

Political Trust and Preferences for Government Policies

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1 Motivation

Previous studies have empirically examined whether higher political trust influences policy preferences (Devine, 2024), with a particular focus on support for redistribution (e.g., Hetherington 2005; Edlund 1999; Rudolph and Evans 2005; Rudolph 2009; Svalfors 2013; Kuziemko, Norton, Saez, and Stantcheva 2015; Peyton 2020). However, this literature faces two limitations. First, there are multiple policy tools to expand the size of government—such as increasing income taxation on the rich, boosting targeted spending for the poor, or raising consumption taxes—but existing studies rarely compare the effect of political trust across these different instruments. Second, most studies focus narrowly on redistribution, making it difficult to assess how the effect of political trust on redistribution compares to its impact on preferences for other types of policies.

The present study addresses these limitations by introducing a novel experimental design that combines an information provision experiment with a conjoint survey, allowing for a more comprehensive and comparative analysis.

2 Experimental design

We collect around 1,500 participants in Japan. The survey design is summarized as follows. After several socio-demographic questions are asked, respondents are randomly assigned to one of the following two groups:

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- Control: Respondents are asked to guess the proportion of political donations among the revenue of political parties. Then, they are asked to answer whether politicians collude with the rich and business elites.
- Treatment: Respondents are asked to guess the proportion of political donations among the revenue of political parties. After this, respondents are informed of the correct number (15%) on the proportion of political donations among the revenue of political parties. Then, they are asked to answer whether politicians collude with the rich and business elites

After this, every respondent will participate in conjoint experiments, where each respondent is asked to answer the following question:

- In order to learn which policies you consider more desirable, you will now make 10 decisions about which of two hypothetical candidates you prefer.

The profiles of each type are randomly determined as in standard conjoint experiments. Attributes include policies related to targeted spending, lump-sum subsidy, consumption tax, income tax, national security, gender, and environmental protection among others.

3 Hypotheses and analysis plan

In the following analysis, we restrict our attention to respondents whose guess exceeds the correct number (i.e., respondents whose guess is larger than 15%).

Manipulation check: From the above restriction, being informed of the correct number will increase the political trust level. To validate whether this is indeed the case, we run the following regression:

$$y_{Ri} = \nu T_i + X_i \beta + \epsilon_i, \quad (1)$$

where y_{Ri} is the outcome of asking the fraction of politicians who are involved in illegal corruption., T_i is the binary variable that takes one if respondent i is the treatment, and X_i is the set of controls.

Baseline preference: Following Leeper, Hobolt, and Tilley (2020), we measure marginal means of each level in attributes in the control group and the treatment group separately. Using the marginal means in the control group, we analyze baseline policy preferences. Rather than testing hypotheses, this is a descriptive analysis showing policy preferences of citizens in Japan.

Political trust and redistribution: While political trust has various aspects, our treatment particularly focuses on the political influence of the rich. Therefore, our treatment changes people's perceptions of the political influence of the rich.

Therefore, larger trust would reduce the support for the taxation on rich because people would think that the political influence of the rich does not distort taxation and thus the the current tax rate is desirable (Kishishita and Matsumoto, 2024). Similarly, larger trust would reduce the support for spending targeted to the poor. Furthermore, larger trust would increase the support for consumption taxation because people would think that tax revenues would be used for ordinary citizens not for the rich.

These considerations lead to the following hypothesis:

Hypothesis 1. *The treatment reduces the support for taxation on the rich and spending targeted to the poor, but increases the support for consumption taxation.*

This hypothesis is tested by comparing marginal means between the control group and the treatment group.

Political trust and other policies: Political trust could affect preferences for other policies. In particular, as Devine (2024) notes (p. 2246), "trust is expected to matter most for spending when someone is an ideological loser (against expanding public spending), a material loser (will face higher taxes or other policy trade-offs with no or little gain), and if they care about the policy area." Investment in national security and environment policies are ideological issues, whereas spending targeted to the elderly or the young generations create material losers. Therefore, larger trust would expand the support for such policies. In contrast, increasing lump-sum subsidies does not create an ideological or material loser. This consideration leads to the following hypothesis:

Hypothesis 2. *The treatment increases the support for investment in national security, environment policies, and spending targeted to the elderly or the young generations. In contrast, the treatment has no effect on the support for increasing lump-sum subsidies.*

Heterogeneous treatment effect: First, in the current context of Japan, the political scandals on political donations by the majority party (LDP) attract much attention from the public. Therefore, whether the treatment works as intended could depend on respondents' partisanship. Second, the effect on preferences for redistribution could depend on respondents' income level or respondents' economic ideology. We explore such possibilities of the heterogeneous treatment effects. Lastly, the treatment effect on preferences for spending targeted to the elderly/young could depend on respondents' age. We also explore this heterogeneity.

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