

How Does Citizen Trust in Local Government Change? Exploiting Exogenous Shocks to Peruvian Mayors' Budgets

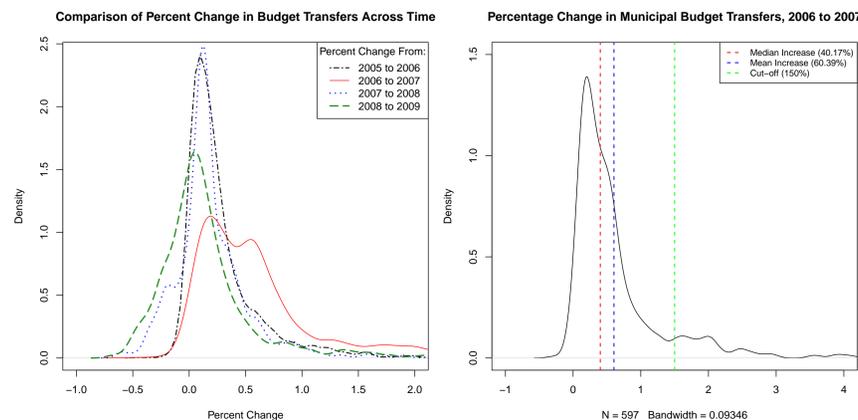
Julie Anne Weaver
Harvard University

Motivation

- Citizen trust in government has been theorized to impact individuals' political practices in a range of ways, from voting behavior to willingness to engage and hold public officials accountable.
- But how does trust in government change? Is trust sticky or does it respond to shocks?
- One potential source of change in attitudes is variation in public spending. With more resources at their disposal, can mayors earn more trust through spending?

Exogenous Shock to Available Public Resources

- Central government collects taxes/royalties from extractive industry (EI) companies, then distributes them in yearly transfers to local governments (districts), who on average rely on the transfers for ~ 80% of their budget.
- Commodity price boom meant some districts saw a huge exogenous increase in their budget from 2006 to 2007.
- Distribution rules mean non-EI districts still get a budget boost if they are in EI regions (so no confounding due to EI production).



Data

- Yearly national household survey (Peru's National Institute for Statistics and Information - INEI)
- DV: Individual's response to survey question asked in 2006 and 2009: How much do you trust the district municipal government?

Methodology

Difference-in-Differences:

- Code as 'treated districts' those that receive > 150% increase in their budget transfer from 2006 to 2007. Removed the 35 EI-producing districts.
- Compare the difference in survey responses (DV) between 2006, one year before the transfer shock, and 2009, two years after. DID on matched dataset included individual-level covariate controls (gender, age, binary if self-identify as indigenous).
- Parallel trends assumption holds substantively - exogenous budget increase (due to international price fluctuations) and budget allocation not based on performance but being located in an EI-producing region. Parallel trends also borne out in the data (see figure at right).

Matching:

- Treatment and control matched on: 1) Geographic location (8 categories, i.e. Northern Andes, Amazon, etc.); 2) Population; 3) Human Development Index (HDI).
- Final dataset: 54 treated districts matched to 54 controls (36 control districts); 3705 individual observations across 2006 and 2009.

Main Results

Null Result:

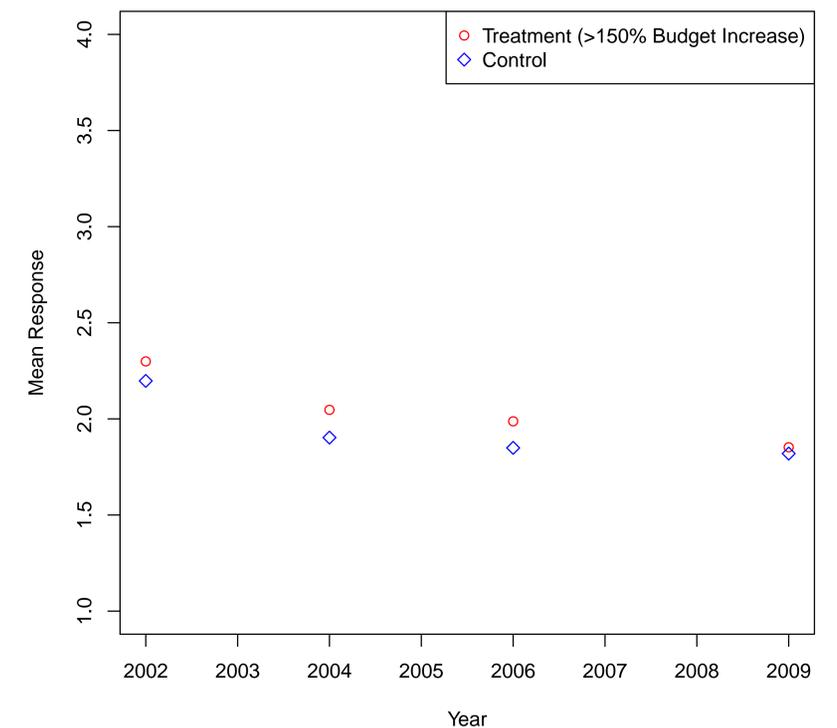
- No treatment effect. BUT a case of when a null result is actually substantively interesting.
- The budget transfers are huge. Median % change among treated districts is 201.3% (four-fold increase). Two examples:

District	Region	Population	% Change	Increase (USD*)	Increase per capita (USD*)
Parobamba	Ancash	7024	199%	\$1,734,184	\$246.90
San Fco. de Asis de Yarusyacan	Pasco	10,326	187%	\$4,697,524	\$454.92

*Calculated using the 2006 average exchange rate: 3.274 Peruvian Soles = 1 USD. Source: IMF, 2013. International Financial Statistics, Vol. LXVI. Washington, DC: IMF.

- With this much more resources at their disposal from one year to the next, we would expect some kind of attitudinal change: either positive because they spent the money well or negative because they kept it for themselves.

Parallel Trends and Null Result: Mean Response - Trust in Municipal Government (DV)



Discussion and Next Steps

Potential Explanations for the Null Result:

- Peruvians' attitudes are incredibly sticky - even great performance can't change their distrust of government
- Net result cancelled out by positive result of governments who use the money well and negative result of those that do not
- Mayors not spending the extra money but citizens don't realize it

Future Research:

- Mediation analysis: Use data on spending effectiveness (% budget transfer spent) or increases in infrastructure spending; survey questions on citizen knowledge of and interest in politics
- Compare with other citizen attitudes: Is trust in the Mayor sticky but perception of the Mayor's performance changes quickly?