

**Does Decentralization “Bring the People to Government”? An Empirical Analysis of the  
Effect of Decentralization on Political Trust**

**Abstract**

While much has been said about the political benefit of decentralization, the actual effect of decentralization on political trust has not been adequately studied. This study offers an empirical examination of the effect of decentralization on political trust at the individual level across 47 countries. A comparative analysis finds that while at the country level decentralization might be positively associated with political trust measured as an aggregate variable, none has a direct effect on political trust at the individual level. Instead, our results suggest that the trust-boosting effects of decentralization manifest indirectly through attenuating the negative effect of democratic values on political trust.

Keywords: Decentralization; Political trust; Democratic value; Democracy; Governance

## **Does Decentralization “Bring the People to Government”? An Empirical Analysis of the Effect of Decentralization on Political Trust**

### **Introduction**

The recent decades have witnessed the rise of “critical citizens” and the decline of political trust around the globe (Citrin 1974; Dalton 2004; Norris 1999; Pharr et al. 2000; Putnam 2002). Given the critical importance of political trust for regime stability and governance (Hetherington 1998; Hetherington 2005; Rudolph and Evans 2005), various institutional and policy innovations have been introduced in part to build or rebuild public confidence in political institutions and political system (Tolbert 2003; Blind 2006; Morgeson, VanAmburg, and Mithas 2011). Decentralization, in particular, with its promises to increase the efficiency of government service (Tiebout 1956; Huther and Shah 1996; Oates 1972; 1999), to reduce the extent of corruption (Tabellini 2000; Persson and Tabellini 2000), and to enhance civic and political participation (Dahl and Tufte, 1973; Frandsen, 2002; Diamond and Tsaliik 1999), is believed to be one of such reform policies that can fulfill the ever increasing democratic demands of ordinary citizens. It is argued that decentralization can “bring government back to the people,” which in turn increases citizens’ affection towards government (Diamond, 1999:124-125; Escobar-Lemmon and Ross 2013; Hisky and Seligson, 2003: 68).

Does decentralization really contribute to boost political trust among individual citizens? While the literature of decentralization is massive, the actual effects of decentralization on political attitudes in general and on political trust in particular have not been adequately

examined. The extant studies either focus on aggregate outcome of decentralization at country level or concern the influence of decentralization within individual countries. To fill the gap, we intend to offer a comparative investigation of the effect of decentralization on how ordinary people perceive government, that is, citizens' trust in political institutions. Rather than simply testing its direct effect, we also explore the indirect effect of decentralization by examining its influence on the relationship between democratic orientation and political trust. As revealed in earlier studies, political trust links contextual attributes of a political system with orientations of individuals (Weatherford 1992; Norris 1999; Dalton and Anderson 2011). Both *micro mechanisms* like individuals' democratic orientation and such *macro context* as decentralization in which these micro mechanisms take place are involved in trust formation. Moving from this assumption, we hypothesize that the effect of decentralization on political trust does not only manifest directly in individuals' attitudes, but also through contextualizing and thus moderating the relationship political trust and its various correlates, in particular, democratic values. People holding greater democratic values tend to trust government institutions less, but this negative association is weaker in a more decentralized system.

Employing a multi-level analysis of the World Value Survey data (WVS 2005-2006), we found that the effect of decentralization is neither direct nor universal as commonly assumed. First, while at the country level various measures of decentralization are significantly associated with country-averaged institutional trust in different directions, we find that this relationship does not hold at the individual level. This not only indicates ecological fallacy of inference from country-level association, but also suggests that we cannot assume a simple direct effect of

decentralization on political trust. Second, when examining political trust at individual level, we find that there are significant interaction effects between decentralization and democratic attitude. This implies that the actual influences of decentralization on political trust work through moderating the relationship between political trust and democratic values.

Moreover, at both aggregate and individual level, we find that different forms of decentralization have variant impacts on political trust. In aggregate analyses, both fiscal and administrative decentralization are positively associated with trust; but political dimension of decentralization is negatively associated with trust. Similarly, at the individual level, both fiscal and administrative decentralization attenuates the negative effect of democratic value on political trust; but political decentralization aggravates the negative effect of democratic value. Finally, the effect of decentralization is more evident in democratic countries than in authoritarian countries. Before presenting our analyses and results, we first turn to the related literature to ground our expectations regarding the effect of decentralization on political trust.

### **Decentralization and its political consequences**

Although theories that directly link decentralization and political trust are sparse, a review of the literature suggests that decentralization is widely perceived to be able to promote political trust (Diamond, 1999; Vetter 2002; Bovaird and Loeffler 2005). Decentralization helps promote political trust in ways: first, it improves the relationship between government and its citizenry, and, second, it enhances government performance and output.

Through two mechanisms, decentralization is expected to improve the relationship between

**Commented [NH1]:** If we argue aggregate level analysis is unreliable, we may not present aggregate outcomes.

How do u think?

**Commented [NH2]:** Do we have to elaborate this point?

the government and the citizens. First, power devolution shortens the distance between political authorities and citizenry and thus increases the sense of empowerment of the latter (Blind 2006). Provided with considerable power devolution, local government and politicians become more visible, which increases citizens' perceptions of the access to policy makers and institutions (Dahl and Tufte, 1973; Frandsen, 2002). This increased proximity helps people develop an articulate understanding of government agencies, making them more confident of the incentives of the government agencies. Compared to their counterparts in a decentralized system, citizens in a decentralized system are more likely believe that the misbehaviors of officials will be relatively easily caught under their watch.

Second, decentralization helps increase citizens' trust in political institutions by fostering political participation (Escobar-Lemmon and Ross 2013; Smith 2009; Campbell 2003; Oats 1999; De Mello 2004). When decision-making authority is devolved to lower levels of government, citizens are provided with more opportunities to be engaged in policy making process. Particularly, local constituents who are marginalized at the national level are more motivated to participate in decision making because they are better informed about the local affairs and more knowledgeable about local officials (Shah 1998), and local affairs are more related to their interest. The increased political and civic engagement in political process increases citizens' political efficacy, which in turn help boost trust in political institutions.

In addition to improvement of the relationship between the citizens and the government, decentralization is expected to deliver better government performance which also in turn helps cultivate political trust (Brennan and Buchanan, 1980; Montinola et al., 1995). First,

decentralization, as Tiebout (1956) argues, shortens the “informational distance” between the providers and recipients of public goods and services, and thus enhances government provision of those goods and services (De Mello, Luiz R. 2004). A decentralized government can better address regional disparities in cultural heritage, environment, preferences and needs, endowment of natural resources, and economic and social institutions (De Mello, 2004; Tiebout 1956; Huther and Shah 1996; Oates 1999). A citizenry experiencing better government performance tends to believe that the government is willing and able to work for his/her interest, an essential element of political trust.

Second, decentralization helps control corruption, which is one of the main causes of trust declining (Mishler and Rose 2001; Seligson 2002; Anderson and Tverdova 2003). In a more decentralized government, politicians are held directly accountable for their performance in that people evaluate government performance based on the situation of their neighboring localities (Tabellini 2000; Persson and Tabellini 2000; Lederman, Loayza, and Soares 2005). The closer scrutiny by the citizenry decreases the incentives for the local government officials to engage in corruption (Dincer 2010; Shah 2006). In addition, decentralization is often accompanied with increased competition between local governments for investment and other resources. This competition reduces the ability of bureaucrats to extract rents in exchange for services and discourages government from establishing interventionist and distortionary policies (Jin et al. 1999; Brennan and Buchanan 1980; Qian and Weingast 1997).

It should be noted that, however, decentralization can also lead to negative consequences, and the general relationship between decentralization and its political consequences still remains

unsettled in empirical studies (De Mello and Barenstein 2002, Fisman and Gatti 2002b; Treisman 2007a, 2007b). It is suggested that decentralization, by transferring considerable powers and resources to local government, introduces additional principal-agent problems. One common symptom is the “overgrazing” of the society and increased level of corruption when subnational governments are granted more autonomy to regulate economic activities (Shleifer and Vishny 1993). If the empowered local institutions revert to elite control, decentralization may undermine public support for political system (Bardhan and Mookherjee 2000; Hiskey and Seligson 2003). Some empirical studies suggest that decentralization may in fact increase people’s perception of corruption (Kunicová and Rose-Ackerman 2005).

Unfortunately, most efforts of empirical studies have been devoted to investigating the effect of decentralization on corruption or other aggregate effects at country level (Fisman and Gatti, 2002a; Fisman and Gatti 2002b; Fan, Lin, and Treisman 2009). While aggregate effects of decentralization are important, it is also, if not more, imperative to examine how individuals respond to the institutional reforms of decentralization. Hiskey and Seligson (2003) and Escobar-Lemmon and Ross (2013) are two studies that turn attention to the direct effect of decentralization on individual attitudes. But both studies focus on one country, Bolivia and Columbia respectively, and concern only the variation within country. de Mello (2004) conducted the only cross-national study testing the effect of decentralization on attitudes of ordinary citizens towards government. However, he aggregated individuals’ confidence in government for countries and tested the effect of fiscal decentralization on country-averaged government support. In short, there lack direct comparative tests of the relationship between

decentralization and individual attitudes across countries.<sup>1</sup> One way of advancing the debate would be to subject the competing arguments to a comprehensive and comparative test of the effect of decentralization, as an aggregated variable, on political trust for government institutions, measured at the individual level.

### **Decentralization as a moderating contextual variable**

Driven by recent advancement of contextual analysis, we further posit that the relationship between decentralization and political trust does not only manifest in a direct manner. More importantly, decentralization provides an institutional context in which factors at the individual level take effect on political trust. That is, the effect of decentralization also works through shaping and moderating the relationship between political trust and its correlates at the individual level. Causal heterogeneity is a concern in much of the political science literature. Przeworski and Teune (1970, 74; Western 1998; Steenbergen and Jones 2002), for example, argue that comparative research focus mainly on “the [contextual] influence of larger systems upon the characteristics of units within them.” A burgeoning body of recent literature specifically raises the attention to contextual causality, arguing that any causal relationship happens in a context and context is likely to generate heterogeneous causality (Falleti and Lynch 2009; Morgan and Winship 2011; Geddes 2007). Corresponding to the conceptual understanding of the context-induced causal heterogeneity, recent years have witnessed an increasing number of studies employing multi-level models to address issues with cross-level nature. In light of this,

---

<sup>1</sup> An exception is a working paper by Ligart and Oudheusden (2011). We differ from their study as well.



we believe that decentralization constitutes an environment for which individuals evaluate political system based on their individual attributes, including socio-economic ones or attitudinal ones. Therefore, its effect should manifest through shaping the relationship between political trust and its covariates and this relationship generates heterogeneous effect for people with different attributes.

We in this study particularly investigate the moderating effect of decentralization on the effect of democratic value on political trust. Among various individual factors of political trust, we stress the interactive effect of democratic value and decentralization for two major reasons. First, the increase of democratic citizens is believed a major reason for trust decline worldwide. In the literature of political trust, one of the major findings is that the rise of “critical citizens” contributes to the general erosion in political trust. Internalized values, like democratic values, determine the benchmark against which individuals evaluate the regime in general and the political institutions in particular. In authoritarian regimes, those who strongly believe in democratic values therefore are unlikely to trust its institutions. Empirical studies in non-democracies have found a significant and negative correlation between democratic values and support for the political regime (Chen 2004; Geddes and Zaller 1989). Yet, even in democratic countries, democratically minded individuals higher democratic ideals make the public more critical of the actual operations and practices of democratic systems. Dalton, for instance, found that the declining political support in these societies has a lot to do with the citizens’ rising democratic aspirations: “[W]hat is changing is ... citizen expectations of what democracy should achieve... and it is of this higher standard that contemporary politicians and

political institutions fall short. (Dalton 2004, 109)” Presumably because many democratic governments have been slow to respond to higher democratic ideals held by democratically-minded citizens, structural decline of political trust is widespread in established democracies (Inglehart 1990, 1997; Norris 1999; Dalton 2004).

Second, democratic value is stressed in this study because decentralization is in essence a democratic institutional reform that supposedly meets the rising democratic demands (Diamond 1999). On the face value, a decentralized system is a more democratic system and meets the moral need of democratic citizens for a political system. In a decentralized system, political power is rearranged to be more dispersed vertically. In such a way, decentralization introduces another dimension of checks and balance in political system. Decentralization also makes a polity more inclusive and renders a larger portion of government officials and institutions at local levels under the watch of the public. Such newly added democratic features serve to soften the negative feeling of democratic citizens towards government institutions that have long been perceived to fail democratic standards in norm.

In addition, we believe that the individuals with stronger democratic minds are more likely to respond positively to decentralization because the effects of decentralization listed in the previous section pertain mostly to those people. First, decentralization can ease the critical citizens’ distrust in political institutions by enabling them to participate in political processes to a greater extent (Campbell 2003). A reason of declining public confidence in various political institutions and actors is about citizens’ increasing demand of democratic citizens in participating in political process (Huntington 1981; Inglehart 1999; Dalton 2004). Such demands have been

particularly problematic for national politics given the prohibitive cost and institutional restraints of attending political process at the national level. Decentralization help solve this problem by expanding the scope of participation, increasing the access to policy decision, and lowering the cost of political participation. It therefore increases the affection of democratic citizens, especially those marginalized at the national level, towards political institutions.

Second, decentralization, by enhancing the efficiency and quality of government performance, can also ease the criticism of democratic citizens. In modern politics, largely due to media's critical reporting, citizens are overwhelmed by the negative information of national government and politicians such as scandals, partisan bickering, and political incompetence (Kerbel 1995; Robinson and Sheehan 1983), all of which makes democratic citizens disappointed with politicians and political institutions. Due to the limited access to national politics, people tend to rely more on the media reporting that is mostly negative when assessing government performance. This in turn causes them to withdraw support for government. Decentralization helps provide alternative ways for the citizens to acquire information about government and governance and make their evaluation. By increasing the efficiency of policy making and service delivery, it signals that political system is not that incompetent. Moreover, by facilitating citizens to monitor and participate in policy-making processes to a greater extent, decentralization makes democratic and active citizens to understand that the political system is not as inaccessible as reported.

To sum, as a more democratic arrangement, decentralization's effect on political attitudes is more likely to be among democratically minded persons. But the positive moderating effect of

decentralization is based on the presumption that decentralization does increase performance efficiency on the one hand and enhance democratic governance on the other hand. As pointed out in the previous section, decentralization does not always produce good results. Against potential objections to the positive effect of decentralization, we test the following three hypotheses:

*H1: Citizens in countries with higher levels of decentralization show higher levels of political trust.*

*H2: Citizens with greater democratic values shows less trust for political institutions.*

*H3. The negative effect of democratic value on political trust is weaker in countries with higher levels of decentralization.*

### **Data, variables, and Measurements**

*Dependent variable: political trust*

We draw the individual level data from the World Value Survey (WVS, the fifth wave) conducted during 2005-2006. We choose this dataset because among the available datasets, WVS covers the largest number of countries with variant social, economic, and political contexts. It hence enables us to conduct a comparative test of the effect of decentralization in different contexts.

To gauge political trust, we use the respondents' answers to the multi-item survey question: "I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?" The institutions include the armed forces, the police, the courts, the government, parliament, and civil service. Together they constitute the core political

institutions of a state. The answer ranges from 1 to 4 for each item and is recoded such that higher scores indicate higher levels of trust. We take the sum of the responses to the six items to create an index of political trust. Reliability test shows that the six items have a high level of internal consistency with Cronbach's alpha =0.86.<sup>2</sup> The value of this variable ranges from 6 to 24 on a scale with 37 value points.

#### *Independent variable at country level*

The primary independent variable of this study is decentralization. Decentralization is a multi-dimensioned concept. To avoid the bias caused by the choice of any single measurement, we follow some prominent studies on this topic (Fan et al. 2009; Schneider 2006) and measure decentralization at three dimensions: fiscal, administrative, and political in that order.

Fiscal decentralization is the most popular measurement of decentralization in the literature (Pryor 1968, Oates 1972. Panizza 1999; Matsubayashi, 2007; Fisman and Gatti.2002; Dincer, 2010).Fiscal measurement is preferred because it is an objective measurement and public datasets are easily accessible. And it serves as a good indicator because “the extent of a public authority’s activities in taxation and in the expenditure of public funds is surely a component of fundamental importance in determining its influence on the allocation of resources” (Oates 1972,p.197).The data are obtained from *Government Finance Statistics Yearbook* published by International Monetary Fund and where missing observations are supplemented by the reports of country studies. We further average the share of local expenditure and revenue over total

---

<sup>2</sup> Principal component factor analysis also confirms that all six items load to one factor.

expenditure and revenue to create a composite measure of fiscal decentralization<sup>3</sup>.

Administrative decentralization refers to how administrative resource including personnel is distributed across tiers of government. We measure it by using the much simplified indicator “personnel decentralization” drawn from a dataset compiled by Fan, Lin, and Treisman (2009). This indicator measures the share of administrative staff employed at all subnational tiers of the government system. It is argued that the share of local government employees is a good proxy of administrative decentralization since supposedly a more administratively decentralized system should employ a larger share of staff at the subnational levels.

Federalism has been a traditional measure of political decentralization (Goldsmith, 1999; Treisman, 2000). We measure political decentralization first by following this convention. In addition, we supplement it with a measurement of the degree of decision-making autonomy of local governments compiled by Fan, Lin, and Treisman (2009). This measurement gauges the extent to which subnational actors have the right to make political decisions. It includes two indices: “autonomy” and “residual authority.” Autonomy refers to the situation that constitution reserves exclusive right to legislate on at least one specific policy area to subnational legislatures; residual authority refers to a political system in which constitution gives subnational legislatures exclusive right to legislate on policy areas not specifically assigned in constitution.

At the aggregate level, we control a set of relevant factors in our full models<sup>4</sup>. The size of a country is believed to influence political support (Matsubayashi, 2007). We therefore include

---

<sup>3</sup> Analysis using separate measurements yields similar findings.

<sup>4</sup>We do not provide detailed explanations to the effect of control variables at either country level or individual level for the sake of brevity.

both the population size and territory size of countries. We also control another important control factor—democracy, whose measure is provided in the dataset “Democracy and Dictatorship” (i.e., DD). DD is updated from the “Political and Economic Database” originally produced by Alvarez, Cheibub, Limongi, and Przeworski (ACLP). DD categorizes a polity as democracy if the executive is elected via the legislature or the legislature is directly elected, there is more than one party, and the executive power alternates. We also control the effect of two important economic factors, GDP per capita and growth rate of GDP per capita. Summary statistics of all variables used in this study is presented in Appendix 1.

*Independent variable at individual level*

The most important independent variable at the individual level is democratic value. Given the global acceptance of the idea of democracy, direct questions on democratic commitment are likely to induce socially desirable answers. With this in mind, we choose to measure one’s democratic value based on the respondent’s answer to three items of a four-item question in WVS that asks the respondents’ agreement with democratic procedures (“Having a strong leader who does not have to bother with parliament and elections;” “Having experts making decisions according to what they think is best for the country;” and “Having the army rule.”). While these items do not exhaust all the democratic procedures, together they can provide a conceptual anchorage and hence serve as a good test of one’s democratic commitment. Since explanatory factor analysis shows that three items load to one factor indicating the consistence in the respondents’ view towards democracy, we sum the responses as the measurement of one’s

democratic value.

Building upon previous studies of political trust and at the same time limited by data availability of WVS, we include the following controls at the individual level: gender (0 for female, 1 for male), age (in years), marriage experience (1 for yes), education (in years), social economic status (from lowest to highest), and interpersonal trust (1 for lowest trust, and 4 for high trust). A more detailed discussion of the effect of these variables on political trust is skipped for brevity.

### **Analyses and results**

We proceed first to examine the effect of decentralization at the country level, in part as a replication of previous studies related to this topic. We then turn to our main analysis at the individual level to see whether it is in agreement of aggregate analysis. After that, we further investigate the indirect effect of decentralization through introducing an interaction term between decentralization and democratic value. Lastly, to further test the robustness of our findings we conduct analyses for democratic and authoritarian countries separately. For each set of analyses, we measure decentralization in three dimensions: fiscal, administrative, and political (federalism and subnational autonomy).

#### *Aggregate analysis*

We first run regression analyses (OLS) to detect whether there is a relationship between decentralization and political trust at the country level. To that end, we obtain the aggregate-level



political trust for each country by taking the country average of institutional trust. Model 1, 2, and 3 Table 1 are analyses of the effect of fiscal decentralization, administrative decentralization, and federalism, respectively. Model 4 is the analysis of the alternative measurement of political decentralization, local autonomy.

*[Insert Table 1 about here]*

The analyses in Table 1 show that, on average, fiscal decentralization and administrative decentralization are positively and significantly associated with political trust. Two different measures of political decentralization, however, are negatively and significantly associated with political trust. This seemingly conflicting pattern conforms to the findings of previous related studies. Fiscal decentralization, as reported in Huther and Shah (1998), De Mello and Barenstein (2001), and other studies, is accompanied with lower perceived corruption as measured by *Transparency International* and *World Bank* (both are measures at country level). But some scholars found that federalism, on the other hand, is associated with a higher level of perceived corruption (Treisman, 2000; Goldsmith, 1999) or perceived government accountability (Escobar-Lemmon and Ross 2013).

#### *Individual-level analysis*

Turning our attention to the respondents' expressed institutional trust at the individual level, we employ a random-intercept multi-level model to estimate the effect of decentralization on political trust. This is because the causal relationship between the two varies across both countries and individuals. Although the number of aggregate units is reasonable large (47

countries in total), we estimate the multilevel models separately for each of the four country-level measures of decentralization. In order to test the robustness of our analyses, we first conduct a set of analyses that only include measures of decentralization as the independent variable at the country level (Model 5-8), and then include a full set of variables at the country level (Model 9-12). As shown in Table 2, both analyses yield similar results.

*[Insert Table 2 about here]*

Results in Table 2 are consistently different from findings emerged from country-level analyses, showing that regardless of its specific measures, decentralization is not significantly associated with political trust at the individual level at all. This indicates that decentralization does not exert a direct impact on how people perceive various political institutions and authorities. In other words, citizens do not evaluate their government more (or less) preferably simply because its power and authority are more devolved to subnational levels. To rule out that the insignificant association is artificially caused by our operationalization of political trust (the average of six items: government, police, armed forces, parliament, police, and civil services), we conduct the same set of analyses for each of the six political institutions and the results are consistent.<sup>5</sup>

These consistent findings challenge the extant literature in several ways. First, the significant association between decentralization and its alleged political consequences at aggregate level reported in previous studies fails to establish at the individual level. And the significant association at the individual level in several single-country studies is falsified too when more countries are included in analysis. Moreover, the insignificance of the relationship at the

---

<sup>5</sup>The additional analyses are not reported and available upon request.

individual level suggests country-level analyses of decentralization may fall prey to the “ecological fallacies” (Seligson 2002)The observed aggregate association in fact cannot fully reveal the micro mechanism linking decentralization ordinary people’s confidence in political institutions.

The relationship of other variables at the individual level to political trust does demonstrate many meaningful patterns in a consistent manner. The results of the multilevel analyses confirm our expectation that people with a higher level of democratic value are more critical of political establishments than those with less affection for democracy. It is the higher standard that contemporary politicians and political institutions fall short, causing democratic-minded citizens disenchanted. The results also suggest that political trust is strongly shaped by respondents’ socio-demographic characteristics. Younger, more educated, less affluent and less socially trusting citizens are less trustful of government.

*[Insert Table 3 about here]*

#### *Cross-level interaction*

Then, what causes the significant association between decentralization and political trust at the aggregate level while there is no direct effect of decentralization at the individual level?

Although exerting no direct impact, decentralization, as we argued, can shape the public’s perception of political institutions via affecting the relationship between political trust and its correlates, in particular, democratic value. We therefore include a cross-level interaction term between democratic value and decentralization as measured in different ways. The analytical

results of these models are reported in Table 3 (Model 13-16)<sup>6</sup>. As expected, while democratic value is negatively associated with political trust, its interactions with both fiscal decentralization and administrative decentralization are positive and significant (Model 13 and 14). That is, with a higher level of fiscal or administrative decentralization in a given country, the negative effect of democratic value on political trust decreases significantly. This indicates that vertical dispersion of fiscal and administrative power mitigates the negative association between democratic value and political trust.

In order to present more meaningful interpretation of the moderating effects discussed above, we plot the marginal effects of fiscal and administrative decentralization based on Model 13 and Model 14 (Figure 1-a & 1-b). Both plots show that the effect of democratic value is negative and significant at lower values of decentralization. The negative effects of democratic value, however, decrease in magnitude with higher levels of decentralization, and it becomes insignificant when decentralization reaches its higher end. In short, decentralization helps attenuating the potential detrimental effect of democratic value on political trust.

***[Insert Figure 1 about here]***

In contrast, the two measurements of political decentralization, federalism (Model 15) and local autonomy (Model 16), do not have a positive interactive effect with democratic value. While the interaction between federalism and democratic value is not significant (Model 15), the

---

<sup>6</sup> The results of simpler models including those only with primary country-level independent variables are not reported.

interaction between autonomy and democratic value is significant and negative (Model 16). This finding indicates that with higher degrees of autonomy of subnational units, people with greater democratic value are more critical of political institutions. Marginal effect plot in Figure 1-c shows that the effect of democratic value stays negative at all levels of local autonomy, and the negative effect increases in magnitude with a higher level of autonomy. Therefore, it shows that compared to other dimensions of decentralization, political decentralization entails a dynamic that aggravates the negative feelings of democratically minded citizens about the political system, an important issue to be addressed in the next section.

#### *Split-sample analysis*

Presumably, decentralization can lead to varying political consequences under different regime settings. The above analytical results show that democracy is consistently negatively associated political trust, in both aggregate and individual-level analyses. We therefore split the global sample based on whether a country is democratic or not and conduct the same set of analyses for two types of countries separately (Table 4). Model 17 through Model 20 are analyses of democratic countries; Model 21 through Model 24 are analyses of autocratic countries. Provided the smaller numbers of countries in split samples as compared to global sample, both set of analyses include only one independent variable, decentralization, at the country level and its interaction with democratic value.<sup>7</sup>

***[Insert Table 4 about here]***

---

<sup>7</sup>Analyses using a full set of aggregate variables yield similar findings.

The results indicate that the political impacts of decentralization are stronger in democratic countries than in authoritarian countries. In democratic countries, the pattern of the moderating effect of decentralization is consistent with that of the main analyses in Table 3. Both fiscal decentralization and administrative decentralization mitigates the negative effect of democratic value on trust; but local autonomy, an indicator of political decentralization, amplifies that negative effect. The interactive effect of decentralization and democratic value is less evident in autocratic countries. In those countries, only administrative administration works to boost political trust of institutions through decreasing the negative effect of democratic value. Fiscal decentralization does not make the democratically-minded person to believe in authoritarian institutions at all; and political decentralization has no significant indirect effect either. These findings imply that decentralization as an institutional reform does not influence people's view of political institutions in authoritarian regimes as much as it does in democratic countries. Nevertheless, given the small number of authoritarian countries in WVS sample, we are cautious not to infer much about the insignificance of the effect of decentralization on political trust.<sup>8</sup>

## **Conclusion**

With ever increasing burden of modern governments in managing domestic affairs, national government around the world are either forced or motivated to reallocate authority downwards to

---

<sup>8</sup>To deal with the limited number of cases at the country level, we conducted multilevel analyses using Bayesian approach as suggested by Stegmuler (2013) and obtained similar findings. Results are available upon request.

subnational and local units of government. As a result, citizens are exposed to more daily operation of government and involved in more political or policy-making process. Does such a vertical dispersion of political power and authority reshape the relationship between government and its citizenry? Does it change how ordinary people perceive various political institutions and actors? In particular, does this institutional reform help restore the public confidence in political institutions that have been declining in recent decades? To answer these questions, this study provides a much-needed comparative analysis of the effect of decentralization on political trust.

Our analysis first disproves the direct effect of decentralization on individual attitudes in spite of their significant association at the country level. We then show that the trust-fostering function of decentralization at two dimensions (fiscal and administrative) works through mitigating the negative effect of democratic value on political trust. However, one measure of political decentralization—subnational political autonomy—aggravates the negative effect of democratic value.

The different or even opposite effect of decentralization measured in different dimensions political trust warrants further discussions. The finding that political decentralization aggravates the negative effect of democratic value suggests that power devolution in political sense is not necessarily beneficial for the government in terms of gaining public confidence. This is probably due to the unique nature of political decentralization compared to the two other dimensions of decentralization. In democracies, if political decentralization operates inappropriately, the decentralized political making process makes stalemate, partisan politics, and other problems of democratic political process more salient and thus critical citizen are more disappointed by

democratic system. In autocracies, the decentralization of political process can make a democratically-minded person more aware of the undemocratic nature of the political system that has been concealed by propaganda. In either case, democratically-minded persons get more dissatisfied with the political system and hence more likely distrust its political institutions when they are more exposed to political process in a decentralized system.

Another possible explanation to this “reinforcing” effect of political decentralization has to do with “vertical clarity of responsibility” (Anderson 2005). One of the most important developments in studies of citizens’ perception of government performance dealt with the “clarity of responsibility” in different political and institutional contexts. While Powell and Whitten (1993) showed that horizontal clarity of responsibility within the national governing institutions significantly alters how ordinary people evaluate incumbent government, Anderson (2005) finds that similar patterns exist along the vertical angle. Particularly, to the extent that political decentralization demarcates responsibility between the national and subnational government more than does fiscal or administrative decentralization, it leave less room for governments to engage in blame shifting and credit taking for various performances. Therefore, the negative effects of democratic values on political trust are less likely to be muted when the clarity of responsibility become stronger as a result of political decentralization.

Although political decentralization has a negative effect, decentralization policies overall help rebuild political trust among the public. This is so because it is the administrative and fiscal domains that most governments focus on when implementing decentralization. How political powers are arranged vertically has usually been set by a country’s constitution and is difficult to



be changed. Compared to political decentralization how administrative authorities are distributed or how revenue or expenditure is assigned among different tiers of government is much less formidable to change and is often the focus of the of government reforms. Although such policy reforms cannot directly increase the affection of all people for the government, it does help meet the rising democratic demand of the public.



Table 1. The Effect of Decentralization on Political Trust (Aggregate Analysis)

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
	Fiscal	Administrative	<i>Federal</i>	Political <i>Autonomy</i>
Decentralization	2.77*** (0.054)	1.52*** (0.041)	-0.26*** (0.016)	-0.48*** (0.015)
Surface	-0.34*** (0.0052)	-0.24*** (0.0060)	-0.19*** (0.0054)	-0.22*** (0.0050)
Population	0.42*** (0.0055)	0.27*** (0.0068)	0.40*** (0.0056)	0.41*** (0.0056)
Democracy	-2.29*** (0.016)	-1.83*** (0.018)	-1.93*** (0.016)	-1.82*** (0.016)
GDP pc	0.22*** (0.0072)	0.079*** (0.0067)	0.059*** (0.0050)	0.016*** (0.0054)
Growth	0.011*** (0.0035)	0.10*** (0.0033)	-0.0049** (0.0024)	-0.016*** (0.0025)
Constant	11.7*** (0.091)	13.6*** (0.082)	13.2*** (0.058)	13.7*** (0.062)
R <sup>2</sup>	0.32	0.27	0.24	0.25
No. countries (respond.)	38(66005)	32(55221)	45(79517)	42(74983)

Standard errors in parentheses; \* p<.10, \*\* p<.05, \*\*\* p<.01

Table 2. Estimation of the effect of decentralization on institutional trust (individual level analysis)

	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
	Fiscal	Admin.	Federal	Autonomy	Fiscal	Admin.	Federal	Autonomy
<i>Ind. level</i>								
Sex	-0.15*** (0.034)	-0.17*** (0.038)	-0.16*** (0.032)	-0.17*** (0.033)	-0.16*** (0.034)	-0.17*** (0.038)	-0.16*** (0.033)	-0.17*** (0.033)
Age	0.0093*** (0.0011)	0.0079*** (0.0012)	0.0093*** (0.0011)	0.0084*** (0.0011)	0.0093*** (0.0011)	0.0079*** (0.0012)	0.0088*** (0.0011)	0.0084*** (0.0011)
Education	-0.021*** (0.0027)	-0.012*** (0.0030)	-0.021*** (0.0026)	-0.020*** (0.0027)	-0.020*** (0.0027)	-0.012*** (0.0030)	-0.019*** (0.0027)	-0.020*** (0.0027)
Social status	0.13*** (0.019)	0.082*** (0.021)	0.10*** (0.017)	0.11*** (0.018)	0.13*** (0.019)	0.082*** (0.021)	0.100*** (0.018)	0.11*** (0.018)
Interpersonal trust	0.48*** (0.019)	0.44*** (0.021)	0.47*** (0.018)	0.45*** (0.019)	0.48*** (0.019)	0.44*** (0.021)	0.47*** (0.018)	0.45*** (0.019)
Democratic value	-0.13*** (0.0086)	-0.11*** (0.0096)	-0.13*** (0.0081)	-0.13*** (0.0084)	-0.13*** (0.0087)	-0.11*** (0.0096)	-0.13*** (0.0083)	-0.13*** (0.0084)
Constant	13.8*** (0.67)	14.0*** (1.02)	14.8*** (0.36)	15.1*** (0.41)	10.7*** (3.69)	12.7*** (3.67)	11.4*** (2.53)	12.0*** (2.69)
<i>Country level</i>								
Decentralization								
Surface	2.91 (2.01)	2.35 (1.84)	0.084 (0.68)	-0.23 (0.68)	2.11 (2.28)	0.57 (2.15)	-0.55 (0.70)	-0.41 (0.64)
Population					-0.21 (0.22)	-0.11 (0.27)	-0.015 (0.24)	-0.090 (0.22)
Democracy					0.34 (0.23)	0.24 (0.30)	0.30 (0.23)	0.34 (0.24)
GDP pc					-2.91*** (0.77)	-2.78*** (0.87)	-2.21*** (0.71)	-2.14*** (0.75)
Growth					0.42 (0.30)	0.27 (0.32)	0.29 (0.21)	0.22 (0.23)
Ind. variance	12.47	12.50	12.73	12.65	12.44	12.50	12.74	12.65
Country. variance	3.87	3.83	4.09	4.27	2.66	2.83	3.21	3.33
N. (country)	45578(39)	36434(32)	51489(47)	47537(42)	44710(38)	36434(32)	49670(45)	47537(42)
Log likelihood	-122285	-97802	-138694	-127903	-119900	-97797	-133803	-127897

Multilevel model with random intercept; Standard errors in parentheses; \* p<.10, \*\* p<.05, \*\*\* p<.01.

Table 3. Estimation of the effect of decentralization on institutional trust (cross-level interaction)

	Model 13 Fiscal	Model 14 Admin.	Model 15 Federal	Model 16 Autonomy
<i>Ind. level</i>				
Sex	-0.16*** (0.034)	-0.17*** (0.038)	-0.16*** (0.033)	-0.17*** (0.033)
Age	0.0093*** (0.0011)	0.0079*** (0.0012)	0.0088*** (0.0011)	0.0085*** (0.0011)
Education	-0.020*** (0.0027)	-0.012*** (0.0030)	-0.019*** (0.0027)	-0.020*** (0.0027)
Social status	0.13*** (0.019)	0.082*** (0.021)	0.100*** (0.018)	0.11*** (0.018)
Interpersonal trust	0.47*** (0.019)	0.44*** (0.021)	0.47*** (0.018)	0.45*** (0.019)
Democratic value	-0.17*** (0.018)	-0.24*** (0.027)	-0.14*** (0.010)	-0.11*** (0.011)
Constant	11.0*** (3.69)	13.8*** (3.67)	11.5*** (2.54)	11.9*** (2.69)
<i>Country level</i>				
Decentralization	1.05 (2.33)	-1.62 (2.19)	-0.69 (0.72)	-0.097 (0.66)
Surface	-0.21 (0.22)	-0.11 (0.27)	-0.016 (0.24)	-0.090 (0.22)
Population	0.34 (0.23)	0.24 (0.30)	0.30 (0.23)	0.34 (0.24)
Democracy	-2.90*** (0.77)	-2.81*** (0.87)	-2.22*** (0.71)	-2.14*** (0.74)
GDP pc	0.41 (0.30)	0.27 (0.32)	0.29 (0.21)	0.22 (0.23)
Growth	0.012 (0.14)	0.077 (0.14)	-0.00012 (0.11)	-0.0029 (0.12)
<i>Cross-level interaction</i>				
Decent.*demo. value	0.13** (0.054)	0.25*** (0.050)	0.017 (0.018)	-0.037** (0.017)
Ind. variance	12.44	12.49	12.74	12.65
Country variance	2.66	2.83	3.21	3.32
No. of obs. (country)	44710(38)	36434(32)	49670(45)	47537(42)
Log likelihood	-119897	-97784	-133803	-127895

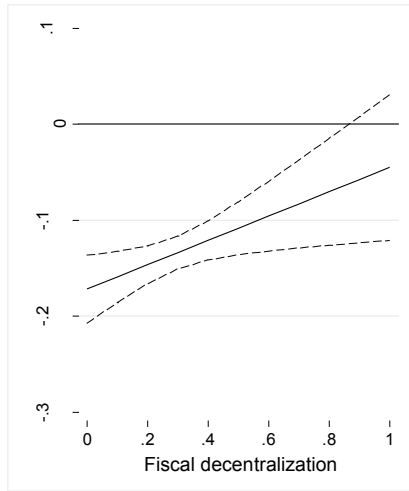
Multilevel model with random intercept; Standard errors in parentheses; \* p<.10, \*\* p<.05, \*\*\* p<.01.

Table 4. Estimation of the effect of decentralization on institutional trust (split analysis)

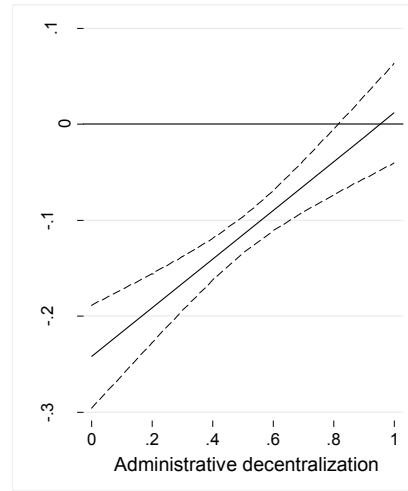
	Democracy				Autocracy			
	Model 17 Fiscal	Model 18 Admin.	Model 19 Federal	Model 20 Autonomy	Model 21 Fiscal	Model 22 Admin.	Model 23 Federal	Model 24 Autonomy
<i>Ind. level</i>								
Sex	-0.13*** (0.037)	-0.20*** (0.041)	-0.14*** (0.035)	-0.16*** (0.037)	-0.19** (0.076)	-0.076 (0.088)	-0.17** (0.069)	-0.18** (0.070)
Age	0.012*** (0.0011)	0.011*** (0.0013)	0.012*** (0.0011)	0.011*** (0.0012)	0.0017 (0.0029)	-0.0033 (0.0032)	0.0013 (0.0027)	0.00069 (0.0027)
Education	-0.018*** (0.0028)	-0.011*** (0.0031)	-0.017*** (0.0027)	-0.015*** (0.0028)	-0.036*** (0.0077)	-0.020** (0.0094)	-0.040*** (0.0070)	-0.042*** (0.0072)
Social status	0.23*** (0.021)	0.23*** (0.023)	0.21*** (0.020)	0.22*** (0.021)	-0.082** (0.039)	-0.23*** (0.044)	-0.094*** (0.035)	-0.088** (0.035)
Interpersonal trust	0.40*** (0.021)	0.38*** (0.023)	0.42*** (0.020)	0.40*** (0.021)	0.68*** (0.042)	0.57*** (0.045)	0.58*** (0.037)	0.57*** (0.038)
Democratic value	-0.20*** (0.021)	-0.24*** (0.030)	-0.15*** (0.011)	-0.13*** (0.012)	-0.092*** (0.033)	-0.24*** (0.059)	-0.087*** (0.022)	-0.074*** (0.023)
Constant	13.6*** (0.68)	15.5*** (0.96)	14.0*** (0.34)	14.1*** (0.40)	15.6*** (1.28)	15.4*** (1.74)	17.3*** (0.84)	17.3*** (0.87)
<i>Country level</i>								
Decentralization	1.71 (2.05)	-2.23 (1.77)	0.47 (0.68)	0.67 (0.65)	3.97 (3.98)	3.81 (2.93)	-1.57 (1.42)	-1.14 (1.61)
<i>Cross-level interaction</i>								
Decent.*demo. value	0.15** (0.063)	0.19*** (0.057)	0.0094 (0.021)	-0.044** (0.020)	0.070 (0.10)	0.38*** (0.11)	-0.0078 (0.034)	-0.032 (0.034)
Ind. variance	11.05	10.89	11.24	11.07	16.40	17.00	16.48	16.39
Country variance	2.43	2.29	2.62	2.76	4.86	2.86	5.18	5.45
N. (country)	33859(31)	27249(25)	37133(35)	33701(31)	11719(8)	9185(7)	14356(12)	13836(11)
Log. likelihood	-88804	-71268	-97707	-88422	-33045	-23062	-40519	-39013

Multilevel model with random intercept; Standard errors in parentheses; \* p<.10, \*\* p<.05, \*\*\* p<.01

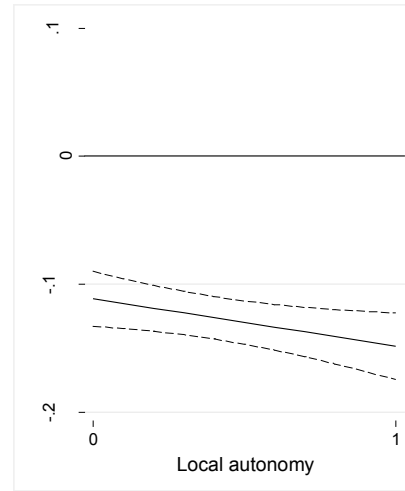
Figure 1. Marginal effect of democratic value at all levels of decentralization



a. Fiscal decentralization



b. Administrative decentralization



c. Political decentralization: local autonomy

Appendix 1. Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
political trust	81874	15.18	4.30	6	24
sex	82896	0.48	0.50	0	1
age	82725	41.41	16.48	15	98
Education (at what age finished education)	67434	19.30	6.42	1	97
social status	68901	2.63	1.00	1	5
Interpersonal trust	81298	2.35	0.97	1	4
Democratic value	75650	8.32	2.17	3	12
Fiscal decentralization	67225	0.29	0.16	0.041	0.67
Administrative decentralization	55221	0.53	0.20	0.19	0.93
Federalism	81740	0.30	0.46	0	1
Local autonomy	74983	0.33	0.47	0	1
Surface area (log)	79517	6.33	1.74	1.63	9.75
Population (log)	80737	10.35	1.52	6.92	14.08
democracy	81740	0.67	0.47	0	1
GDP pc (log)	81740	8.10	1.55	5.0039	10.61
growth rate	81740	3.86	2.73	-3.2	10.6