

Generalized and Institutional Trust in Iran



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Outline



- Motivation
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Motivation



Why is it important to analyze trust?

- ‘Facilitating coordination and cooperation for mutual benefit’ (Putnam (1995), p.67),
- Constructing social solidarity in a society,
- Trusting societies fare better on corruption and governance assessments (Uslaner, 2008),
- A better trust level is also associated with better economic environment in countries, which triggers economic development and growth.

Motivation (cont'd)



- While there is a growing literature on the determinants and effects of trust in Western countries, the analysis of the issue is neglected for other parts of the world either due to:
 - 1- lack of proper data or
 - 2- interest
- As the fabric and structure of the Iranian society is different than its counterparts in Europe, generalized conclusions do not make sense for Iran.

Research Question(s)



- What are the main micro-level determinants of social and institutional trust in Iran?
- Is there an institutional foundation of generalized trust in the region?

Literature Review: Economics of Trust



- Increased trust has a direct positive effect on the GDP per capita growth and this direct effect is achieved due to lower transaction costs (Knack (1999))
- Arrow (1972) and Fukuyama (1995) argued that there exists a positive link between trust and economic development
- Putnam (1993) argued that greater civic engagement and social trust lead to better governance in Italy.
- Knack and Keefer (1997) argue that there is a positive impact of trust on the innovation level, which is a well-known input of economic growth.

Literature Review: Determinants of Trust



- Ethnic diversity, good governance and religiosity are strongly related with trust. (Zak and Knack (2001), Delhey and Newton (2005), Hooghe et al. (2009))
- Low-trust societies have lower institutional quality and higher political corruption. (Uslaner (2008))
- La Porta et al. (1997) found that higher level of trust is positively linked with judicial efficiency and negatively with government corruption.

Data and Methodology



- World Values Survey collected in 2000 and 2007
- The data are collected from 30 different provinces at each time period that enables us to observe the regional differences in the level of trust, if there is any
- There are 2,532 and 2,667 respondents in total, in 2000 and 2007 respectively.
- The data is pooled to increase the sample size.
- Year dummies are incorporated to the empirical models to take into account the time fixed effects. The coefficients of the year dummies show that there is significant decrease in the level of generalized trust in 2007 compared to the 2000 level.

Data and Methodology (cont'd)

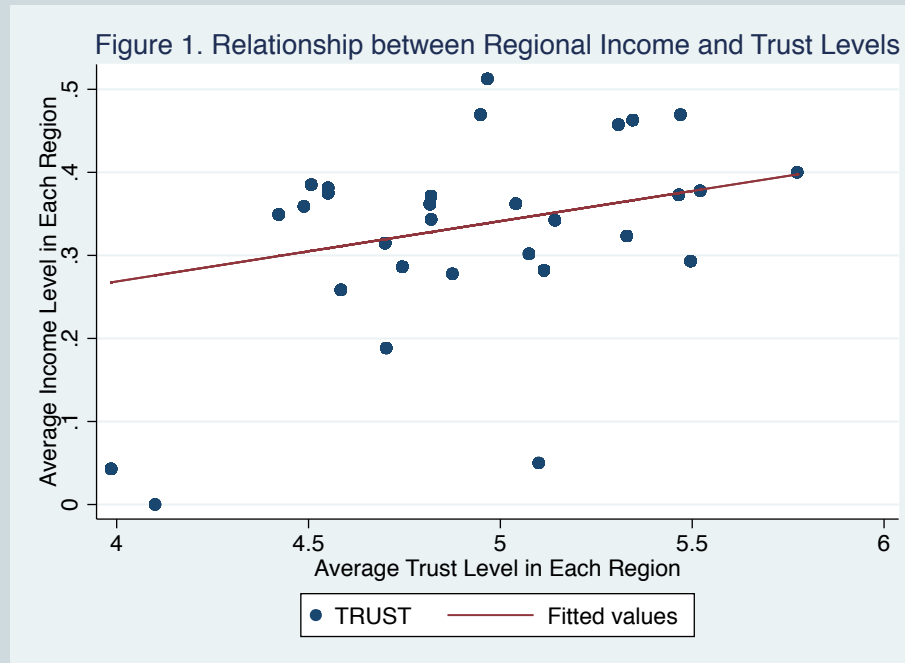


- There are 2,532 and 2,667 respondents in total, in 2000 and 2007 respectively. 1,256 individuals out of 2,532 (49.61%) in 2000 state that 'most people can be trusted' while only 10.54% of respondents in 2007 agree with that statement.
- Generalized (or social) trust variable is a dummy variable, which takes the value 1 if the respondent agrees with the above statement and 0 if not
- The data in each year is collected from 30 provinces of Iran and it is a nationally representative survey data.

Data and Methodology (cont'd)



- In regions with higher average income levels the percentage of trusting people is also higher:

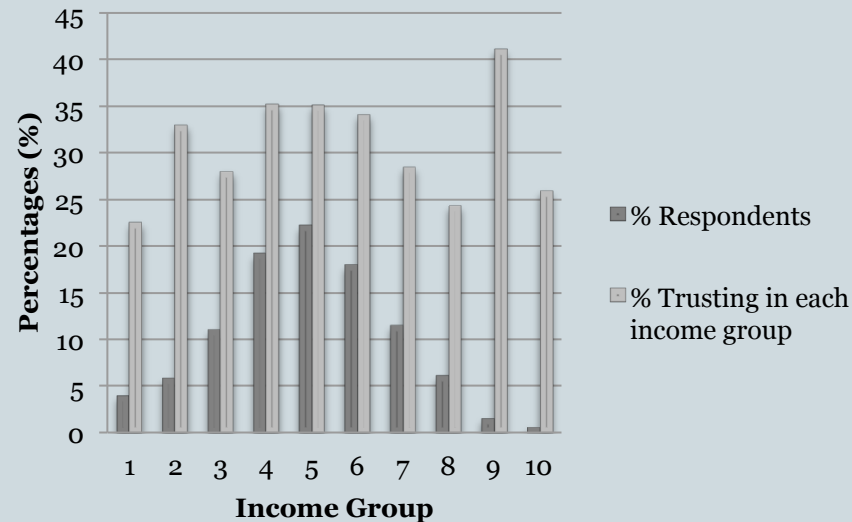


Data and Methodology (cont'd)



Percentage distribution of trusting respondents in each income group:

Figure 2. Trust by Subjective Income Group



Data and Methodology (cont'd)

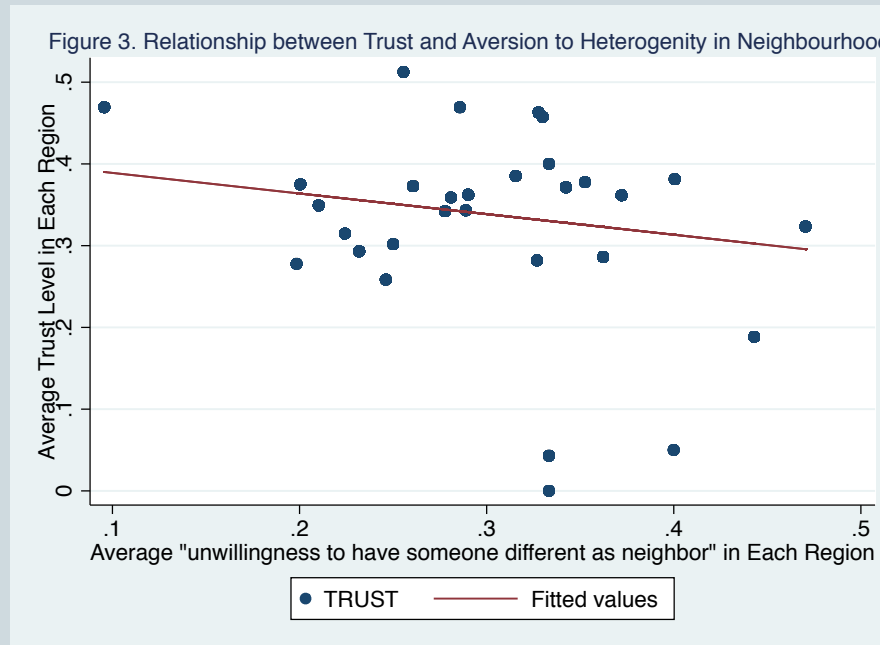


- Although average income level in a region is positively linked with the level of trust as in Figure 1, individual income levels do not result a monotonic increase in social trust. So;
 - 1- This result leads us to add the quadratic term of subjective income in the regression analysis
 - 2- Another way to measure the effect of income heterogeneity on trust levels is to add income levels centered around group mean for each individual

Data and Methodology (cont'd)



- Negative relationship between social trust levels and one's aversion to heterogeneity in the neighbourhood



Data and Methodology (cont'd)

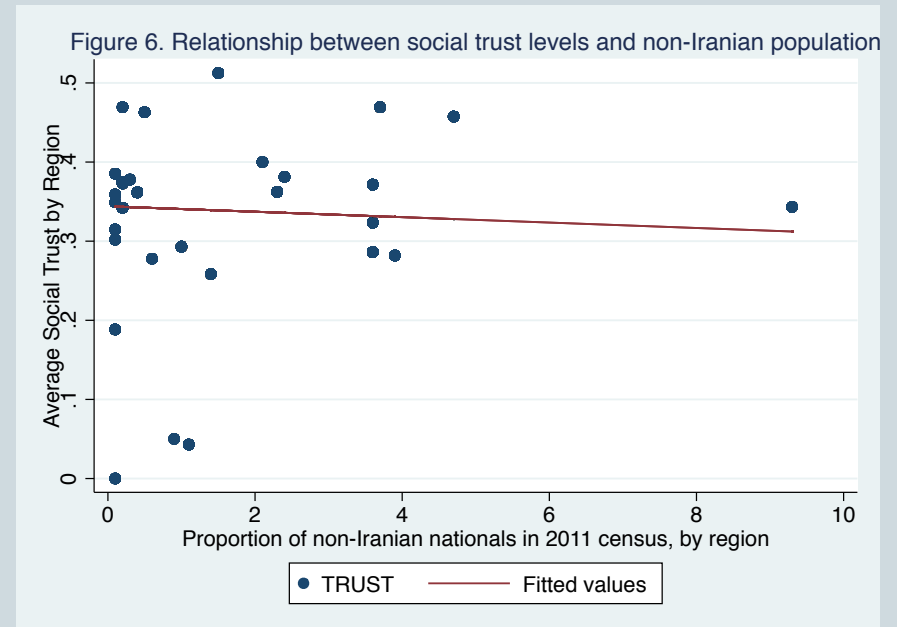
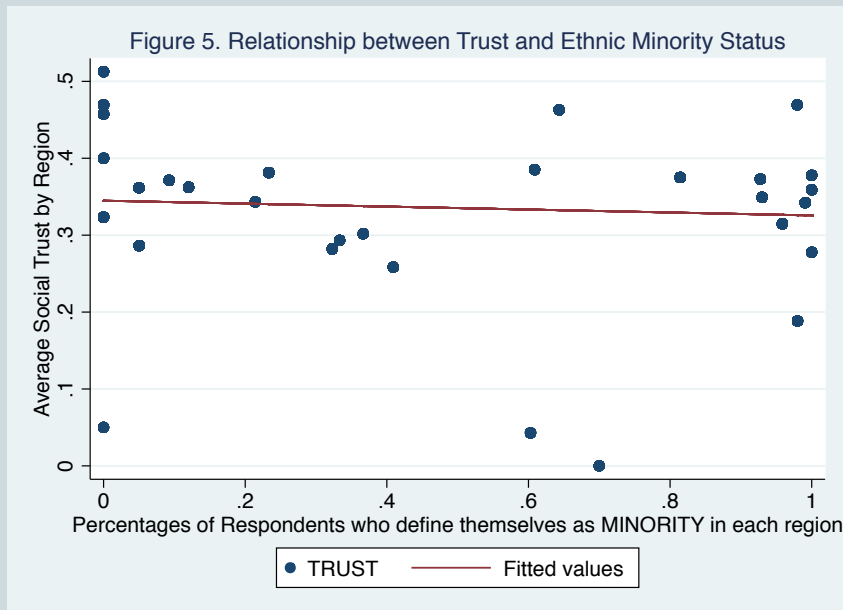


- If an individual defines herself as a majority (member of an in-group in terms of ethnic background and religious denomination) then we can assume that being a member of that group should have a strong negative correlation with the level of social trust.
- Moreover, one can argue that low trust levels in Iran may lead to residential segregation
- In order to understand the role of being in a minority/majority group on the social trust, a dummy variable that indicates whether a respondent is of majority Shiite sect or not is included into the empirical model.

Data and Methodology (cont'd)



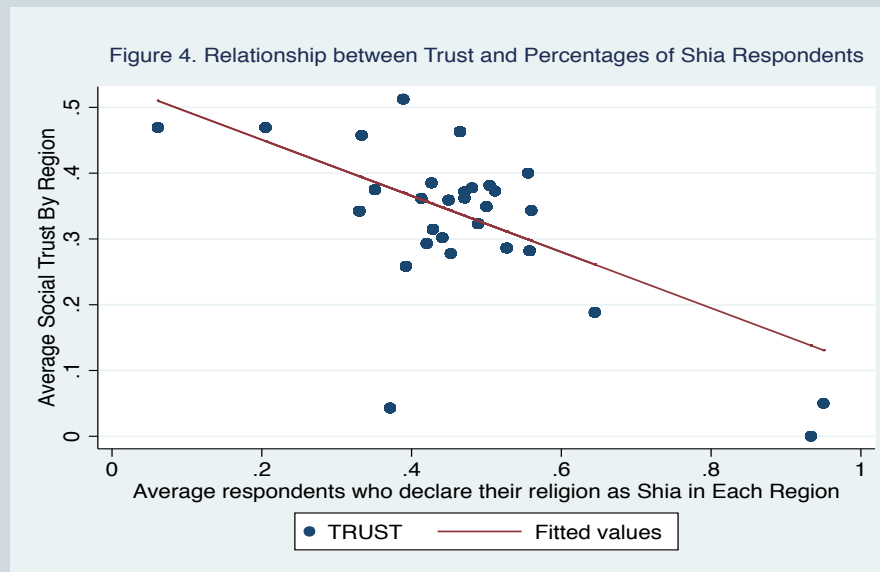
- Ethnic diversity in itself does not have a strong positive or negative correlation with social trust:



Data and Methodology (cont'd)



- Religious denomination is important: average percentage of Shiite respondents in each province is strongly negatively correlated with the average level of trust in provinces



Data and Methodology (cont'd)

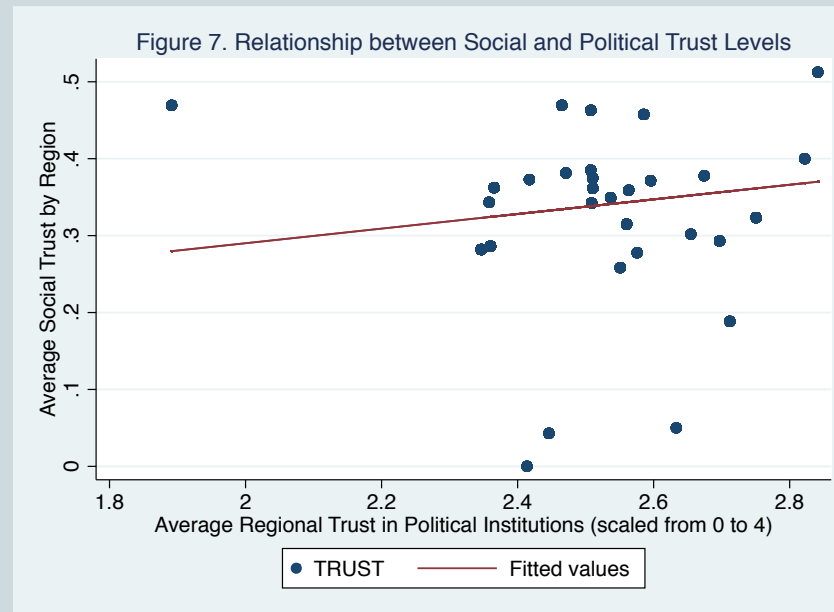


- Shiite respondents are less-trusting on average compared with the non-Shiite respondents
- Kayaoglu (2016) finds that Kurdish minority in Turkey has higher levels of trust compared to the Turkish majority as well
- These two findings suggest that further studies about the relationship between minority status (ethnic and/or religious) and trust are needed for the Middle East
- It seems that the comparatively lower levels of trust among the majority population can put the social dynamics into danger and urgent policies should be implemented to decrease the low-trusting behaviour of the majority people.

Data and Methodology (cont'd)



- Positive correlation exists for the average confidence levels in political institutions and social trust level at provincial level:



Data and Methodology (cont'd)



- Dependent variable in the regression models is a binary variable, which indicates whether or not respondents have a generalized trust.
- A set of control variables such as education level, age, income level, gender, minority status, religious denomination and level of happiness will be included in the regressions
- Binary dependent variable model (logistic) will be used

Empirical Analysis



- Although the signs of age, age², income and income² are as expected, they are not statistically significant in Model (1) and (2)
- It seems that instead of income levels it matters how much individuals' income level is different from the average level of income in the province he/she lives in
- It is found that people are less trusting if they have an income below or above the mean income in the province. The similar logic applies for age of individuals.

Empirical Analysis (cont'd)



- 'happiness' provides statistically significant and positive results
- it seems that ethnicity does not matter for social trust although 'non-Shiite' dummy is always positive and statistically significant in each model specification
- where we live matters for our social trust level, which means that if trusting people surround us then we will be inclined to be trusting as well

Empirical Analysis (cont'd)



- It seems that diversion from the average level of provincial education makes people less trusting in institutions.
- Dispersion in terms of income level seems to matter for confidence in police and political parties and, it does not have any significant effect in other categories.

Empirical Analysis (cont'd)



- **Table 1 & Table 2**

Conclusion



- It has been found that heterogeneity in terms of income levels of individuals are of crucial importance in controlling the level of trust in Iran
- Diversity in terms of religious denomination but not of ethnic background is found to be important for the social trust level in the country
- Although income level seems to be important factor for the social trust, education matters more for the institutional trust
- Average trust level in a province found to have a positive and significant effect on the individual social trust.

Table 1. Individual Determinants of Social Trust^a
(Dependent variable= 1 if respondents trust others)

	(1)	(2)	(3)	(4)
Age	.003 (.004)	.002 (.003)		
Age ² ^d	-.028 (.04)	-.025 (.04)		
Subjective Income	.008 (.020)	.002 (.019)		
Subjective Income ²	-.001 (.001)	-.001 (.001)		
Education Level (Reference Category=Lower Education Level)				
Middle Education Level	-.029 (.027)	-.025 (.024)		
Upper Education Level	.039 (.034)	.031 (.033)		
Age centered around the group mean ^b			.001** (.000)	.001** (.000)
Income centered around the group mean ^b			-.008* (.005)	-.008* (.005)
Education level centered around the group mean ^b			.017 (.016)	.017 (.016)
Female	.003 (.014)	-.003 (.015)	-.001 (.015)	-.001 (.015)
Unemployed	.005 (.025)	.002 (.022)	-.009 (.021)	-.009 (.021)
Divorced/Separated	.024 (.065)	.067 (.063)	.067 (.063)	.067 (.063)
Happiness		.021** (.010)	.021** (.010)	.021** (.010)
Non-Shia		.084** (.036)	.084** (.035)	.084** (.035)
TRUST ^c				.232*** (.053)
Pseudo Rsq	.30	.30	.30	.30
# Obs	3746	3619	3619	3619
Predicted Prob	.23	.22	.22	.22

^a Notes: *p<.1, **p<.05,***p<.001. Marginal Logit coefficients calculated at the means and they show the changes in the probability for an infinitesimal change in continuous variables and the discrete changes for dummy variables. Standard errors provided in parentheses are corrected for heteroskedasticity and clustering of the residuals at the provincial level. Number of observations in regression models is different given the data availability for each variable. All specifications include Province and Year dummies.

^bAge centered around the group mean=Age-Mean(Age). Mean(Age) is the calculated average age in each region. Same procedure is followed to calculate centered values for income and education.

^cPercentage of trusting individuals in each region.

^dCoefficients and standard errors are multiplied by 1000.

Table 2. Confidence in Institutions^a

Dependent variable= 4-scale confidence level in:	Non-Shia	Income ^b	Education
Political Parties	.135** (.057)	.024** (.009)	-.104*** (.030)
Government	.084 (.095)	-.000 (.011)	-.138*** (.026)
Parliament	-.012 (.086)	.002 (.009)	-.128*** (.025)
Civil Services	.095* (.055)	.016 (.011)	-.132*** (.026)
Armed Forces	-.043 (.070)	.012 (.009)	-.155*** (.041)
Police	.010 (.067)	.034*** (.010)	-.192*** (.026)
Justice System/Courts	.010 (.080)	.009 (.013)	-.193*** (.030)

^a Notes: *p<.1, **p<.05,***p<.001. Standard errors provided in parentheses are corrected for heteroskedasticity and clustering of the residuals at the provincial level. All specifications include the individual controls in Model (4) of Table 1, plus province and year dummies.

^b Values are centered around the group mean.