



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 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).² 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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² 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

understand how citizens' perceptions of inequality affect their levels of political trust.

Several mechanisms that link citizens' perceptions of income inequality and political trust are suggested in the literature. Many of the studies emphasize the role of the distribution of resources and the equality of opportunity in making citizens trust in governmental institutions. Specific mechanisms differ, however. Firstly, the equality in the distribution of resources and the equality of opportunity bring about the sense of social solidarity among the mass public. In turn, this leads to higher levels of trust in governmental institutions (Rothstein & Uslaner, 2005). In contrast to inegalitarian societies where in-group trust is high yet generalized trust is low, egalitarian societies cultivate the sense of solidarity in a broader sense that yields higher levels of trust. Unequal societies, Rothstein and Uslaner (2005) write, "find themselves trapped in a continuous cycle of inequality with low trust in others and in governmental institutions and policies that do little to reduce the gap between the rich and the poor and to create a sense of equal opportunity" (p. 71).

Secondly, while Rothstein and Uslaner (2005) focus on the sense of social solidarity as a causal link between perceived inequality and trust, some studies suggest political efficacy as a mechanism that leads from perceptions of inequality to trust. In his study of political trust in small European countries, Katzenstein (2000) argues that the government's efforts in providing social protection and universal programs, such as public education and health care, as well as the politics of inclusion such as corporatist arrangements are associated with higher levels of political trust. Put differently, the welfare state and corporatism lead to citizen trust in governmental institutions (Kumlin & Rothstein, 2005). This argument implies that the government's social policies that are responsive to citizens' interests and demands for fairer distribution of income would render higher levels of political trust among citizens. To the extent that citizens see the government being responsive to their demands for and interests in the public provision of social welfare, citizens are likely to have higher levels of political efficacy. Higher levels of political efficacy, in turn, lead to higher levels of participation as well as higher levels of political trust (Solt, 2008). This is in line with Touchton's analysis of South East Asian countries (2015), which shows that increasing the barriers to entry in the marketplace lowers perceptions of the rule of law.

Thirdly, studies find that income inequality leads to political inequality (Bartels, 2008; Gilens, 2005). Bartels (2008) shows that political representatives in the United States disproportionately respond to the interest of upper income group in their districts. In a similar vein, Gilens (2005) finds that democratic responsiveness varies by income scale; that is, the voice of the rich gets heard, whereas that of the poor does not. These arguments imply that rising inequality pushes democratic politics away from what Dahl (1971) suggests is the key to democracy: the government treating demands and preferences of citizens equally. From the citizens' perspective, when the government and political institutions treat citizens differently across social strata, it is hardly likely that citizens have higher levels of trust in political institutions.

Drawing from these studies, we suggest a link between the perceived inequality and political trust. We should expect that the perceived salience of income inequality is associated with lower levels of political trust.

H1. The perceived salience of inequality is likely to be associated with lower levels of trust in political institutions.

Would the link between perceived inequality and political trust be observed regardless of contextual differences? Citizens' perceived inequality is closely related with the issue salience of inequality in the society. It is reasonable to think that the political salience of inequality originates from various sources. Politicians and parties may mobilize the issue of income inequality with the goal of maximizing votes. Or, rapidly increasing inequality, i.e., not only levels of inequality but also the pace of inequality may cause the issue salience and relative importance of income inequality as a policy problem. Inequality in outcomes as well as inequality in opportunities causes a less sense of solidarity as well as a lower level of political efficacy among the citizens. This effect is likely to be more pronounced when the political salience of inequality is high than under the context of lower political salience of inequality.

We suggest several conditions under which we may or may not find an association between the perceived inequality and trust in political institutions. Firstly, it is reasonable to think that rapidly rising inequality in a country may be more politically salient than persistently high inequality in another country. One can conjecture that the issue salience of income inequality is likely to be more pronounced in countries where inequality is rapidly rising than in countries where the pace of increases in inequality is relatively slower. The pace of rising inequality is closely related to political salience of inequality, and the issue salience of inequality would be expected to affect whether citizens' perceived inequality may be associated with trust in political institutions. Yet party politics in new democracies differs from advanced democracies. Parties in nascent democracies tend to compete for voters through patron-client relationships rather than through partisan policy programs (Hagopian, 2009). Parties and candidates cultivate personal votes by providing pork barrel projects to their targeted constituencies (Kwon, 2005). This leads to less programmatic parties and underdevelopment of party politics linked with socioeconomic constituencies. When parties do not compete on policy programs and when party politics does not revolve around the left-right policy dimension, it is less likely that the issue of inequality becomes a major part of the political agenda.

Secondly, citizens' level of political trust may be determined more by government economic performance than distributive outcomes. To the extent that the government performance-based assessments are heavily dominant in political discourse and widespread among citizens, perceived inequality is not likely to exert influence on citizens' political behavior, as well as trust in political institutions. In this case, growth-oriented economic policies and the anticipation of 'trickle-down' effect may have become widely accepted among the mass public. Studies on the political economy of East Asia imply that the link between perceived inequality and political trust might

be much less pronounced or even absent. The objective of economic development is known to have dominated public policies in the region. The state has been understood as guiding and planning the economy in East Asia (Johnson, 1982). The ‘developmental state’ in Korea and Japan put a strong focus on economic growth, while putting much less emphasis on the issue of fair shares in distributive outcomes. Many studies on the ‘small’ Korean welfare state and little redistribution emphasize the role of path-dependence going back to the developmental state ideology of ‘growth-first’ in the 1960s and 1970s (cf. White & Goodman, 1998). Consequently, the issue of inequality is less salient than the issue of development and economic growth. This may lead to less pronounced effects of perceived salience of inequality on political trust.

Thirdly, and related, the idea of distributive justice may be of importance in linking perceptions of inequality and political trust. Citizens in a political system based on the norm of political and economic fairness can connect in their minds inequality and political trust. Social-psychological literature may provide insights on cross-national differences in linking perceived inequality and political trust. Most importantly, Jost and his coauthors (Jost et al., 2003) suggest system justification theory, which refers to psychological processes contributing to the preservation of existing social arrangements even at the expense of personal and group interest. According to their system justification theory, members of disadvantaged groups “embrace the status quo because they want to perceive the system as legitimate” (Jost et al., 2003, 15). Combining their system justification theory with cognitive dissonance theory, they effectively suggest that social inequality has the capacity to create ideological dissonance, and enhanced system justification may be one strategy for resolving such dissonance (Jost et al., 2003, 16). For instance, Alesina and Angeletos (2005) suggest that differences in citizen perception are crucial in explaining differences in social policy preferences. It is also related to the notion of social fairness or social justice in citizens’ minds. For example, Heady (1991) shows that a normative standard of equality distorts perceptions of distributive outcomes when he analyzed the Australian surveys and suggests that the low salience of distributive justice issue and people’s desire to feel satisfied with their own economic lot and with the political-economic system in which they live may explain such a phenomenon. In a similar vein, Roh’s (2013) analysis of 1996 World Values Survey suggest that the proportion of Korean respondents who think that ‘those who live in need are poor because of laziness and lack of will power’ (as opposed to ‘they are poor because society treats them unfairly’) were 50%, as compared to 60% of Americans and 22% of Europeans.

It should be noted that perceptions are not completely exogenous. It could be historical contingencies or cultural uniqueness that renders different perceptions of inequality and the notion of fairness. What matters for the purpose of this study, however, is the effect of perceived inequality on political trust is likely to be related to the norms of distributive justice among the citizens. It seems reasonable to conjecture that a strong norm of distributive justice in the society is likely to lead to the trust-eroding

effect of perceived salience of inequality, whereas a strong notion of economic growth and system justification in the society renders a corrosive effect of perceived salience of inequality absent. Drawing from the above discussions, we can suggest conditions under which citizens’ perception of inequality leads to trust in political institutions.

H2. The perceived inequality is more likely to be associated with lower levels of trust in political institution where the inequality issue is politically salient and a norm of distributive justice is prevalent among the citizens.

In the following sections, we examine the effect of perceived inequality on political trust in East Asian new democracies. Before we engage in systematic analysis, it is a description of the East Asian context to which we now turn.

3. Perceived inequality and political trust: the East Asian context

The literature on the political economy of less developed countries has pointed out that Korea and Taiwan have achieved rapid economic development combined with relatively egalitarian income distribution (e.g., Haggard & Kaufman, 2008). To promote the combination of high growth and equity, East Asian countries pursued specific policies such as pro-investment (rather than anti-inflationary) macroeconomic policy, strict control of foreign direct investment (FDI), the integrated pursuit of infant industry protection, and export promotion. However, since the 1990s, both countries have experienced rapidly increasing income inequality.

What are the trends in inequality in the two East Asian new democracies? Fig. 1 presents trends in inequality measured by post-tax and post-transfer household income Gini coefficient in Korea and Taiwan. Fig. 1 shows, in both countries increasing trends of income inequality, albeit some fluctuation, over time. In Korea the Gini coefficient was the lowest (0.271–0.273) for the years 1992–1994. Since then, the Gini coefficient has increased, especially with the impact of the 1997 Asian financial crisis, reaching 0.297 in 1999. The trend of rising inequality is more prominent in Taiwan than in Korea. The Taiwanese data reveal that the Gini coefficient has continuously increased from 0.30 in 1989 to 0.342 in 2010. In particular, the year 2001 recorded the most accelerated increase in income inequality. The Gini coefficient in 2001 was 0.35. It is possible that a post-impact of the Asian financial crisis affected the country in 2001, which resulted in an exacerbated distribution of income in the society. Fig. 1 clearly suggests two points. First, income inequality has increased over time in both countries. Secondly, at least since 1989, Taiwan shows a more inegalitarian distribution of income than does Korea. Put differently, the pace of rising inequality is much faster in Taiwan than in Korea.³

³ Though not presented here, trends of post-tax and post-transfer 80-20 ratio, which shows the distribution of disposable wages and salaries among full-time workers, after taking into account taxation and government transfers show a similar pattern across the two countries.

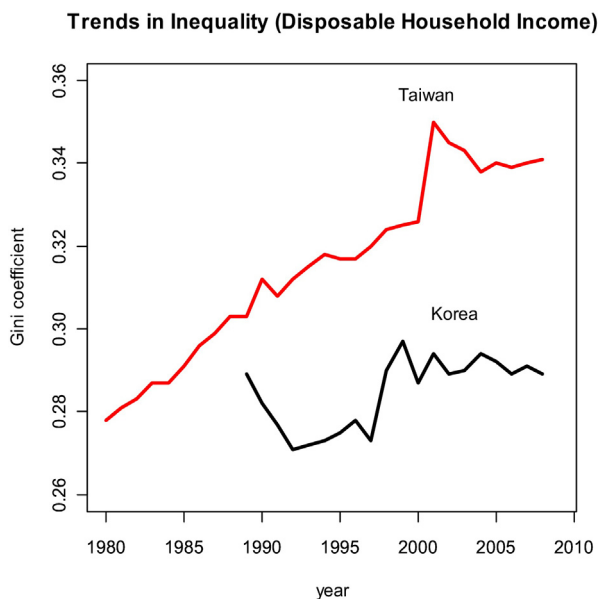


Fig. 1. Trends in income inequality in South Korea and Taiwan (Gini coefficient).

Source: National Statistical Office of Korea (www.nso.go.kr, accessed December 11, 2014), *Report on the Survey of Family Income and Expenditure, 2008*, Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, Republic of China.

Though Korea and Taiwan share the path of rapid economic development under the ‘developmental state’, there are differences across the two countries as well, including, but not limited to, industrial structure. For the purpose of this study, it is important to explore how citizens in the two countries perceive and evaluate economic growth as a policy goal. We contend that the importance of economic growth and prosperity is more deeply and widely embedded among Koreans than Taiwanese.⁴ A study of *Korean Democracy Barometer 2010* shows that 48.9% of Korean respondents answer that ‘economic development is more important than democratization’, while only 16.7% answer that ‘democratization is more important than economic development.’ 34.4% of the respondents say that ‘both economic development and democratization are important’ (Jhee, 2013, 42). Korean citizens clearly tend to prioritize economic development, more than democratic development, as the most important national agenda. When we analyze the *East Asia Barometer 2011* data, using the question “what are the most important problems facing this country that government should address?”, 43.1% of the Korean respondents pick ‘management of the economy’, while 20.5% of the Taiwanese respondents answer ‘management of the economy.’ Also, an analysis using a Korea-Taiwan cross-national survey, *Ten Years after Financial Crisis: Korea and Taiwan*, shows that 62.9% of the Korean respondents choose ‘economic growth and affluence’ as the first choice of the “image of capitalism”, while 26.5% of the Taiwan respondents choose ‘economic

growth and affluence.’ Interestingly, 26.9% of the Taiwanese respondents answer that ‘economic inequalities’ is the first choice as the image of capitalism, while only 13.4% of the Korean citizens choose it (Jang, 2012).

A set of empirical evidence points to the fact that economic development and growth are more widely embedded in Korean citizens’ minds than their Taiwanese counterparts. Also, we can see that Taiwanese citizens perceive the issue of inequalities to be important more than their Korean counterparts. Moreover, the electoral competition in Korea and Taiwan shows different emphasis in politically salient issue. Many studies of Korean electoral politics suggest that economic growth and the management of national economy are the most important issue in most of the elections held in the country (e.g., Kwon, 2010). By a sharp contrast, economic growth and prosperity are only the third among partisan competition issues for KMT and the sixth for Democratic Progress Party in the Taiwanese elections in the post-2000 period. Political stability and national identity issues occupy more important issues in the party competition in Taiwan (Fell, 2007).

What is important for the purpose of this study is how these trends and patterns of inequality as well as citizens’ issue priorities are related to political trust. Is the relationship between citizens’ perceptions of inequality and political trust in East Asia different from other parts of the world? Both theoretical and empirical literature has suggested a trust-eroding effect of perceived inequality. But, contextual factors such as trajectories of economic development, citizens’ ideas and norms, and the party competition yield a counter-hypothesis that challenges the effect of perceived inequality in East Asian new democracies.

4. Empirical analysis

To examine a trust-eroding effect of perceived inequality, this analysis makes use of 2006 *Asia Barometer* data. The 2006 data includes seven Asian countries—China, Hong Kong, Japan, Korea, Singapore, Taiwan, and Vietnam. Since we examine citizens’ attitudes toward political institutions in emerging democracies in East Asia, we only focus on Korea and Taiwan. In both countries, a national research team administers a face-to-face survey under a common research framework. It should be noted that analysis of different waves of the data would enable us to examine how over-time variations in inequality affect the proposed perceived inequality – political trust link. While we think that it would be an interesting research design, both the Korean and Taiwan data are included only in 2006 *Asia Barometer*. Korea was included in 2003, 2004, and 2006 waves, but Taiwan is included only in 2006. Our most similar systems design and data availability lead the scope of our analysis to a comparative research of Korea and Taiwan using 2006 *Asia Barometer* data.

4.1. Measuring political trust

To measure trust, we use the following question from the *Asia Barometer* surveys: “Please indicate to what extent

⁴ *Asia Barometer 2006* data does not include relevant questions to examine this cross-national difference.

Table 1
Trust in political institutions in East Asian new democracies.

	Korea	Taiwan
The central government	1.95	2.13
Local government	2.00	2.35
The army	2.50	2.51
The legal system	2.25	2.11
The police	2.30	2.36
Parliament	1.58	1.95
Political parties	1.58	1.93

Notes: the score is on a 1–4 metric, where 1 refers to “don’t trust at all,” 2 to “don’t really trust,” 3 to “trust to a certain degree,” and 4 to “trust a lot.”

you trust the following institutions to operate in the best interests of society.” The score is on a metric of 1–4, where 1 represents ‘trust a lot’, 2 refers to ‘trust to a degree’, 3 to ‘don’t really trust’, and 4 represents ‘don’t trust at all.’ For the purpose of intuitive interpretation, we converted the score so that 4 represents the highest degree of trust. Following [Mishler and Rose \(2002\)](#) and [Chang and Chu \(2006\)](#), we focus on institutional items that are of greater political importance and relevance. Specifically, we measure trust in political institutions by using items on the central government, local government, the army, the legal system, the police, parliament, and political parties. One advantage of this measure is that it conceptually differentiates institutional trust from institutional performance ([Chang & Chu, 2006](#), 263), enabling us to measure political trust without the confounding effect of support for the incumbent government. To measure political trust in the most comprehensive way, we construct a composite variable of institutional trust by averaging the individual scores across the seven political institutions. To see whether trust in the seven institutions effectively captures the underlying concept of trust in political institutions, we have computed Cronbach’s α , the test score was 0.865, which indicates that trust in the seven institutions taps into the concept of trust in political institutions. As a way of checking the sensitivity of the results, we also use principal component analysis to get a reduced measure of political trust. Also, we employ another measure of political trust by averaging the individual scores only across the central government, local government, parliament, and political parties. The results of analysis are not qualitatively different across different measures of political trust.

[Table 1](#) shows the average scores on a 1–4 metric of political institutions in East Asian new democracies. Comparing Korea and Taiwan, with the exception of the legal system, Taiwanese citizens trust political institutions more than Korean citizens do. In both countries, the parliament and political parties receive much lower trust than other political institutions.⁵ [Table 1](#) suggests that political trust is slightly higher in Taiwan than in Korea, but the fact that

political parties and the parliament being trusted less than other institutions is the same across the two countries.

4.2. Measuring perceived salience of inequality

To find a reliable measure of salience of inequality at the individual level, we employ the common approach in survey research, asking respondents their perceived salience of inequality. This approach is instructive in that it is the most direct way of getting at the salience of economic inequality on citizens’ minds. However, there is reason to suspect that citizens’ perceived salience of inequality might be affected by other factors such as their economic conditions, income levels, and ideological prior. Following the standard operationalization, we rely on citizens’ perceived salience of inequality, while we explicitly correct the problems of this measurement by including several confounding factors as control variables into our empirical model. To tap into perceived salience of inequality, we use the following question: “Which of the following issues cause you great worry? Please choose all issues that cause you serious worry: Economic inequality in your society.” The perceived salience of inequality is coded 1 if respondents chose ‘economic inequality in the society,’ 0 otherwise. In both countries, about 30% of respondents choose economic inequality as one of the issues that cause serious worry in the society.

4.3. Control variables

We incorporate other determinants of political trust suggested in the literature as control variables ([Anderson & Tverdova, 2003](#); [Chang & Chu, 2006](#); [Mishler & Rose, 2002](#); [Seligson, 2002](#)).

Perceived corruption: Studies suggest that perceived corruption is associated with lower levels of trust in political institutions. Political corruption leads to citizens’ perception that the government is not responsive to all citizens and therefore is not fair ([Hetherington, 2006](#); [Linde, 2012](#); [Rothstein & Stolle, 2008](#)). Also, corruption is associated with less development of political parties ([Chang & Chu, 2006](#)). Moreover, corruption hinders economic development and impedes robust macroeconomic performance. All of these lead to citizens’ lower levels of trust in political institutions. To tap into citizens’ perceived corruption, we use the following question: “Please indicate how much you agree or disagree with this statement: There is widespread corruption among those who govern the country.” The answer is coded on a 1–5 metric, where 1 indicates ‘strong disagreement’ and 5 ‘strong agreement.’

Economic evaluations: Theories of economic voting suggest that economic conditions influence citizens’ political behavior. In particular, under circumstances where voters can clearly assign credit or blame to the government for its economic performance, many argue that citizens’ positive economic evaluations lead to higher support for the incumbent government ([Powell & Whitten, 1993](#)). Hence, citizens are likely to express higher trust in political institutions if they evaluate that the government performs well in the economic domain. We use the following question:

⁵ By way of comparison, though not reported, we also examined Japanese data, an old democracy in the region. Though the pattern that the parliament and political parties being trusted less than other institution is similar, Japanese citizens show higher levels of political trust than citizens in new democracies in East Asia.

Table 2
Estimated effects of perceived inequality on political trust.

	Korea		Taiwan	
	(1) Composite	(2) PCA	(3) Composite	(4) PCA
Perceived inequality	−0.023 (0.032)	−0.073 (0.113)	−0.071* (0.036)	−0.250* (0.123)
Perceived corruption	−0.043* (0.020)	−0.157* (0.072)	−0.063** (0.023)	−0.234** (0.084)
Economic evaluation	0.251** (0.025)	0.916* (0.088)	0.178** (0.028)	0.648** (0.102)
Age	0.004* (0.001)	0.013* (0.005)	−0.001 (0.002)	−0.003 (0.007)
Education	−0.017 (0.028)	−0.061 (0.101)	−0.036 (0.029)	−0.129 (0.103)
Income	0.004 (0.021)	0.011 (0.075)	0.063** (0.029)	0.228* (0.105)
Female	0.059# (0.033)	0.223* (0.110)	0.064# (0.035)	0.223# (0.124)
Constant	1.640** (0.153)	−1.664** (0.550)	2.088** (0.176)	−0.022 (0.631)
N	871	871	800	800
Adjusted R ²	0.13	0.13	0.09	0.10

Notes: Entries are OLS estimates and robust standard errors in parentheses. Columns (1) and (3) report the results with composite measure of political trust as the dependent variable, while columns (2) and (4) report the results with political trust drawn from principal component analysis as the dependent variable.

$p < .10$.

* $p < .05$.

** $p < .01$.

All tests are two-tailed.

“How well do you think your country’s government is dealing with the following issues: the economy.” The responses are coded on a 1–4 scale, where 1 refers to ‘not well at all’ and 4 to ‘very well.’

Demographic variables: Studies emphasize the influence of socioeconomic status variables in structuring citizens’ trust toward institutions and government. As Seligson (2002) notes, those who have higher socioeconomic status and education are likely to be more informed about the political process and thus more critical or even cynical. Further, gender might affect citizens’ trust in institutions, if the common belief that women in East Asian societies are politically marginalized holds. Therefore, we take into account *Age*, *Years of education*, *Household income*, and *Gender*. It is noteworthy that we pay special attention to confounding factors like income, education, and economic evaluations in the link between perceived inequality and political trust by incorporating them into our empirical model. In particular, it is reasonable to think that economic evaluations would lead to both an individual’s perceived inequality and her trust in political institutions. Though limited, we address this issue by including economic evaluations as a control variable.

5. Results

We examine the effect of perceived salience of economic inequality on political trust in East Asian new democracies. As we remain cautious about heteroskedasticity, we present the estimation results of Ordinary Least Squares (OLS) with robust standard errors.

5.1. Perceived inequality and political trust

Table 2 presents the results of analysis. Models (1) and (3) are the results with a composite measure of political trust as the dependent variables, while Models (2) and (4) are the ones with a measure of political trust drawn from principal component analysis as the dependent variable. We find a negative and statistically significant effect of perceived salience of inequality on political trust in Taiwan, while the perceived inequality exerts no effect on political trust in Korea. Taiwanese citizens who perceive that economic inequality causes great worry in the society tend to trust political institutions less than those who do not think inequality causes worry in the society. This finding suggests a trust-eroding effect of perceived salience of inequality in Taiwan. This effect is consistent across different measures of political trust.

One natural question is why we find the trust-eroding effect of perceived salience of inequality in Taiwan, but not in Korea. As discussed in theory section, it is reasonable to think that rapidly rising inequality in a country may be more politically salient than persistently high inequality in another country. Clearly, as shown in Fig. 1, acceleration in income inequality is more pronounced in Taiwan than in Korea. From this trend, one can conjecture that the issue salience of income inequality has been more pronounced in Taiwan than in Korea. Secondly, Korean citizens’ level of political trust is determined more by government economic performance than their Taiwanese counterparts. As will be discussed later, the estimated coefficient for economic evaluations is much higher in Korea (0.25) than in Taiwan (0.18). In line with the discussion in

the above section, this result suggests that growth-oriented economic policies and the anticipation of ‘trickle-down’ effect are more widely accepted among the mass public in Korea (Jhee, 2013; Kwon, 2010). This may lead to less pronounced effects of perceived salience of inequality on political trust. Thirdly, the idea of distributive justice might be more widely appreciated among the mass public in Taiwan than in Korea. In this respect, it seems reasonable to conjecture that a strong norm of distributive justice in the Taiwanese society leads to the trust-eroding effect of perceived salience of inequality, whereas a strong notion of economic growth in the Korean society renders a corrosive effect of perceived salience of inequality absent.

The results suggest that several factors are uniformly associated with trust in political institutions across the two East Asian new democracies. The perceived corruption is associated with less trust in political institutions. This finding is consistent with numerous studies on the corrosive effect of political corruption (e.g., Chang & Chu, 2006). Economic performance evaluations are associated with increases in the expression of trust on political institutions. Citizens who judge that the government performs well in the economic domain tend to trust political institutions more than those who assess government performance as poor. Clearly, this finding indicates that good government performance helps enhance citizens’ political trust. The substantive magnitude of the effect is much larger in Korea than in Taiwan. As described above, the economic performance by the government is of critical importance in Korean citizens’ minds. The result clearly shows that Korean citizens put much more emphasis on the delivery of economic growth than on distributive and redistributive outcomes in forming their trust in political institutions. This phenomenon seems to be much more pronounced among Korean citizens than their counterparts. Among demographic factors, the results indicate that females tend to express higher levels of political trust than their male counterparts both in Korea and Taiwan. Interestingly, age exerts a positive effect on levels of trust in political institutions in Korea, while income is associated with higher levels of trust in political institutions in Taiwan. The levels of education did not turn out to be statistically significant.⁶

Fig. 2 graphically displays the estimated effect of covariates on trust in political institutions in Korea and Taiwan. As described above, the trust-eroding effect of perceived salience of inequality is observed in Taiwan, but not in Korea. While citizens’ evaluations about economic performance are positively associated with political trust in both countries, the substantive magnitude of the effect is much larger in Korea (the estimated coefficient 0.25) compared to Taiwan (0.18).

To see whether our results are robust, we estimate our empirical models with different measures of political trust. Instead of using simple average score of trust in

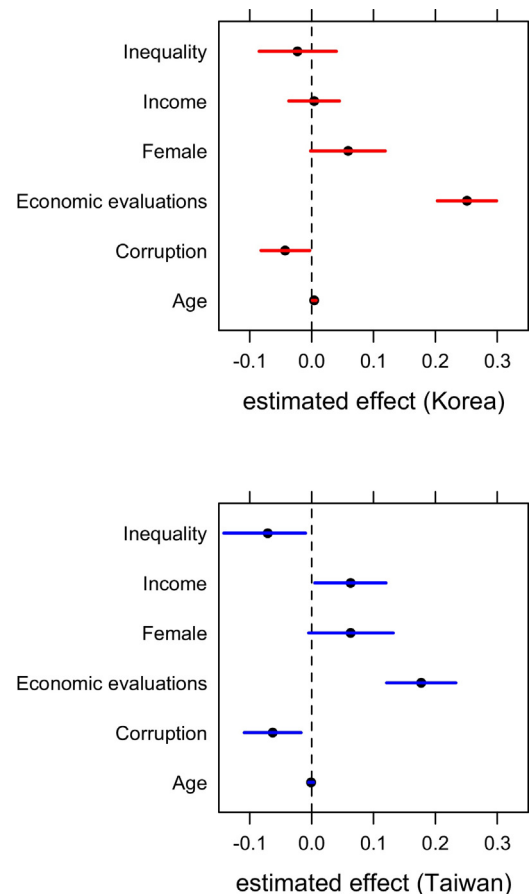


Fig. 2. Estimated effects of perceived inequality. Notes: Dots represent estimated coefficients and lines denote 95% confidence interval from Table 2, Models (1) and (3).

seven political institutions, we conduct principal component analysis for data reduction. As presented in Models (2) and (4), the results remain qualitatively same. A trust-eroding effect of perceived salience of inequality is found in Taiwan, but not in Korea. We also re-estimate our models with average scores of trust in four political institutions—the central government, local government, parliament, and political parties. This sensitivity check reports the qualitatively same results as well.⁷

5.2. Exploring interactive effects: perceived inequality and group heterogeneity

In this section, we explore whether a trust-eroding effect of perceived salience of inequality plays out differently across income groups.⁸ It is reasonable to think that

⁶ We checked the multicollinearity issue. Variance inflation factor (VIF) of covariates ranged between 1.01 (gender) and 1.65 (education), which allows us to mention that there is no serious multicollinearity problem. Also, to check whether there may be specification error, we conducted a model specification test, of which results allow us to fail to reject the null hypothesis that there is no specification error (p -value = 0.08).

⁷ In the interest of space, we do not report the results. The results are available upon request.

⁸ Note that we do not have a priori expectations about which income group should be affected most by the political salience of inequality. In this paper we explore group heterogeneity to see whether a trust-eroding effect of inequality plays out differently across income groups. We leave theorizing group heterogeneity for future research.

Table 3
Estimated effects of perceived inequality on political trust, by income group.

	(1) Korea	(2) Taiwan
Perceived inequality × low income	−0.011 (0.047)	−0.013 (0.083)
Perceived inequality × middle income	0.057 (0.053)	−0.132** (0.046)
Perceived inequality × high income	−0.077 (0.068)	0.014 (0.077)
Low income group	−0.029 (0.048)	−0.095 (0.074)
Middle income group	−0.120* (0.050)	0.001 (0.058)
Perceived corruption	−0.036 (0.020)	−0.055* (0.023)
Economic evaluation	0.237** (0.024)	0.152** (0.029)
Satisfaction with democracy	0.074** (0.017)	0.104** (0.021)
Female	0.049 (0.030)	0.073* (0.034)
Age	0.003* (0.001)	−0.001 (0.002)
Education	−0.008 (0.028)	−0.038 (0.029)
Constant	1.451** (0.171)	1.916** (0.175)
N	871	800
Adjusted R ²	0.14	0.11

Notes: Entries are OLS estimates and robust standard errors in parentheses.

* $p < .05$.

** $p < .01$.

All tests are two-tailed.

diverse income groups not only perceive rising inequality in the society differently, but their level of trust in political institutions could be affected differently by how they perceive issue salience of inequality. To examine group heterogeneity in the link between perceived salience of inequality and political trust, we use a multiplicative interaction model. That is, we interact the perceived inequality variable by three different household income groups: the low income, middle income, and high income group. We include the low income group and middle income group dummy variables, and the high income group is the reference category. Following a standard classification procedure, the middle income group is the household with 50–150% of the median income. The low income group is those below 50% of the median income, while the high income group is above 150% of the median income.

Table 3 presents the results. The results of analysis using the Korean data (Model (1)) show that not only do we find no group heterogeneity in the link between perceived salience of inequality and political trust, but we find no effect of perceived salience of inequality on political trust whatsoever. This is consistent with the previous results reported in Table 2. On the other hand, analysis of the Taiwanese data (Model (2)) reveals an interesting pattern: among the middle income citizens, those who perceive that economic inequality causes great worry in the society tend to show lower levels of political trust than those who do not perceive so. Other income groups do not show any statistically significant differences between those who

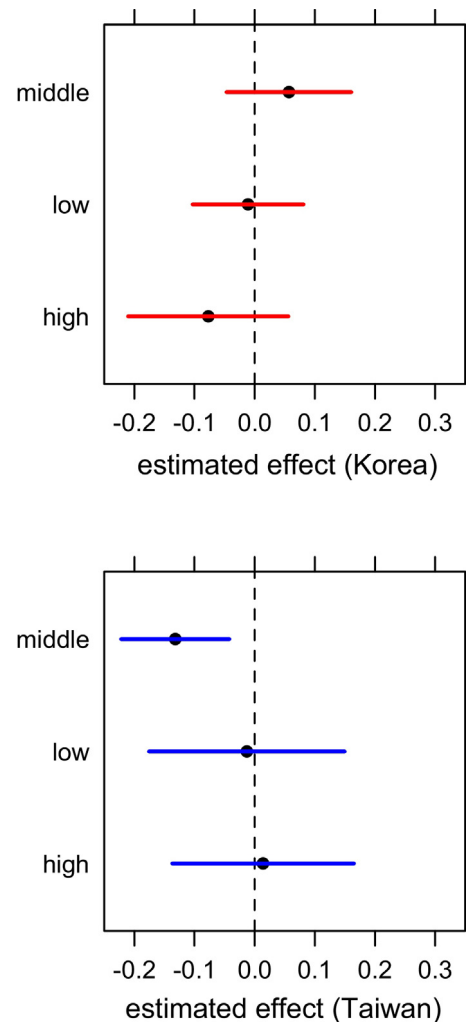


Fig. 3. Estimated effects of perceived inequality and income groups. Notes: The figure denotes the perceived inequality effect (dots) among the individuals who perceive inequality is a great worry in the society and 95% confidence intervals (lines). Negative numbers suggest that the perceived inequality lowers levels of political trust. Note that only the middle income group in Taiwan is statistically significant at 95% confidence level.

perceive inequality is worrisome and those who do not. The equality of coefficients test suggests that among the Taiwanese citizens who perceive inequality as causing great worry, the difference in the effect of perceived inequality on political trust across the income group is statistically significant (p -value = 0.038). Fig. 3 graphically displays the estimated effects of perceived inequality across different income groups for those who perceive that inequality causes great worry in the society.

6. Conclusions

This paper analyzes the link between citizens' perceived salience of inequality and political trust in East Asian new democracies. The results of analysis suggest that perceived salience of inequality leads to lower levels of trust in

political institutions in Taiwan, but not in Korea. The evidence from the Taiwanese case is consistent with studies about the link between inequality and political trust in advanced democracies (Katzenstein, 2000; Rothstein & Uslaner, 2005). The finding of our analysis warrants a closer investigation about why we observe the perceived inequality effect in one East Asian country, but not in another. We have provided several conjectures about this puzzle. It is possible that more rapidly rising inequality in Taiwan has led to higher levels of political salience of inequality, which, in turn, has been associated with lower levels of trust in political institutions. In this sense, it may be the pace of rising inequality that matters. Also, it is conceivable that the 'growth-first' idea is more prevalent among the Korean citizens than their Taiwanese counterparts, which leads to less impact that the citizen's perception of inequality brings about to their trust in political institutions. Conversely, the norms of fair shares may have been more deeply entrenched among the Taiwanese citizens than their Korean counterparts.

From lower levels of democratic engagement, to democratic instability, and to social upheaval, studies find corrosive societal effects of income inequality (Karl, 2000; Muller & Seligson, 1987; Solt, 2008). The trust-eroding effect of perceived salience of inequality this paper finds has important implications for the comparative politics literature and public policies. First, government policies that would mitigate rising market inequality might be conducive to increasing citizens' trust in political institutions. Citizens' trust in political institutions, at the same time, enables the government to pursue and implement such policies. This 'continuous cycle' (Rothstein & Uslaner, 2005) makes neither a policy breakthrough nor establishing a causal link between inequality and trust an easy task. Secondly, a widespread concern about declining political participation as well as decreasing levels of political trust across democratic societies could in part be remedied by the government's efforts to mitigate rising income inequality. Income inequality is associated with varying degrees of political participation across different income strata (Lancee & Van de Werfhorst, 2012; Leighly & Nagler, 2014; Solt, 2008). We also know that the rich tends to be more legislatively represented than the poor (Gilens, 2005). When income inequality and political inequality are closely intertwined, one way for the government to rectify the so-called 'crisis of democracy' is to mitigate income inequality through various social policies.

As Dahl (1971) puts it in his classical work, democracy entails "continued responsiveness of the government to the preferences of its citizens, considered as political equals" (p. 7). Democratic and equal responsiveness to citizens is of profound importance in enhancing citizens' trust in political institutions. Bartels (2008) and Gilens (2005) suggest that one critical consequence of rising income inequality is 'unequal democracy,' be it unequal participation or unequal representation. To the extent that rising inequality is uniform around the globe, if citizens' trust in political institutions varies by countries, it may be the case that political mechanisms work differently across countries. How politics shapes the link between citizens' perceived inequality in outcomes and inequality in opportunity, on

the one hand, and political trust, on the other, might be a fruitful research venue.

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