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# The trust-eroding effect of perceived inequality: Evidence from East Asian new democracies

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### ABSTRACT

This paper examines the effect of citizens' perceived salience of inequality on political trust in East Asian new democracies. The link between inequality and trust in new democracies has yet to receive appropriate attention in empirical research. We argue that citizens' perceived salience of inequality has a trust-eroding effect where increasing inequality is a politically salient issue and there is a norm of fairness among the citizenry. When citizens perceive that the government and political elites are responding to the citizens' demand for fair shares, citizens' political trust increases. Our analysis of the 2006 *Asia Barometer* data finds that perceived salience of inequality has a negative effect on political trust among the citizens in Taiwan, but not in Korea. Our results suggest that the political salience of inequality on citizens' minds is of crucial importance for political trust and political consequences of inequality has to do with the pace of rising inequality and the norms of distributive justice.

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## 1. Introduction

Studies of political trust emphasize its importance for democratic governance. Citizens' trust in political institutions is well known to have crucial consequences including, but not limited to, political participation and regime legitimacy (Levi & Stoker, 2000; Newton & Norris, 2000; Solt, 2008).<sup>2</sup> When citizens have higher levels of political trust, they are more likely to hold the values that are deemed to be important for democratic politics, tend to feel efficacious

and are likely to believe that their participation makes a difference (Jamal & Noorudin, 2010). Particularly in newly emerging democracies, the consequences of low trust in political institutions are more far-reaching than in established democracies. Regime instability, such as democratic breakdown and authoritarian reversal, can be caused from lower levels of citizens' trust in democratic political institutions (Houle, 2009; Karl, 2000). Social trust and trust in political institutions are also related to economic growth (Alesina & Ferrara, 2005; Touchton, 2015). Studies also find that in countries where ethnic fractionalization is high, levels of trust tend to be low and economic growth is stagnant (Alesina, Devleeschauwer, Easterly, Kurlat, & Wacziarg, 2003; Fearon & Laitin, 2003).

Income inequality is known to lead to political and social instability, as well as various forms of social illness such as health inequality, divorce, suicide, and school dropouts, etc. (Anderson & Beramendi, 2008; Lichbach, 1990; Muller & Seligson, 1987). Against this backdrop, recent studies on the political economy of political trust attempt to

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<sup>2</sup> Throughout the paper, we use the term political trust and trust in political institutions interchangeably.

establish a causal link between inequality and trust in political institutions. Studies suggest that higher levels of political trust in small states in Europe are associated with the inclusive politics manifested by corporatist arrangements and the welfare state (Katzenstein, 2000). Also, studies indicate that the equality of distribution of resources and the equality of opportunity lead to higher levels of political trust as well as generalized trust among citizens (Linde, 2012; Rothstein, 2005; Rothstein & Uslaner, 2005; Rothstein & Stolle, 2008). Rising inequality appears to be a uniform phenomenon not only across advanced democracies but also around the globe (Kenworthy & Pontusson, 2005). What matters from the citizens' perspective is how the government responds and rectifies inegalitarian outcomes. Interestingly, more egalitarian countries show higher levels of generalized trust, as well as trust in political institutions, than inegalitarian countries do (Rothstein & Uslaner, 2005).

Like these literatures on the political economy of trust in political institutions, this paper explores how income inequality is associated with political trust among the citizenry. However, this study differs from the existing studies both theoretically and empirically. Firstly, we examine the effect of perceived salience of income inequality on citizens' political trust. We contend that both objective distribution of income in the society and subjective perceptions of inequality have political consequences alike. But, more importantly, we argue that income inequality has a trust-eroding effect when the issue of inequality is politically salient and the idea of fair shares is prevalent in citizens' minds. Citizens' perceptions matter. And the issue salience of inequality matters as well. Combining insights from the political economy literature (Katzenstein, 2000; Rothstein & Uslaner, 2005) and social psychological literature on the perceptions of fairness and system justification (Heady, 1991; Jost, Pelham, Sheldon, & Sullivan, 2003; Wegener, 1987), we posit that the political consequences of inequality may be pronounced only when certain contexts render the issue of inequality and distributive justice prevail among the citizenry. As will be clearer below, our theory provides conditions under which perceived inequality exerts an effect on political trust. Countries where those conditions are not met, it is unlikely to find a link between the perceived inequality and trust in political institutions.

Secondly, we explore the effect of perceived salience of inequality in the East Asian new democracies. The link between the perceived inequality and political trust in new democracies has yet to receive the appropriate attention in empirical research. Given the profound importance of the inequality effect on political trust in advanced democracies (Rothstein & Uslaner, 2005; Uslaner, 2008), it is interesting to examine whether and to what extent the findings can be generalized to new democracies. In this paper we examine the two emerging democracies in East Asia—South Korea (henceforth Korea) and Taiwan. Exploring the link between citizens' perceived salience of inequality and political trust in the East Asian context is interesting, and we posit that East Asian new democracies represent a 'crucial case' for the study of the link between the perceived inequality and political trust. The scope of our analysis is restricted to the two new democracies in East Asia, excluding other

Asian countries such as Indonesia, the Philippines, and Mongolia. Our comparative study of Korea and Taiwan is based on a most similar systems design (Przeworski & Tuene, 1971). Both Korea and Taiwan are emergent democracies, wealthier and more industrialized than other countries in the region, and feature relatively low levels of inequality. Also, much research on growth-oriented economic policies and the political competition cultivated on patron-client relations in East Asia points to a competing argument that casts reasonable doubt on the culpability of income inequality (Deyo, 1992). Given these similarities across the two countries, it is puzzling to find a difference in the link between perceived inequality and political trust. Our explanation for different outcomes among otherwise similar cases lies in the *pace* of inequality, which in turn leads to different levels of political salience across the two countries. Accordingly, testing our theory of conditions under which the link between perceived inequality and political trust may reveal cross-national differences within the region. We conjecture that the effect of the perceived inequality on political trust would be more pronounced where inequality is fast rising and the norms of distributive justice is prevalent in the society.

To anticipate, our analysis of the 2006 *Asia Barometer* data suggests cross-national differences between the two East Asian new democracies. We find that a trust-eroding effect of perceived salience of inequality is pronounced in Taiwan, but not in Korea. The results suggest that the trust-eroding effect of citizens' perceptions of inequality can be conditional upon cross-national differences shaped by the contexts of political salience in the society and the norm of distributive justice among the citizenry.

The rest of the paper proceeds as follows. In the next section we provide a theoretical framework about the link between perceived salience of inequality and political trust. We then describe the East Asian context. We then provide the measurement of variables and empirical specification, followed by a discussion of the results. The final section concludes with several implications.

## 2. Perceived salience of inequality and political trust

The nature of the relationship between income inequality and citizens' political trust is the subject of considerable debate. On the one hand, income inequality in the society does not necessarily lead proportionally to citizens' perceptions of inequality. Citizens' perceptions may be affected by, for instance, their income, policy preferences, or ideological prior. It is also likely that political salience of inequality in the society may render citizens' perceived inequality differing from the objective distribution of income. Accordingly, it is necessary to take into account the link that leads the distribution of income in the society to income inequality in citizens' minds and perceptions. On the other hand, political engagement of the citizenry is likely to increase when citizens have higher levels of trust in political institutions. Trusting people tend to feel more politically efficacious and to participate more (Merien & Hooghe, 2011; Solt, 2008). Therefore, it is important to

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