

## **When trust matters most: subjective well-being, trust in institutions and income inequality**

**Catarina Rivero, Lara Patrício Tavares and Christin-Melanie Vaclair**

### **Extended Abstract**

Mental health is more than the absence of mental disorders, and good mental health is related to psychological well-being (WHO 2019). As Diener (1994) points out, depression and anxiety are just part of people's well-being. Therefore, from a policy perspective, it is crucial to gain insights into predictors of well-being (Layard 2010). Well-being is generally conceptualized as consisting of a cognitive component (life satisfaction) and an emotional component (happiness or emotional well-being). In this paper we use an index often used to measure subjective well-being (SWB) (Inglehart et al. 2008) that is composed precisely by these two different dimensions, and look at how a particular dimension of the context in which individuals live (institutions) as perceived by them (measured by trust in institutions) is associated with SWB. More importantly, we explore whether the relationship between trust in institutions and well-being is moderated by the broader societal context. More specifically, we look at how the link between institutional trust and SWB is affected by a contextual variable, income inequality.

There are several reasons why trust in institutions may influence individual SWB. One way through which institutions influence individual SWB is via societal perception. As individuals do not live isolated, what people think of the institutions, namely the way they are functioning, affects their well-being (Tov et al. 2009). This is mirrored by trust in institutions (Halapuu, Paas and Tammaru 2013, Newton and Norris 2000). Trust in institutions also captures individual differences in how individuals feel supported by the society, and therefore, in individuals' social capital.

In this paper we want to look specifically at the association between trust in national institutions and SWB. Two reasons steered us away from using trust in specific institutions. First, as we want to study how individual's perception of one aspect of their social context affects their SWB, a measure of a general trust in institutions seems better suited (Paxton 1999). We are interested in individuals' beliefs and expectations about their society rather than in their opinion or experience with specific institutions. General trust in institutions has been overlooked in the literature (Marozzi 2015). Second, it is hard to justify looking at specific institutions and harder still to interpret why some turn out to be associated with SWB while others do not. Our measure of general trust in institutions is

based on trust in the National Parliament, Justice, Police, Politicians and Political Parties. We decided to focus on national institutions because we are interested in how people feel about the society they live in.

A context of more income inequality is the core of multiple social problems emerging in contemporary societies, from social mobility to obesity (Wilkinson and Pickett 2009), and undermines the core values of democratic societies (Picketty 2014). In this paper we are interested in yet another possible way through which income inequality matters: by moderating the institutional trust-SWB link. Based on the theory of the belief in a just world (Lerner 1980), that has received numerous empirical support from the social psychology literature, we expect the association between trust in institutions (at the individual level) and SWB to be stronger when income inequality is high.

The belief in a just world theory considers that "people, for the sake of their security and ability to plan the future, need to believe that they live in an essentially 'just' world, where they can get what they deserve, at least in the long run" (Lerner & Montada, 1998, p.1). Although often seen as socially undesirable, because it legitimizes the status quo, the BJW has come to be seen more favorably in recent research that sees it as a healthy coping mechanism providing "psychological buffers against the harsh realities of the world" (Furnham 2003, p. 796), and therefore preserving individuals' mental health (Carifio & Nasser 2012). In this way, the presence of BJW is associated with more well-being (Carifio & Nasser 2012, Jiang, Yue, Lu, Yu & Zhu, 2016).

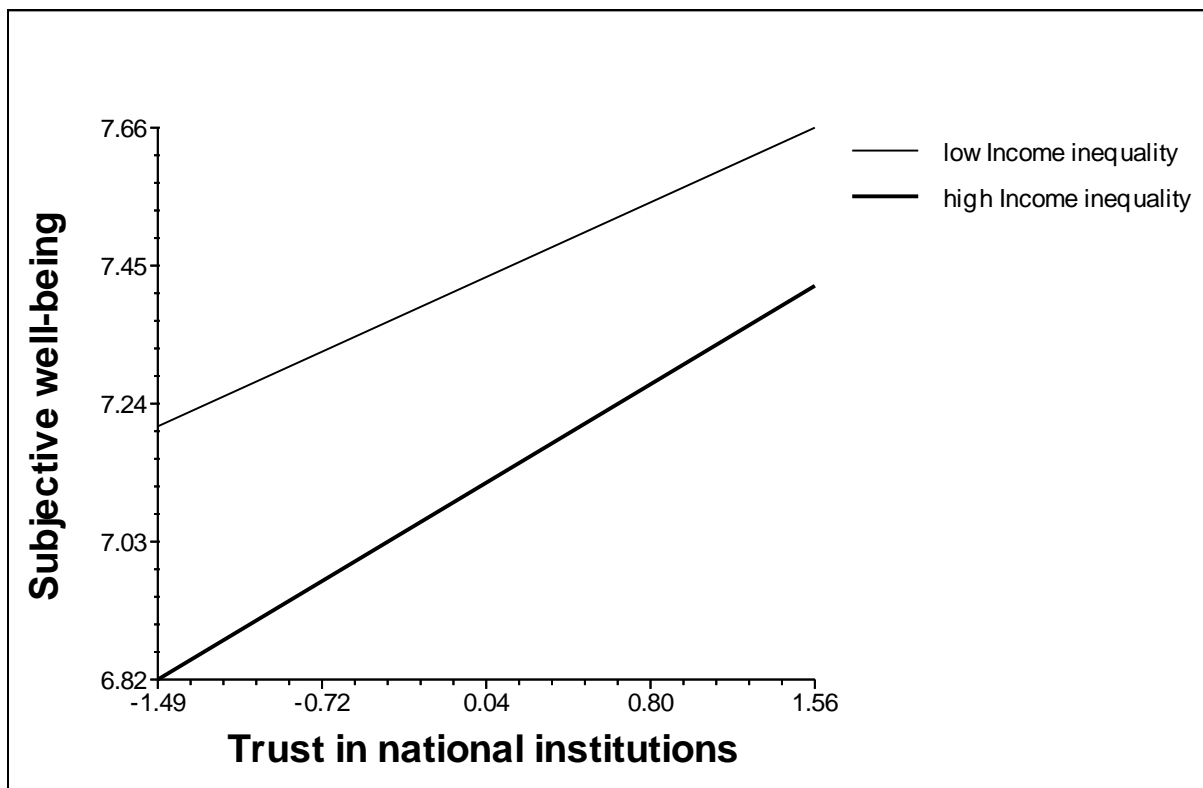
As mentioned before, trust in institutions reflect what people think of them, namely the way they are functioning. However, besides this cognitive (rational or experienced based) dimension, trust also has an affective dimension based on beliefs, expectations, feelings and emotions (Nooteboom 2006, OECD 2017). As in a context of incoming inequality people need to believe in something (Wilkinson & Pickett 2009), the affective dimension of trust in institutions may become more salient, i.e. in those circumstances trust in institutions may reflect more people's beliefs and expectations than how they objectively evaluate institutions' performance. In other words, in a context of income inequality, trust in institutions may embody that character of belief in a just world, thereby having a bigger protective role in terms of individuals' well-being than in more favorable circumstances. This is accordance with Bénabou & Tirole (2006), who argue that the value of motivated beliefs is higher when people expect little redistribution than with a more generous welfare state. In that sense, trust in institutions matters more when income inequality is high than when it is low.

We used data from the European Social Survey (ESS) from Round 7, 2<sup>nd</sup> (European Social Survey Round 4 Data 2008). The data were collected through computer-based personal interviews in 20

countries ( $N = 37,623$ ) from the European region (see table 1), in the years 2014 and 2015. They are based on random probability samples and nearly representative of the eligible residential populations in each country aged 15 years and over ( $M_{age} = 49.39$ ,  $SD = 18.67$ ; 52.9% female).

Given the clustered data structure (individuals nested within countries), we used multilevel regression analyses (with HLM 7.01, Raudenbush & Bryk 2002). The aim was to examine a cross-level interaction between the contextual variable income inequality and the individual-level variable trust in national institutions. In other words, we examined whether the strength of the trust-SWB link depended on the countries' level of inequality.

The results show that income inequality is a negative predictor of SWB, when controlling for individual-level covariates. In the next analysis step, we entered the *group*-mean centered random slope of trust in national institutions into the model. The results show that there was considerable variation across countries in this individual-level association with SWB (trust in national institutions:  $\chi^2(19) = 196.37$ ,  $p < .001$ ). We proceeded with testing whether income inequality can account for this significant slope variation. This model shows that there is a significant cross-level interaction, i.e. the association between trust in national institutions and SWB is significantly moderated by income inequality.



The figure above depicts the results of the cross-level interaction. What can be seen is that the positive association between trust in national institutions and subjective well-being is stronger in countries characterized by high income inequality compared to those that are low in Income inequality. In other words, at low levels of trust, there is a large gap in subjective well-being between individuals residing in countries with high and low inequality. This gap gradually closes at higher levels of trust meaning that the psychological benefits of trust are more pronounced in unequal societal contexts.

As predicted, trust in national institutions is positively associated with subjective well-being. Individuals feel supported by the society when they trust institutions and thus develop a positive societal perspective which is reflected on their subjective well-being. On the other hand, our results are in accordance with Wilkinson & Pickett's Inequality Hypothesis (Wilkinson & Pickett 2009) which posits that income inequality is negatively associated with subjective well-being. Although this is not consensual in the literature (Schneider 2016), we did find a negative association between income inequality and the well-being of the Europeans. Finally, our results show that the relationship between trust in national institutions and subjective well-being is stronger the higher the level of income inequality.

The results support the idea put forward by the Belief in a Just World (BJW) theory, which posits that "people need to believe in a just world in which everyone gets what they deserve and deserve what they get" (Dalbert 2009, p. 288). When people are faced with perceived unjust circumstances, such as income inequality, they tend to reinforce the positive resources for their well-being. That is how we interpret our finding that the relationship between well-being and trust in institutions is stronger when income inequality is high: in adverse contexts trust in institutions assumes a protective role. There is as caveat concerning this result: "BJW may lead to an acritical acceptance of authority" (Correia & Vala 2004, p.87) which translates into the possibility of trust in institutions having a 'dark side' (Neal, Shockley e Schilke 2016). After all, as Lerner (1998) says "the BJW remains a fundamental delusion: 'fundamental' in that it seems essential for most people's sense of sanity and security, and 'delusion' in the sense that is a factually false belief that is motivationally defended".