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## The Role of Public Trust in People's Subjective Well-Being

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## The Role of Public Trust in People's Subjective Well-Being

### Abstract

Kenneth Arrow, perhaps the most influential economist after John Maynard Keynes in the 20th century, viewed trust as a lubricant that fosters cooperative behaviour and thus facilitates mutually advantageous economic exchanges in the presence of incomplete contracts and imperfect information. Recent research has confirmed the beneficial effects of trust in government on economic performance. The obverse, that an erosion of trust in public institutions (state, judiciary and police) has deleterious effects on economic performance, is equally true. Various recent accounts do not just corroborate an erosion of trust in governance, but also point to the imperative of strengthening it to break out of the deep recession that India's economy is in. The fiscal stimulus has been too little, too late.

### Keywords

public trust, India, public institutions, India Human Development Survey, economic well-being

### Disciplines

Demography, Population, and Ecology | Economics | Law and Society | Social and Behavioral Sciences | Sociology

# The role of public trust in people's subjective well-being



Photo: Mint, 14 April, 2021

**Vani S. Kulkarni, Raghav Gaiha**

Confidence in governance matters to our lives and recent instances of its erosion are a cause for worry

Kenneth Arrow, perhaps the most influential economist after John Maynard Keynes in the 20th century, viewed trust as a lubricant that fosters cooperative behaviour and thus facilitates mutually advantageous economic exchanges in the presence of incomplete contracts and imperfect information. Recent research has confirmed the beneficial effects of trust in government on economic performance. The obverse, that an erosion of trust in public institutions (state, judiciary and police) has deleterious effects on economic performance, is equally true. Various recent accounts do not just corroborate an erosion of trust in governance, but also point to the imperative of strengthening it to break out of the deep recession that India's economy is in. The fiscal stimulus has been too little, too late. Our objective is not to pursue this line of investigation—this serves as the backdrop—but to argue that erosion of trust in public institutions, especially state governments, has serious consequences. It results in a loss of subjective well-being. We do so in two stages. First, we examine the relationship between

subjective well-being and trust. Next, we focus on whether there was an erosion of trust in public institutions and its implications for well-being. Constrained by lack of recent data, we rely on two rounds of all-India panel-survey reported in India Human Development Survey 2015 (IHDS). The first round covers 2005 and the second 2012. Apart from being an all-India panel survey, its unique feature is that it asked questions on changes in subjective economic well-being (SWB).

Compared to seven years ago (2005), it asked, would you say your household is economically doing the same, better or worse today (2012)? So, the focus of this SWB is narrow. Yet, as it is based on self-reports, it captures a broader view, one that is also influenced by factors other than income, assets and employment, such as caste, health, and affiliation to social networks. Another unique feature is its focus on trust in public institutions. Trust is measured through three grades of confidence: hardly any confidence, only some confidence and a great deal of confidence.

At the all-India level, there was considerable lack of trust in state governments on looking after people in 2005, with just under 30% of households reporting a great deal of confidence. Among them, while the majority felt just the same, a high proportion felt better-off in 2012. Among those with hardly any confidence, a much larger majority felt just the same, and a considerably lower proportion was better-off. Even though the contrast is not so striking, the association between SWB and the level of confidence in state governments is moderate.

Although the judiciary is autonomous, its role in delivering justice fairly and promptly has become more controversial in recent years. A majority of households displayed a great deal of confidence in the judiciary, while a small proportion expressed hardly any confidence. Among those with a great deal of confidence, the majority remained just the same, but a high proportion felt better-off. In contrast, among those with hardly any confidence, a much higher majority felt just the same while a markedly lower proportion felt better-off. These comparisons suggest that the association between SWB and confidence in the judiciary is moderately high. Justice delivery and the police are interlinked, as the latter are responsible for law enforcement. To the extent that criminalization of politics manifests itself in corruption observed in both, trust in these institutions is likely to be systemic.

A striking contrast with perceptions of the judiciary, a very small proportion of households (barely 16%) displayed a great deal of confidence in police, with a vast majority lacking confidence in its ability to maintain law and order. Among those with a great deal of confidence, the majority felt just the same, and a high proportion felt better-off. Among those with hardly any confidence, a slightly higher majority felt just the same, and a lower proportion felt better-off. Thus, the association between SWB and trust in the police is less than moderate.

What is, however, necessary to emphasize is that our statistical analysis, which controls for confounding factors (such as income, caste, religion, social networks), confirms that these associations vary in strength but are significant. Trust matters for well-being.

Trust in state governments rose between 2005 and 2012. The proportion of those with a great deal of confidence rose, while that of those with hardly any confidence fell. Confidence in the judiciary rose too; the proportion of those with a great deal of confidence rose somewhat sharply, while those with hardly any confidence nearly halved. Confidence in the police's ability to enforce law rose, while the proportion of those with a great deal of confidence rose slightly; those with only some confidence rose markedly; and those with hardly any confidence dropped considerably. So, if our analysis has any validity, and trust in public institutions rose, SWB is likely to rise. But several recent accounts of erosion of trust in governance are worrying for precisely this reason.

Although prospects may seem grim, much can be done. A renewed focus on trust in government can bring a new perspective to public governance, enhancing the role of citizens. However, the government needs to be more inclusive, transparent, receptive and efficient. This is easier said than done. But growing awareness among citizens offers a ray of hope.

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