

**The Political Economy of Trust in China:
An Instrumental Variables Approach**

Dali Yang

The University of Chicago

(with Xi Lu, Ran Tao, and Fubing Su)

Social capital: “features of social life—networks, norms, and trust—that enable participants to act together more effectively to pursue shared objectives” (Putnam 1995: 664-665)

Generalized social trust: “constitutes the foundation for social cooperation”

Research Question

Political trust, social trust, and other variables: the causal arrows are **“as tangled as well-tossed spaghetti (Putnam 2000: 137)”**

What are the sources of social trust? Does political trust affect the level of social trust in a society?

Four Possible Relations

Independence: Kaase 1999; Newton 1999; Newton 2001; Uslaner 2002;
Shlapentokh 1989; Mishler and Rose 2001

people may trust each other but not political leaders/institutions
(post communist societies: social trust almost exogenous to politics)

Our contributions to the debate

Survey data from China

Instrumental Variables (IVs) methods for causality

The paradox of trust in China: a trust treadmill

Data

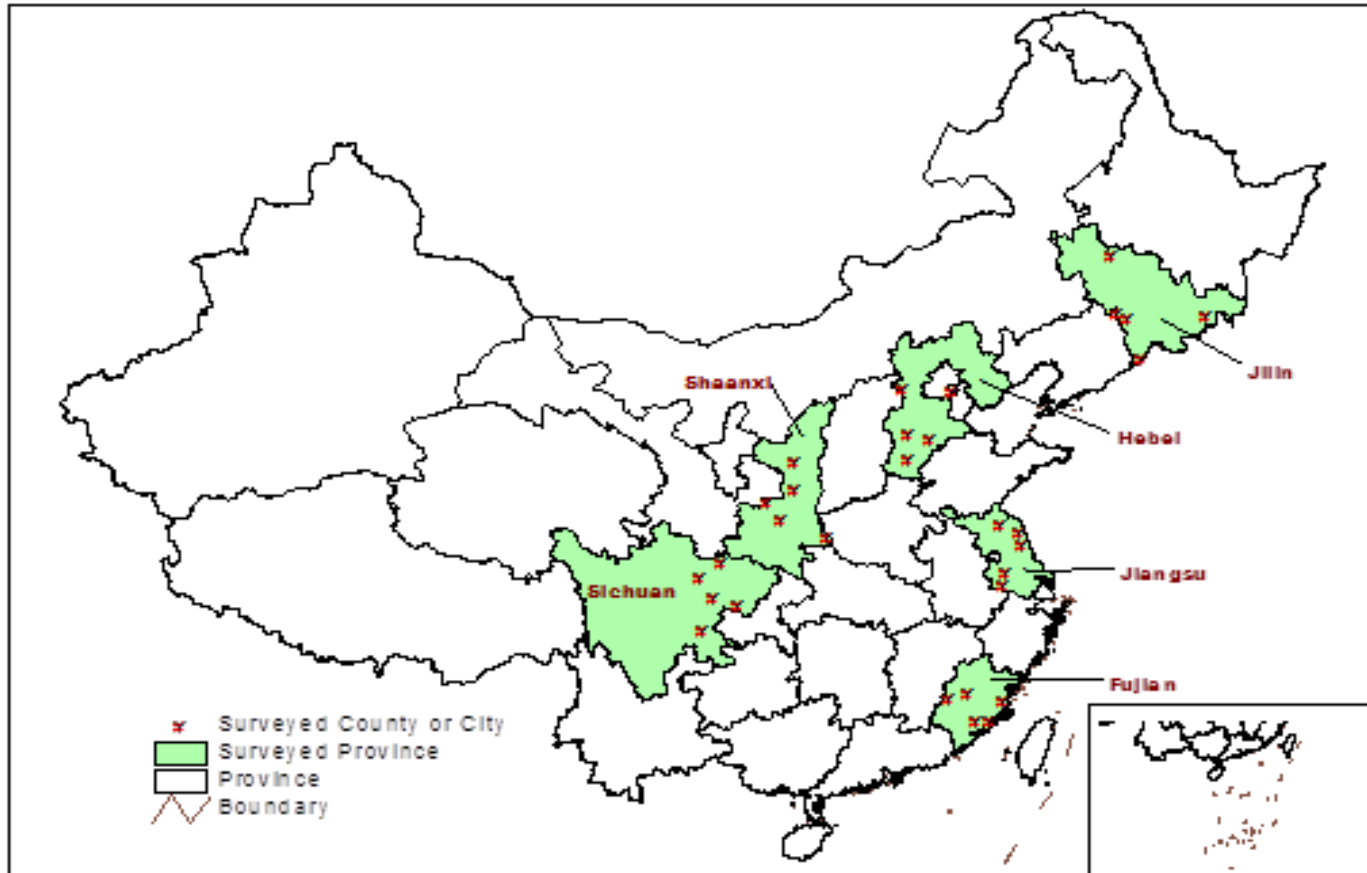
A national survey of rural households in 2008

Stratified sampling in six provinces: Jilin, Hebei, Shaanxi, Sichuan, Jiangsu, and Fujian

Sample of 120 villages in 60 townships and 30 counties; 20 households in each village

Final sample of 2,210 individuals

A Survey Map



Measurement

Dependent variable: social trust

GSS generalized trust question: “Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?”

Doubters: Glaeser et al 1999; Hardin 2002; Nannestad 2008

Supporters: Ciriolo 2007; Uslaner 2002; Yamagishi and Yamagishi 1994; Newton 2007

Both generalized and contextualized social trust in China

Table 1. Survey Questions for Measuring Social Trust in China

GQu Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?

CQu1 Suppose you have a 3 -4 year-old child at home. When you need to leave the village for business, would you ask other villagers to look after the child?

CQu2 Would you lend money to someone living in your village when he or she is in need?

CQu3 If your family is having a wedding or a funeral and invite others to come to help, will [they] come?

Sources: Authors' China Survey 2008

Table 2. Measurements of Social Trust in China: Descriptive Statistics

	No. Obs.	GQu	CQu1	CQu2	CQu3
Jiangsu	355	0.48	0.34	0.77	0.60
Sichuan	350	0.61	0.29	0.85	0.90
Shaanxi	382	0.68	0.49	0.89	0.91
Jilin	373	0.56	0.34	0.76	0.93
Hebei	372	0.68	0.36	0.76	0.85
Fujian	378	0.54	0.30	0.74	0.73
Overall	2,210	0.59	0.36	0.80	0.82

No. Obs.: number of observations

Sources: Authors' China Survey 2008

Less trust in Jiangsu and Fujian

Measurement

Independent variable: political trust

local government

central authorities (Party Central and State Council)

Table 3. Survey questions for measuring individual political trust

LocalPT: Does the local (town/township) Party/government leadership truly represent and protect the lawful rights and interests of farmers?

CentrPT: Do the Party Central and State Council truly represent and protect the lawful rights and interests of farmers?

Sources: Authors' China Survey 2008

Table 4. Measurements of Political Trust in China

	No. Obs.	LocalPT	CentrPT
Jiangsu	355	0.58	0.95
Sichuan	350	0.65	0.95
Shaanxi	382	0.35	0.89
Jilin	373	0.54	0.97
Hebei	372	0.54	0.94
Fujian	378	0.48	0.92
Overall	2,210	0.52	0.93

Sources: Authors' China Survey 2008

Notes on political trust

Is there bias in Chinese political attitude? Can we trust the answers in an authoritarian state?

Low political trust in local government vs. high political trust in central government in China

Party-state

Media control

High growth

Socialist countryside (agricultural tax, farming subsidies, health and education supports, etc.)

Empirical Estimations: 2SLS

$$ST_i = \alpha + \beta_0 PT_i + \sum_{j=1}^k \beta_j X_{ij} + u_i$$

$$PT_i = \mu + \sum_{m=1}^n \pi_m Z_{im} + \sum_{j=1}^k \theta_j X_{ij} + v_i$$

Validity of IVs

IVs exogenous to social trust

IVs affect social trust only through political trust

IV1. War veterans (Sino-Japanese War, Civil War, and Korean War) as a percentage of the 1957 village population

IV2: If any relatives are township or county cadres/employees

(1=yes; 0=no)

Table 5. Instrumental Variables: Descriptive Statistics

	Sample	IV1	Std. of IV1	IV2
jiangsu	355	0.0065	0.007	0.21
Sichuan	350	0.0030	0.002	0.14
Shaanxi	382	0.0058	0.004	0.18
Shilin	373	0.0177	0.023	0.17
Hebei	372	0.0094	0.009	0.16
Fujian	378	0.0040	0.005	0.11
Overall	2,210	0.0078	0.012	0.16

* IV1. War veterans (Sino-Japanese War, Civil War, and Korean War) as a percentage of the 1957 village population

IV2: If any relatives are township or county officials (1=yes; 0=no)

Sources: Authors' China Survey 2008

Table 6. Control Variables: Descriptive Statistics

	Obs	Mean	Std.D	Min	Max
<i>Personal traits</i>					
Gender (1=Male; 0=Female)	2210	0.608	n.a.	0	1
Age	2210	49.69 0	11.41 2	19	87
Length of education (year)	2210	6.137	3.326	0	16
Marital status (1=Married; 0=Single)	2210	0.935	n.a.	0	1
CCP membership status (1=yes; 0=no)	2210	0.076	n.a.	0	1
Ethnicity (1=Han; 0=Other)	2210	0.961	n.a.	0	1
Village cadre (1=yes; 0=no)	2210	0.028	n.a.	0	1
Service in armed forces (1=yes; 0=no)	2210	0.045	n.a.	0	1
Service as migrant worker outside home county (1=yes; 0=no)	2210	0.180	n.a.	0	1
<i>Village traits</i>					
Total Village Population (logged)	2210	7.206	0.650	5.081	8.533
Non-residents as % of total village population	2210	0.036	0.082	0	0.455
% of village resident population serving as migrant workers	2210	0.230	0.120	0	0.590
If clans have conflict in village (intra-clan conflict, if monopoly; 1=yes; 0=no)	2210	0.094	n.a.	0	1
Clan structure in village (1=Oligopoly; 0=Other)	2210	0.283	n.a.	0	1
If there are Christian or Islamic religious organizations in village (1=yes; 0=no)	2210	0.255	n.a.	0	1
Amount of arable land per capita (mu) in village	2210	1.541	1.921	0	8.746
% of village arable land that is irrigated	2210	0.651	0.377	0	1
Income per capita in village (logged)	2210	8.084	0.636	5.298	9.473

Source: Authors' 2008 survey

Table 7. First-stage Results of 2SLS (t-statistics in parentheses, *** p<0.01, ** p<0.05, * p<0.1)

Political Trust (Local PT)	LocalPT
IV1 War Veterans as %of 1957 Village Population	3.194*** (2.940)
IV2 If any relatives are township or county officials	0.0564** (1.975)
Gender	-0.0315 (-1.334)
Age	0.000294 (0.272)
Length of education	-0.00911** (-2.518)
Marital status	-0.0194 (-0.454)
CCP membership status	0.0887** (2.105)
Ethnicity	-0.0864 (-1.377)
Village cadre	0.0474 (0.741)
Service in armed forces (1=yes; 0=no)	-0.0722 (-1.376)
Service as migrant worker outside home county (1=yes; 0=no)	-0.0387 (-1.353)
Total village population (logged)	0.0300 (1.340)
Non-residents as % of total village population	0.219 (1.566)
% of village resident population serving as migrant workers	-0.146 (-1.459)
If clans have conflict in village	0.00401 (0.0985)
Clan structure (Oligopoly =1)	0.0130 (0.523)
If there are Christian or Islamic religious organizations in village	0.0213 (0.738)
Arable land per capita in village	0.00605 (0.605)
% of village arable land that is irrigated	-0.0621* (-1.807)
Village income per capita (in log form)	0.0365* (1.700)
Constant	0.243 (0.987)
Provincial dummy	Y
R-square	0.056
Joint F test of IVs	6.26***
Observations	2,210

Table 8. 2SLS Results of Linear Probability Model for Social Trust

(z-statistics in parentheses, *** p<0.01, ** p<0.05, * p<0.1)

	(1)	(2)	(3)	(4)
	GQu	CQu1	CQu2	CQu3
Social Trust				
Political Trust (LocalPT)	0.907** (2.526)	0.726** (2.128)	0.514** (1.967)	0.0831 (0.396)
Gender	0.0274 (0.851)	0.0765** (2.501)	0.0265 (1.134)	0.0332* (1.765)
Age	0.000825 (0.596)	0.000372 (0.282)	0.000854 (0.849)	0.000418 (0.517)
Length of education	0.0147*** (2.721)	0.00600 (1.166)	0.00291 (0.740)	-0.00216 (-0.683)
Marital status	0.0463 (0.847)	0.0457 (0.880)	0.0671* (1.688)	0.0231 (0.724)
CCP membership status	-0.0242 (-0.392)	-0.0437 (-0.746)	-0.0709 (-1.584)	0.0254 (0.705)
Ethnicity	0.0887 (0.967)	0.0486 (0.557)	0.0377 (0.566)	0.0302 (0.564)
Village cadre	0.00246 (0.0297)	0.140* (1.773)	-0.0203 (-0.337)	-0.0616 (-1.270)
Service in armed forces (1=yes; 0=no)	-0.0268 (-0.375)	-0.0106 (-0.156)	0.0208 (0.400)	-0.0251 (-0.602)
Service as migrant worker outside home county (1=yes; 0=no)	-0.00410 (-0.106)	-0.0474 (-1.290)	-0.00156 (-0.0555)	0.00146 (0.0647)
Total village population (logged)	-0.0467* (-1.658)	-0.0198 (-0.738)	-0.0437** (-2.134)	0.00136 (0.0828)
Non-residents as % of total village population	-0.209 (-1.047)	-0.313* (-1.649)	-0.244* (-1.683)	0.130 (1.120)
% of village resident population serving as migrant workers	0.122 (0.935)	0.118 (0.948)	0.0729 (0.768)	0.126* (1.657)
If clans have conflict in village	0.000499 (0.00966)	-0.0488 (-0.992)	-0.0109 (-0.289)	-0.0933*** (-3.089)
Clan structure (Oligopoly =1)	-0.0291 (-0.895)	-0.00773 (-0.250)	-0.0743*** (-3.150)	-0.0313* (-1.651)
If there are Christian or Islamic religious organizations in village	-0.00227 (-0.0621)	0.0305 (0.878)	0.0266 (1.003)	0.0146 (0.685)
Arable land per capita in village	-0.000599 (-0.0472)	-0.00797 (-0.660)	0.00830 (0.899)	-0.00183 (-0.246)
Proportion of arable land that is irrigated	0.0228 (0.493)	-0.0628 (-1.430)	-0.0488 (-1.454)	-0.00945 (-0.350)
Village income per capita (in log form)	-0.0555* (-1.839)	-0.0623** (-2.173)	-0.0517** (-2.357)	-0.0312* (-1.770)
Constant	0.470 (1.402)	0.458 (1.436)	1.117*** (4.585)	0.733*** (3.746)
Provincial dummy	Y	Y	Y	Y
P-value of Hausman-Wu Tests	0.0039	0.0069	0.0461	0.8366
P-value of Sargan Tests	0.4670	0.7040	0.0008	0.2748

Table 9. OLS Results of Linear Probability Model for Social Trust

Social Trust	CQu3
Political Trust (LocalPT)	0.0398** (2.502)
Gender	0.0318* (1.803)
Age	0.000441 (0.549)
Length of education	-0.00251 (-0.933)
Marital status	0.0224 (0.704)
Ethnicity	0.0290 (0.925)
CCP membership status	0.0240 (0.540)
Village cadre	-0.0595 (-1.249)
Service in armed forces (1=yes; 0=no)	-0.0283 (-0.724)
Service as migrant worker outside home county (1=yes; 0=no)	-0.000126 (-0.00593)
Total village population (logged)	0.00206 (0.128)
Non-residents as % of total village population	0.142 (1.369)
% of village resident population serving as migrant workers	0.122* (1.658)
If clan have conflicts in village	-0.0928*** (-3.070)
Clan structure (Oligopoly =1)	-0.0303* (-1.648)
If there are Christian or Islamic religious organizations in village	0.0150 (0.703)
Arable land per capita in village	-0.00167 (-0.225)
Proportion of arable land that is irrigated	-0.0114 (-0.450)
Village income per capita (in log form)	-0.0296* (-1.853)
Constant	0.750*** (4.210)
Provincial dummy	Y
R-squared	0.108
No. of Observations	2,210

(t-statistics in parentheses, *** p<0.01, ** p<0.05, * p<0.1)

Conclusion and Discussions

Theoretical implications

Sources of social trust

social vs. political causes of interpersonal trust

The Political Economy of Trust in China: A Faustian Bargain

Superior economic performance and the resultant improvement in living standards—economic modernization—increase political trust and indirectly the levels of social trust. Modernizing authoritarianism.

Yet modernization also leads to more investments in education and overall improvement in the cognitive abilities of the Chinese population (as indicated by the popularity of micro-blogging), which are associated with declining political trust.

The prospects for social trust in China

While improving incomes can help increase political trust and by extension social trust, the level of income is the single most important socio-economic determinant of social trust, with a **negative** relationship.