

Trust in Spanish Governments: Antecedents and Consequences

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Abstract: We used the Fiscal Observatory Survey of the University of Murcia (2007) to examine the antecedents of trust in the Spanish government (at city, regional and state levels). We found that the main drivers of trust are individuals' perception of the government's performance and the socio-economic environment in which they live. Regarding the consequences, we tested a variant of the rule compliance hypothesis: the higher the trust in the government, the higher the citizens' fiscal awareness, meaning individuals are more conscious of their fiscal obligations and more intransigent on fiscal fraud. Our results suggest that trust levels shape tax awareness, producing virtuous or vicious loops.

I. INTRODUCTION

There is a large body of literature showing that trust and social capital, understood as trust, social norms and codes, are critical ingredients in the economic welfare recipe (Beugelsdijk and Van Schaik 2001, Fukuyama 1995, La Porta *et al.* 1997, Dasgupta 2000, Gambetta 2000, Durlauf and Fafchamps 2004, Keefer and Knack 1997). More specifically, recent research suggests that citizens' trust in their governments improves government's performance. This is presumably due to the fact that trust is associated with a higher participation of citizens and thereby with a higher accountability of government officers, with a decrease in polarization,

more likelihood of achieving agreements, and more social-oriented preferences of individuals (Knack and Zack 2003, King *et al.* 2002, Boix and Posner 1998).

In this paper, we examine the antecedents or determinants of trust in all three Spanish government systems (city, autonomous community and state) by conducting the Fiscal Observatory Survey of the University of Murcia (2007), FOSUM. Regarding the antecedents, we test the hypothesis that assumes that the main drivers of trust are both citizens' perception of government's performance, and the objective performance of the economic and social context in which they live. With regard to the consequences, we test the Boix and Posner (1998) rule compliance hypothesis which proposes that the higher the trust, the likelier are the agents to obey the rules. In our case, we test this hypothesis for the case of fiscal rules or what we define as fiscal awareness (Hasseldine and Kaplan 1992), which encompasses fiscal ethics and fiscal morale.

In this study, we deal with the compliance of fiscal rules by using the construct of fiscal awareness instead of fiscal morale. We agree with Torgler (2005) and Cummings *et al.* (2009) on the fact that it consists in the "intrinsic motivation to pay taxes" and that it arises from the moral obligation to pay taxes as a contribution to society" (Cummings *et al.* 2009). But this is why we distinguish between individual awareness "fiscal awareness" and the collective morale "tax morale". It also includes the reflective knowledge of individuals and their assessment of public revenues and expenditure considering their correct compliance with the tax system (Alarcón, Martínez and Quiñones 2007).

Following this line, our work extends previous studies concerning the Spanish case, mainly by Torgler and Schneider (2007), Alm and Gómez (2008) and Martinez-Vazquez and Torgler (2009). In this paper their hypotheses are tested by means of a new survey exclusively designed to tackle fiscal awareness among Spaniards using the same data as M^a Dolores *et al.* (2010). Besides, a psychosocial concept of tax compliance as part of fiscal awareness is applied (James, Murphy and Reinhart 2005), and the idiosyncratic and context drivers of trust in governments are carefully tested in the Spanish context.

In accordance with the view initiated by Torgler and Murphy (2004) and Torgler and Schneider (2005), our study aims to examine the elements that form the fiscal awareness. In this case, we focus on proving that trust in government is one of these constitutive elements and may have a multiplying effect on tax awareness.

II. TRUST IN GOVERNMENTS: A BRIEF SURVEY

Trust is especially important in government's performance. La Porta (1997) proved that a high level of trust is associated with high indexes of government efficiency and public servants' honesty. In a more detailed work, Knack (2000) found a significantly positive relation between citizens' trust in governments and government's performance using objective measures of performance based on administrative audits.

Why should we expect trust to improve public performance? Putnam (1993) and Knack (2000) proposed three mechanisms that explained this relation. They argued that trust encourages civic participation and this makes public officers more accountable, which Boix and Posner (1998) call *the rational voters* and *the competitive elites effect*. This is because, in countries

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