture these beliefs and expectations, we use an individual-level measure of overall trust in national institutions.

Based on the literature review and the arguments presented, we test the following two hypotheses: Overall trust in national institutions is positively associated with subjective well-being (H1) and the relationship between trust in national institutions and subjective well-being varies across countries (H2). We further explore whether income inequality strengthens or weakens the relationship between institutional trust and SWB. Regarding the moderating role of income inequality, we propose the hypothesis: the relationship between trust in national institutions and subjective well-being is stronger the higher the level of income inequality (H3). Given the clustered data structure (individuals nested within countries), we used multilevel regression analyses. We followed a stepwise model building process where we started with the simplest model and then moved to the more complex models of interest. One of the aims was to examine a cross-level interaction between the contextual variable income inequality and the individual-level variable trust in national institutions as this speaks to whether the strength of the trust-SWB link depended on the countries' level of inequality.

We used data from 21 countries which participated in round 8 of the European Social Survey (ESS) but complemented our sample with data for countries which did not participate in that particular wave (in the case of Denmark, we used data from wave 7 because there is no data available for wave 9 yet, and for Bulgaria, Cyprus and Serbia we used data from wave 9 because these countries did not participate in waves 7 or 8). We focus on European countries to avoid the potential problems associated with having too culturally diverse contexts in the analysis.

As a measure of SWB we use an index often used that is composed of a cognitive component (life satisfaction) and an emotional component (happiness or emotional well-being),

each having the same global importance. The specific variables used were: two 11-point answering scaled items that ask respondents “All things considered, how satisfied are you with your life as a whole nowadays?” (0 = “extremely dissatisfied” to 10 = “extremely satisfied”) and “Taking all things together, how happy you say you are” (0 = “extremely unhappy” to 10 = “extremely happy”). The inter-item correlation was significant at  $p < .001$  for all countries and satisfactory ranging from 0.569 (Portugal) to 0.758 (Netherlands). The Cronbach's alpha value is 0.8320, which is a good internal consistency. Hence, we computed an overall index of subjective well-being by averaging the scores on these two variables (Mean= 7.247; SD=1.889). The overall trust in national institutions is the mean rating of five associated items: "... please tell me on a score of 0-10 how much you personally trust each of the institutions I read out: (1) National Parliament; (2) Legal System; (3) Police; (4) Politicians; (5) Political Parties". Although trust in the European Parliament or the United Nations are also items related to trust in institutions, they were not included given our focus on national institutions. The items are evaluated on a 11-point answering scale (0="no trust" to 10="total trust"). A variable "trust in institutions" was created calculating the mean rating of all five items (Mean=4.709; SD=2.109). The Cronbach's alpha value is 0.895, which is a good internal consistency.

The Multilevel regression analyses shows trust in national institutions to be a significant and positive predictor of SWB, thereby confirming our hypothesis H1. We also find that there is considerable variation across countries in the individual-level association with SWB which lends support for H2. Finally, the Multilevel regression analyses confirm a significant and strong cross-level interaction. The results are in line with the theory of the Belief in a Just World: the relationship between overall institutional trust and SWB is stronger for countries with higher income inequality compared to those with lower inequality. This protective role of institutional trust raises challenging questions about the legitimization of the status quo.

Our results are particularly interesting given the trends that lately have been observed in our societies. If trust in institutions is more important for the SWB of the individuals in a context of income inequality, and within-countries inequality is rising, namely labor income inequality, trust in institutions should become ever more important. However, if institutional trust at the societal level continues its downward trend (OECD 2017), individuals may lose ‘faith’ that institutions serve their interests and help them achieving what they think they deserve. In that case, either their well-being will be under threat or they may turn to other

sources of security. Up until now, distrust in institutions, namely political institutions, has not endangered the support for the democratic regime itself (van der Meer 2017). However, institutional distrust may have negative effects in its quality and lead to the surge of populism (Pereira et al. 2019). In a study on the determinants of populism in Europe, Inglehart & Norris (2016) suggest that the rise of populist parties is essentially a backlash against the cultural changes that put into question the basic and traditional values of Western societies and generates “a deep mistrust of the ‘establishment’” (p. 30). That is consistent with what we said above: if trust in institutions loses its protective role, then for the sake of their well-being, individuals may endorse populists and transfer to them the belief in a just world. Putting it in a different way, if in a context of inequality people start discrediting the democratic institutions, social darwinism may push them towards more extreme ideologies (Rudman & Saud 2020). In order to avoid this, and at the same time avoid the ‘delusional trap’, it seems paramount to improve the quality of institutions thereby increasing institutional trust via its cognitive dimension. This would allow for a virtuous circle: democratic institutions would continue contributing to SWB which, in turn, would contribute to the survival of those institutions and to a better functioning of societies

**Keywords:** subjective well-being, institutional trust, income inequality, belief in a just world, European Social Survey