JOURNAL OF INTERNATIONAL AND AREA STUDIES
Volume 25, Number 1, 2018, pp.57-70

The Great Recession, Government Performance, and Citizen Trust*

Yunsoo Lee

Performance theory holds that a high level of government performance leads to citizen trust. Nonetheless, the nature of the relationship between performance and trust continues to elude researchers because of the possibility of reverse causality. To strengthen the validity of causal inference, a researcher needs to look for naturally occurring changes in performance and in turn trust in government. The Great Recession that began around 2008 provides an opportunity to better demonstrate a causal relationship between government performance and citizen trust because it represents an exogenous shock to both the macro and micro performance of government, particularly in several southern European countries most profoundly affected by the crisis. Against this backdrop, the purpose of this article is to probe the causal relationship between government performance and citizen trust in Europe in the context of the Great Recession. This article compares before-after trends in citizen trust in government in Greece, Italy, Portugal, and Spain, with that of Belgium, France, Germany, and the Netherlands using the European Social Survey. The difference-in-differences regression results show that the Great Recession had a dire influence on citizen trust in government, corroborating performance theory.

Keywords: The Great Recession, Government Performance, Citizen Trust, Performance Theory

1. INTRODUCTION

An abundance of research seeks to understand the predictors of trust in government because mistrust in public administration has many important consequences. Among a number of potential explanatory variables, government performance is the key factor that some scholars believe is important for trust in the context of public administration. For this reason, numerous governments attempted to increase their performance, and performance theory underpinned these efforts.

The Great Recession provided fertile ground for analyzing how government performance affects citizen trust in government. With regard to macro performance, the Great Recession resulted in a general decline of macro performance and was reflected in measures such as the growth of the unemployment rates, the swollen debt, and the sluggish growth of Gross Domestic Product (GDP). Moreover, the Great Recession can be interpreted as poor macro performance because government bears blame for failing to detect and cure the folly. To illustrate, government was responsible for mishandling the crisis and for failing to effectively regulate financial institutions; therefore, government is to blame (Stiglitz, 2015; The Economists, 2013).

With respect to micro performance, furthermore, the Great Recession is clearly a significant issue, because it scaled down government resources fundamental to performing

---

* This paper contains a portion of the author's dissertation presented for the degree of Doctor of Philosophy at Rutgers University.

its proper functions. Several governments implemented the austerity measures to buffer the repercussions of the Great Recession (Ladi and Tsarouhas, 2014). Owing to the austerity measures, governments could not deliver the services well, causing a sharp drop in micro performance.

To be specific, the Great Recession curtailed the quantity and quality of micro government performance. In response to the Great Recession, the countries like Greece and Spain relied on strong austerity measures (Wanna, 2013). Slashing government expenditures made it harder for the state to provide enough public services. As a result, citizens no longer experienced the public service which they used to enjoy. Unless citizens understand the situation in detail, they are likely to lose their confidence in government. This is because public service what citizens want is not delivered even though they pay taxes.

In addition to shrinking the absolute quantity of public service, the Great Recession can deteriorate their quality. The Great Recession forced countries like Portugal and Greece to freeze and even curtail the salary of public servants (Di Mascio and Natalini, 2015). The cutback management and downsizing in the public sector dwindled public servants' working motivation (Feldheim, 2007). It indicates that the Great Recession could discourage public servants from working hard with public ethos. Even though the same quantity of public service was provided, the quality could suffer. Due to waning quality, citizens would lose confidence in government.

Many scholars have paid attention to the relationship between the Great Recession and trust in government. Roth (2009) examines the trend of trust in government from 1999 to 2009 by using the Eurobarometer and Edelman Trust Barometer data. He finds the plummet of trust in government before and after 2008. However, he fails to explain the variation across countries because he aggregates data by G5, EU15, and EU27 countries. In addition, Tonkiss (2009) explores the role of trust in economic life and its relevance to the Great Recession. But he focuses more on social trust rather than on trust in government. Furthermore, Uslaner (2010) conducts a correlations analysis between confidence in the finance industry, business, the federal government, the judicial system, and the legislature. He briefly discusses the relationship between the Great Recession and trust in government, but he simply assumes that the relationship between the two is negative without empirically testing his claim. Using the Eurobarometer data, Armingeon and Ceka (2014) examine how the Great Recession affected political institutions. However, they mainly pay attention to trust in the European Union. The findings of the previous literature highlight a need to reevaluate existing insights by using alternative data and trying different methods.

Furthermore, a large body of empirical work examines the impact of government performance on citizens' trust by analyzing cross-sectional data with an ordinary least squares regression. Previous research is an important first step in probing performance theory, but cross-sectional analysis of the performance-trust does not provide a good test of causality. To strengthen validity of a causal inference, researchers may look for naturally occurring changes in factors that affect trust in government. To date, however, there has been very little work devoted to assessing the impact of government performance on citizen trust by using a natural experiment.

In this study, eight European countries are examined. Europe presents an outstanding example to study the impact of the Great Recession, because even though it is one region, there are some country variations in terms of the magnitude of the shock. Greece, Italy, Portugal, and Spain were hit hard by the Great Recession. By contrast, Belgium, France, Germany, and the Netherlands were not as hard hit. This distinction fits well with a natural experiment. This natural experiment created the opportunity, which permits a researcher to examine the net impact of the performance on trust in government.

The purpose of this study is to probe the causal relationship between government performance and citizen trust with the overall goal of providing a better understating of trust in government and its implications for public administration. This paper uses data from the European Social Survey to compare citizen trust in Greece, Italy, Portugal, and Spain before and after the Great Recession, with that of Belgium, France, Germany, and the Netherlands as controls. As explained more fully later on, this study uses difference-in-differences methodology to establish a better estimate of the causal effect of performance on trust in government.

2. EXPLAINING THE IMPACT OF THE GREAT RECESSION: THEORETICAL PERSPECTIVES

2.1. Performance Theory and Possible Reverse Causality

Performance theory states that higher levels of government performance nourish sentiments of trust in government (Yang and Holzer, 2006). A wide range of government performance can be categorized into macro and micro performance. Macro performance is the government-level performance, and macro performance theory posits that the result of factors for which responsibility is attributed to the government (e.g., unemployment rate, economic growth, inflation, and the stability of government) leads to variations of trust in government across countries (Yang and Holzer, 2006; Van Craen and Skogan, 2015). On the other hand, micro performance is at the level of an individual public sector organization and its interface with citizens such as police officers and teachers (Bouckaert and Halligan, 2008; Porumbescu, 2017). In this sense, micro performance theory maintains that the quality of government service delivery is a major driver of trust in government (Yang and Holzer, 2006).

Nonetheless, a definite relationship between performance and trust in government continues to elude researchers because of the possible reverse causality between performance and trust in government. Van de Walle and Bouckaert (2003: 891) raise the point by contending “It is obvious that performance of the public administration has a certain impact on trust in government, but existing levels of trust in government may also have an impact on perceptions of government performance.”

In addition to the existing perception issue, a high level of trust in government contributes significantly to the determination of government performance by allowing governments to work more effectively. Government can be involved in greater innovation when people trust in government (Wolak and Kelleher Palus, 2010). When the level of trust is low, in contrast, governments tend to be passive, avoiding innovation and failing to make necessary commitments, because citizens are not likely to give the government the benefit of the doubt (Citrin and Luks, 2001). Achieving successful performance often requires governments to innovate and be proactive (Vigoda-Gadot, Shoham, and Vashdi, 2010). High levels of trust in government allow governments to be active enough to perform better for citizens. Accordingly, trust in government enhances performance.

This reverse causality question has not received much empirical attention, however, in the public administration literature (Vigoda, 2003: 887). Understanding performance theory highlights the particular relevance of research to the field of public administration. Failing to account for the bidirectional relationship between government performance and citizen trust may limit the predictive power of performance theory.

2.2. Does the Great Recession Differently Affect High- and Low-Income Citizen Trust?

During expansions, governments should reduce their expenditure in order to minimize inflationary forces. During recessions, as public demands for social protection increase, spending should be increased to stimulate the aggregate demands of vulnerable groups (Pinto, 2013). However, the Great Recession threatened the fiscal stability of the state, constrained government spending, and reduced aid to the relatively disadvantaged. As a result, economically precarious citizens experienced inexorable pressures caused by the Great Recession. The disadvantaged were less well-equipped compared to citizens in other income strata to defend themselves because employment conditions were exacerbated and the government lacked the capacity to implement policies to help them. If people believe that government has an obligation to provide its citizens with better employment opportunities and a decent standard of living, they are likely to lose faith in their government during the Great Recession.

To make matters worse, the gulf between the haves and the have-nots has widened (Edsall, 2012). The affluent have enjoyed greater increases in income and state of well-being over the crisis period greater than those at median and below-median incomes. At the same time, financial pressures on the working and middle classes have escalated, reducing their well-being (Edsall, 2012). As a result, the gap between the well-being of low- and high-income citizens had further widened. Considering the fact that inequality is a strong determinant of trust (Jordahl, 2009), the Great Recession has led to low-income citizens' loss of their trust in government. In addition, tax cuts were heavily tilted in favor of big corporations during the Great Recession. Citizens were outraged that many big financial institutions were rescued while they ended up paying for the costs of the recession in the form of losses of their jobs and increased tax burdens (Hall, 2013). In that light, it is worth examining how low-income citizens lost their trust more than high-income citizens did.

3. METHODOLOGY

3.1. Data

The aim of this study is to examine the impact of the Great Recession on trust in government. In pursuance of this purpose, the European Social Survey (ESS) is used. More specifically, this section focuses on trust in government after the Great Recession, that of Greece, Italy, Portugal and Spain increased, when compared with trust of Belgium, France, Germany, and the Netherlands.

ESS is a biennial survey and has been conducted since 2001. ESS uses random probability methods to make the sample be representative of the populations such as sex, age, and education. In order to increase better sampling frames, sampling experts as well as national coordinators work together (European Social Survey, 2016). For its high levels of quality, many researchers used this survey (e.g., Hakhverdian and Mayne, 2012; Zmerli and

Newton, 2008). The sample size for each analysis is noted in the tables.

The Great Recession hit the global economy in the summer of 2007 (European Commision, 2009) but it is hard to pinpoint the exact date of its origin. The collapse of financial companies such as Lehman Brothers and Bear Sterns in 2008 illustrated the severity of the Great Recession (Di Quirico, 2010). It indicated that citizens did not fully realize before 2008 how detrimental the Great Recession would be, because the consequence of economic breakdown had not been apparent in 2007.

In order to examine the impact of the Great Recession on trust in government, Round 3 (2006) and Round 6 (2012) of the European Social Survey are used. However, the data set of Round 3 of Greece is not available. With respect to Greece, therefore, Round 2 (2004) is used instead of Round 3 (2006). In addition, the data set of Round 3 of Italy is not available either. With respect to Italy, therefore, Round 2 is used instead of Round 3. Round 3 is considered as pre-Recession because the data of Round 3 were collected in 2006. Round 6 is considered as post-Recession period because it is conducted in 2012.

The analysis is restricted to eight European countries: Belgium, France, Germany, Greece, Italy, the Netherlands, Portugal, and Spain. The choice of these 8 countries is driven by several conditions. First, this study focuses on the countries which use Euro so as to make the analysis comparable. Among 28 European countries, 9 countries (Bulgaria, Croatia, Czech, Denmark, Hungary, Poland, Romania, Sweden, and the U.K.) are not included in the analysis because they do not use Euro as their currency. National governments often use monetary policies as their preferred instruments to keep inflation rates low (Armingeon, 2012). Devaluation would increase domestic inflation, and this in turn would alleviate the debt problem (Armingeon and Baccaro, 2012). After joining the Eurozone, however, national governments could not devalue their currency to balance their economies (Lin, Edvinsson, Chen, and Beding, 2013). For example, Norway and Sweden enjoyed the floating exchange rates but Finland could not use it (Lindvall, 2012). In this sense, the salience of sovereign currency against the Great Recession is pronounced. Second, this analysis is restricted to countries in the Organization for Economic Cooperation and Development (OECD). Members of OECD countries are considered to have democratic political systems as well as affluent developed economies. For this reason, 4 countries (Cyprus, Latvia, Lithuania, and Malta) are excluded. Third, the size of Gross Domestic Productivity (GDP) is considered. To design an accurate comparison of the countries, their economic sizes need to be similar. This analysis is limited to the countries with GDP over €100,000 billion. Hence, 4 countries (Estonia, Luxemburg, Slovakia, and Slovenia) are not included. Finally, the size of each country's population is considered. This study concentrates on the countries with more than 10 million people. As such, 3 countries (Austria, Finland, and Ireland) are not included. The remaining countries are: Belgium, Germany, Greece, Italy, Netherlands, Portugal, and Spain.

3.2. Measurements

Trust in government

The dependent variable is trust in government. Trust in government is measured with four items asking the following questionnaires: "How much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust." Due to the availability of data, this study uses trust in the following institutions: Country's parliament, the legal system, the police, the politician, and political parties. Overall trust in government is captured by an index consisting of five variables that measure trust toward each government institutions. The index of trust in government ranges from 0 to 10, with higher values representing more trust.

Control variables

Gender, age, education, political ideology, and income are included as a control variable. Gender (In the ESS, this variable was originally coded as 1 for male and 2 for female. In this study, men are recoded as 0 and women as 1; Age (in years); Education is an ordinal scale with 7 values; Political ideology was measured on a 4-point Likert scale (1=Left ~ 10=Right); Income is measured on a 10-point scale (1=the lowest decile ~ 10=the highest decile).

3.3. Analytical Strategy

This analysis uses the Great Recession and the resulting natural experimental variation in countries to identify the impact of performance on trust in government. The magnitude of the effect of the Great Recession may vary depending on the national country. Portugal, Italy, Greece, and Spain were hit hard by the Great Recession whereas the rest of four countries were affected less so. In this article, it is assumed that Greece, Italy, Portugal, and Spain were hit hard by the unexpected recession whereas Belgium, France, Germany, and the Netherlands were not. In the article *the Economic Crisis of 2008 and Its Substantive Implications for Public Affairs*, Ventriss (2013: 628) argues unemployment engendered by the Great Recession is at the core of fuelling the public frustration and distrust of political institutions. Unemployment rates illustrate the pattern of the seriousness of the Great Recession (Gallie, 2013).

Greece was the country which reached the highest unemployment rate in 2012 and the increase of the unemployment rates doubled. Unemployment rates of Spain recorded an immense spike from 8.45 percent to 24.79 percent. Unemployment rates of Portugal soared from 7.65 percent to 15.53 percent. Unemployment rates of Italy ballooned from 6.78 to 10.65 percent. On the contrary, Germany had lowest unemployment rates in 2012. Between 2006 and 2012, unemployment rates of Germany declined more than 4 percent. Unemployment rates of Belgium also decreased from 8.25 percent in 2008 to 7.54 percent in

Table 1. Unemployment rates of eight European countries from 2006 to 2012

	2006	2007	2008	2009	2010	2011	2012
Belgium	8.25	7.46	6.97	7.91	8.29	7.14	7.54
France	8.45	7.66	7.06	8.74	8.87	8.81	9.39
Germany	10.25	8.66	7.53	7.74	7.07	5.83	5.38
Greece	9.01	8.40	7.76	9.62	12.72	17.87	24.44
Italy	6.78	6.08	6.72	7.75	8.36	8.35	10.65
The Netherlands	3.91	3.18	2.75	3.41	4.45	4.98	5.82
Portugal	7.65	7.96	7.55	9.43	10.77	12.68	15.53
Spain	8.45	8.23	11.24	17.86	19.86	21.39	24.79

Source: OECD (2016) (https://data.oecd.org/unemp/unemployment-rate.htm)

2012. Although there was an increase, France exhibited the smallest increase (0.94%). The Netherlands also showed a slight increase of unemployment rates (1.91%). This indicates that these 4 countries were not hit by the Great Recession. Table 1 presents the unemployment rates of 8 countries.

A difference in differences regression is a statistical strategy that compares change over the period in the treatment group (in this case, Greece, Italy, Portugal, and Spain) to change over the same period in the comparison group (in this case, Belgium, France, Germany, and the Netherlands) to analyze the net effect of a treatment (in this case, the Great Recession) (Van Ryzin, 2014). Using a difference in differences strategy enables a researcher to answer the question "How different would the citizens of the treatment countries trust in their government be now if the Great Recession had not existed?" This method helps reach a more complete understanding of the causal link between government performance and trust in government by examining the net effect of negative performance (the Great Recession) on trust in government. The equation is constructed based on Remler and Van Ryzin (2011) and Van Ryzin (2014)'s work. The statistical model can be written:

$$Y = \alpha + b_s S + b_p P + b_{int}\,(S{*}P) + b_{c1}\,C_1 + \ldots + b_{ci}\,C_j + \varepsilon$$

where Y is the predicted outcome (trust in government); S is a country dummy variable equal to 1 if the samples are in the treatment countries and 0 otherwise; P is a year dummy variable coded 0 for the pre-Recession period (Round 3) and 1 for the post-Recession (Round 6); $S*P$ is an interaction term between year and country dummy variables; and C_1 through C_i are various control variables. The sign b_s estimates the difference in dependent variables between the comparison and treatment countries during the pre-Recession period and is assumed constant over time. The slope b_p estimates the difference in outcome between the pre- and post-Recession period for the comparison countries and is thus assumed to be the trend that would have occurred in treatment country, absent the Great Recession. Finally, the b_{int} coefficient is of primary interest, showing the difference in differences or the net difference in outcomes for treatment countries caused by the Great Recession. ε refers to the error term.

4. RESULTS

Table 2 displays the country means of citizen trust in government on a scale from 0 to 10. The country with the lowest score on trust is Portugal in the pre-recession period and Greece in the post-recession period. It should be noted that Greek citizens have a higher sense of trust than France and Germany during the pre-recession period. The level of the Greek citizen trust dramatically dropped from 4.696 to 2.657. The highest level of trust is found in the Netherlands. It tops the list in both pre and post-recession periods and the level of Dutch citizens' trust is markedly higher than other seven countries. The Netherlands is the only country which marks over 5.0 level of trust. Germany and the Netherlands show the increase in terms of trust in government. The magnitude of the increase is higher in the Netherlands than Germany. France decreased but the magnitude is small (-0.096). It is evident that citizens' trust of the comparison countries is higher than the treatment countries. In order to see whether the difference is statistically significant, T-test is run. The p-values for the t-test indicate that all difference is significant at the 10% level.

The objective of this analysis is to investigate empirically how the Great Recession

Table 2. Trust in government: Country means and the change of magnitude

Countries	Pre-crisis	S.D.	Post-crisis	S.D.	Change	P-value
Belgium	4.913	0.041	4.623	0.043	-0.290	0.000
France	4.294	0.038	4.198	0.043	-0.096	0.093
Germany	4.513	0.034	4.624	0.033	0.111	0.020
Greece	4.696	0.042	2.657	0.035	-2.039	0.000
Italy	4.503	0.044	3.551	0.063	-0.952	0.000
The Netherlands	5.457	0.035	5.602	0.036	0.145	0.004
Portugal	3.640	0.038	3.121	0.038	-0.519	0.000
Spain	4.606	0.042	4.073	0.042	-0.533	0.000

Source: The author's calculation from the European Social Survey. P-value is for T-test.

affected trust in government. In order to facilitate interpretation of the results, ordinary least square regression analyses are examined to explain the antecedents of trust in government. In each analysis, the dependent variable is modeled as a function of sex, age, education, income, political ideology, year dummy, country dummy, and the interaction term of year and country dummy variables.

Table 3 provides the results of the difference-in-differences regression. The negative coefficient of the country dummy variables in both models is indicative of the proportion of citizens of the treatment countries whose trust in government was lower on average in the pre-economic crisis compared to citizens of the comparison countries. More importantly, the standardized parameter estimates of the interaction term between year and country dummy is negative and highly significant statistically (β = -0.074, $p < .001$). This means a net loss in citizens' trust of treatment countries. This indicates that government performance matters in explaining citizen trust in government. Citizens of countries profoundly affected by the Great Recession experienced a reduction in macro and micro government performance. As a result, these citizens lost confidence in their government.

Turning to other demographic characteristics, sex is not of statistical importance. Age is positively related to trust in government, suggesting that older citizens are more likely to trust in their government. Education has a positive effect on trust in government. Income is positively associated with trust in government. Being politically conservative is positively related to trust in government.

To provide stronger causal inferences regarding the link between the Great Recession and trust in government, the sample of Greece and the Netherlands are chosen for the analysis. Two countries are selected because Greece exhibited the largest decrease whereas the Netherlands showed the largest increase with respect to trust in government. The difference-in-differences estimator demonstrates that the Great Recession caused the reduction of trust in government (β = -0.453, $p < .001$). The analysis from using the sample of Greece and the Netherlands yields the results that strongly support performance theory as the most plausible explanation.

The ability of the state to provide public services was fairly limited because of the need to confine budget deficits. In consequence, the impact of the Great Recession can produce differential costs for EU citizens depending on their income. The Great Recession had aggravated the standard of living for low wage citizens. On the contrary, high-income

Table 3. The impacts of the Great Recession on trust in government

	Basic DD		DD model with control	
	Beta	SE	Beta	SE
Year	-0.114***	0.023	-0.065***	0.027
Country	-0.017*	0.003	0.001	0.004
Year x Country	-0.074***	0.005	-0.073***	0.006
Sex			-0.001	0.025
Age			0.065***	0.001
Education			0.131***	0.003
Income			0.143***	0.006
Political ideology			0.070***	0.006
F	272.06***		197.24***	
N	32,881		22,086	
Adj R^2	0.024		0.067	

Notes. *$p < .05$, **$p < .01$, ***$p < .001$

Table 4. The impacts of the Great Recession on trust in government of Greece and the Netherlands

	Basic DD		DD model with control	
	Beta	SE	Beta	SE
Year	0.021	0.059	0.035*	0.063
Country	-0.174***	0.055	-0.121***	0.068
Year x Country	-0.453***	0.078	-0.436***	0.091
Sex			0.005	0.046
Age			0.087***	0.001
Education			0.070***	0.006
Income			0.095***	0.010
Political ideology			0.084***	0.011
F	1340.22***		341.68***	
N	8,834		5,733	
Adj R^2	0.313		0.322	

Notes. *$p < .05$, **$P < .01$, ***$p < .001$

citizens have relatively fared well. As a result, low-income citizens may lose their trust in their government more than high-income citizens do.

In order to test whether the pattern of relationships differed depending on income, the samples of ESS were divided into two groups: Low (1~4 scale) and high-income citizens (5~10 scale). The magnitudes of the impacts of the Great Recession are noteworthy: -0.231

Table 5. The impacts of the Great Recession on trust based on citizen income

	Low income		High income	
	Beta	SE	Beta	SE
Year	0.003	0.053	0.0003	0.160
Country	0.004	0.059	-0.005	0.158
Year x Country	-0.231***	0.078	-0.089***	0.226
Sex	0.007	0.038	-0.038	0.106
Age	0.017	0.001	0.011	0.001
Education	0.052***	0.005	-0.004	0.005
Political Ideology	0.102***	0.009	0.137***	0.002
N	9,635		18,471	
Adj R^2	0.063		0.025	

Notes. **p*<.05, ***p*<.01, ****p*<.001

for low-income citizens and -0.089 for high-income citizens. This demonstrates that the Great Recession eroded trust of low-income citizens more than high-income citizens.

5. DISCUSSION

The aim of this paper is to examine the impact of performance on trust in government in the context of the Great Recession. The Great Recession posed a threat to both macro and micro performance in government. With respect to macro performance, countries like Greece experienced the soared unemployment rates and the reduced GDP. The decreased level of macro performance in government indicates that the citizens of Portugal, Italy, Greece, and Spain went through a prolonged period of decline. With regard to micro performance, in addition, many governments suffered because fiscal consolidation policies were carried out. Some basic public services were no longer provided to citizens at the same levels or with the same quality as before the Great Recession. Both macro and micro performance diminished by the Great Recession casted a long shadow on citizens, and this led to a decrease in trust in their government.

In this study, eight European countries were examined. Europe is an important region and a suitable example to study the impact of the Great Recession, because in terms of the magnitude of the shock produced by the recession, important variations emerged between countries. The so-called treatment countries in this study (Greece, Italy, Portugal, and Spain) were hit hard by the Great Recession. By contrast, the comparison countries (Belgium, France, Germany, and the Netherlands) were not as severely affected. This distinction provides the conditions for a kind of natural experiment, although of course all countries in Europe and indeed the world were affected by the Great Recession in some ways. This European context created a research opportunity that allowed for the analysis of the net impact of performance on trust in government.

A difference-in-difference analysis from the European Social Survey (ESS) shows that the Great Recession negatively affected trust in government. The results of the analysis lend credence to some of the core assumption of performance theory. Van de Walle and Bouckaert (2003) argue that performance and trust are inextricably linked and thus influence each other such that good performance will be largely influenced by trust in government, and vice versa. This potential reverse causality between performance and trust represents a challenge to researchers and raises questions about the core assumptions and implications of performance theory. Does government performance really influence citizen trust, or is it merely that trusting citizens view government performance more favorably? This study provides support for the trust-enhancing assumption of performance theory, which maintains that macro and micro performance improve trust in government. Much of the research into trust has relied on cross-sectional data. It is widely known that a cross-sectional design makes it impossible to infer strong causal relationships between variables. This study sheds light on the causal mechanism that performance affects trust in government by using a difference-in-differences methodology. This clarifies to some extent the causal relationships between performance and trust in government. In short, these results suggest that the causal direction goes from government performance to trust, to a significant extent, not just the other way around.

In addition, low-income citizens in particular suffered disproportionately from the Great Recession (Karger, 2014). Massive governmental reliance on austerity measures left many low-income people vulnerable. And low-income citizens were on the frontline with regard to job cuts. In contrast, high-income citizens did not bear the brunt of employment adjustment and have private resources to offset decline in public service. To low-income citizens, government failed to mitigate the negative impacts of the Great Recession. Therefore, it is reasonable to expect that low-income citizens lost more trust in their government than high-income citizens did. This study empirically demonstrates that the Great Recession had more detrimental impacts on low-income citizens' trust in government than on the trust of high-income citizens.

The problem is that many efforts undertaken by governments occur at the behest of wealthy people. Moreover, a lot of money was funneled into the field where it could gain high-visibility and high-prominence such as saving bankrupt financial institutions. Meanwhile, there was a burgeoning number of the poor people who needed their government to provide more help, more care, and more protection. However, those who need the most lacked the means to exert influence on government to allocate the resources for them. Thus, low-income citizens, who were less likely to receive support from their government, were much less likely than high-income citizens to offer support for their government. This paper calls for the government to fulfill its basic job in response to widespread concerns about loss of trust in government. Job insecurity caused by the Great Recession is what mattered in people's everyday lives. Vulnerable workers and citizens need strong protections and equal access to remedies in order to prevent their further impoverishment. Government should offer safety nets for these people. Much of the success of gaining trust will depend on how effectively public expenditure can be allocated to low-income citizens and on how well government can take care of those citizens who most need help.

Despite the theoretical contributions and practical implications, several limitations of this paper should be noted. First, the distinction between the treatment and the untreated control group is not as clear-cut as typical difference-in-differences methodology, which presumes that the treatment groups only receive the treatment whereas the control groups do not receive any treatment at all. Although Germany was considered immune from the Great Recession, for instance, it was affected, too. This is because all countries had influence from the Great Recession to varying degrees. It indicates that comparison countries were also economically troubled during the Great Recession. Therefore, the results should be interpreted with caution.

Second, the other threat to internal validity is a unique historic event. It is important to note that impacts other than the Great Recession may influence trust in government. One potential confounding factor can be the occurrence of political unrest during the Great Recession, which could explain the steep decline in trust. One country may experience a set of political unrest that the other does not. However, the severity of the Great Recession eclipsed the other impacts on citizen trust. European commissioner Joaquín Almunia noted the Europe was in the "midst of its deepest and most widespread recession in the post-war era." This statement illustrates the profundity of the Great Recession. Therefore, it is reasonable to conjecture that the Great Recession was the deterministic component that mattered most deeply in European citizens' trust. While this research design does not address all possible ways that trust in government can be affected, the findings contribute to the growing body of evidence showing the importance of government performance during the Great Recession.

Third, the generalizability of the results might be somewhat bounded. This boils down to the question, "Can a causal relationship obtained in Europe be extrapolated to other regions?" Cultural characteristics of European countries lead individuals to be more or less trusting toward government. For instance, the impact of the Great Recession on trust can be different in Asia or Latin America. This calls for caution, therefore, when generalizing the results from this study on other countries. Acquiring either internal or external validity is often a tradeoff. Making a causal inference, researchers should choose a specific design that may sacrifice internal or external validity. This study found evidence with relatively high internal validity by using a design that closely mimics natural experiment while giving some levels of external validity.

Fourth, measurement can be a troublesome threat. A thorough understanding of trust in government is needed because trust has a multi-dimensional nature (Thomas, 1998). European Social Survey (ESS) used in this study asked about confidence in each government institution to tap into citizens' trust. However, the American National Election Studies (ANES) uses questionnaires whether government wastes taxes, operates on behalf of big interests, and are crooked. It is worth noting that employing different measures, such as the questionnaires used in ANES may yield different outcomes.

Article Received: 1-4-2018 Revised: 4-20-2018 Accepted: 4-22-2018

REFERENCES

Armingeon, Klaus. 2012. "The politics of fiscal responses to the crisis of 2008–2009." *Governance*, 25(4): 543-565.

Armingeon, Klaus, and Lucio Baccaro. 2012. "The sorrows of young Euro: Policy responses to the sovereign debt crisis." In Nancy Bermeo and Jonas Pontusson (Eds.), *Coping with crisis: Government reactions to the Great Recession* (pp. 162-198). NY: Russell Sage Foundation.

Armingeon, Klaus, and Besir Ceka. 2014. "The loss of trust in the European Union during the great recession since 2007: The role of heuristics from the national political system." *European Union Politics*, 15(1): 82-107.

Boin, Arjen, Paul ‘t Hart, Eric Stern, and Bengt Sundelius. 2005. *The politics of crisis management: Public leadership under pressure*. U.K.: Cambridge University Press.

Bouckaert, Geert, and John Halligan. 2008. *Managing performance: International comparisons*. U.K.: Routledge.

Chanley, Virginia A. 2002. “Trust in government in the aftermath of 9/11: Determinants and consequences.” *Political Psychology*, 23(3): 469-483.

Citrin, Jack, and Samantha Luks. 2001. “Political trust revisited: déjà vu all over again?” In John Hibbing and Elizabeth Theiss-Morse (Eds.), *What is it about government that Americans dislike* (pp. 9-27). U.K.: Cambridge University Press.

Di Mascio, Fabrizio, and Alessandro Natalini. 2015. “Fiscal retrenchment in southern Europe: Changing patterns of public management in Greece, Italy, Portugal and Spain.” *Public Management Review*, 17(1): 129-148.

Di Quirico, Roberto. 2010. “Italy and the global economic crisis.” *Bulletin of Italian Politics*, 2(2): 3-19.

Edsall, Thomas Byrne. 2012. *The age of austerity: How scarcity will remake American politics*. NY: Doubleday.

European Commision. 2009. *Economic Crisis in Europe: Causes, Consequences and Responses*. Belgium: Directorate General for Economic and Financial Affairs.

European Social Survey. 2016. ESS Sampling. Retrieved from http://www.europeansocialsurvey.org/methodology/sampling.html

Feldheim, Mary Ann. 2007. “Public sector downsizing and employee trust.” *International Journal of Public Administration*, 30(3): 249-270.

Gallie, Duncan. 2013. “Economic crisis, quality of work, and social integration: Issues and Context.” In Duncan Gallie (Ed.), *Economic crisis, quality of work, and social integration: The European experience*. U.K.: Oxford University Press.

Hakhverdian, Armen, and Quinton Mayne. 2012. “Institutional trust, education, and corruption: A micro-macro interactive approach.” *The Journal of Politics*, 74(3): 739-750.

Hall, Peter. 2013. “The political origins of our economic discontents.” In Miles Kahler and David A Lake (Eds.), *Politics in the new hard times: The Great Recession in comparative perspective* (pp. 129-149). NY: Cornell University Press.

Jordahl, Henrik. 2009. “Economic inequality.” In Gert Tinggaard Svendsen and Gunnar Lind Haase Svendsen Eds., *Handbook of Social Capital: The troika of sociology, political science and economics*. U.K.: Edward Elgar.

Karger, Howard. 2014. “The bitter pill: Austerity, debt, and the attack on Europe’s welfare states.” *Journal of Sociology & Social Welfare*, 41(2): 33-53.

Ladi, Stella, and Dimitris Tsarouhas. 2014. “The politics of austerity and public policy reform in the EU.” *Political Studies Review*, 12(2): 171-180.

Lin, Carol Yeh-Yun, Leif Edvinsson, Jeffrey Chen, and Tord Beding. 2013. *National intellectual capital and the financial crisis in Greece, Italy, Portugal, and Spain.* NY: Springer.

Lindvall, Johannes. 2012. “Politics and policies in two economic crises.” In Nancy Bermeo and Jonas Pontusson (Eds.), *Coping with the crisis* (pp. 233-260). NY: Russell Sage Foundation.

Pinto, Pablo M. 2013. “The politics of hard times: fiscal policy and the endogeneity of economic recessions.” In Miles Kahler and David A Lake (Eds.), *Politics in the new hard times: The Great Recession in comparative perspective* (pp. 102-128). NY:

Cornell University Press.
Porumbescu, G. 2017. "Does transparency improve citizens' perceptions of government performance? Evidence from Seoul, South Korea." *Administration & Society*, 49(3): 443-468.
Remler, Dahlia K., and Gregg G. Van Ryzin. 2011. *Research methods in practice: Strategies for description and causation*. CA: Sage Publications.
Roth, Felix. 2009. "The effect of the financial crisis on systemic trust." *Intereconomics*, 44(4): 203-208.
Stiglitz, Joseph. 2015. *The Great Divide: Unequal societies and what we can do about them*. NY: W.W. Norton & Company.
The Economists. 2013. "The origins of the financial crisis: Crash Course." *The Economists*. September 7: 2013.
Thomas, Craig W. 1998. "Maintaining and restoring public trust in government agencies and their employees." *Administration & Society*, 30(2): 166-193.
Tonkiss, F. 2009. "Trust, confidence and economic crisis." *Intereconomies*, 44(4): 196-202.
Uslaner, Eric M. 2010. "Trust and the economic crisis of 2008." *Corporate Reputation Review*, 13(2): 110-123.
Van Craen, Maarten, and Wesley G. Skogan. 2015. "Trust in the Belgian police: The importance of responsiveness." *European Journal of Criminology*, 12(2): 129-150.
Van de Walle, Steven, and Geert Bouckaert. 2003. "Public service performance and trust in government: the problem of causality." *International Journal of Public Administration*, 26(8-9): 891-913.
Ventriss, Curtis. 2013. "The economic crisis of 2008 and its substantial implications for public affairs." *The American Review of Public Administration*, 43(6): 627-655.
Vigoda, Eran. 2003. "Performance and democracy in the public sector: Exploring some missing links in the study of administration and society (Part A—Administrative performance, trust in governance, and social equality)." *International Journal of Public Administration*, 26(8-9): 883-890.
Vigoda-Gadot, Eran, Aviv Shoham, and Dana R. Vashdi. 2010. "Bridging bureaucracy and democracy in Europe: A comparative study of perceived managerial excellence, satisfaction with public services, and trust in governance." *European Union Politics*, 11(2): 289-308.
Wanna, John. 2013. "Delivering under pressure: Public service, productivity and performance." In John Wanna, Hsu-Ann Lee, and Sophie Yates (Eds.), *Managing under austerity delivering under pressure* (pp.3-12). Australia: Australian National University.
Wolak, Jennifer, and Christine Kelleher Palus. 2010. "The dynamics of public confidence in US State and local government." *State Politics & Policy Quarterly*, 10(4): 421-445.
Yang, Kaifeng, and Marc Holzer. 2006. "The performance–trust link: Implications for performance measurement." *Public Administration Review*, 66(1): 114-126.
Zmerli, Sonja, and Ken Newton. 2008. "Social trust and attitudes toward democracy." *Public Opinion Quarterly*, 72(4): 706-724.

Yunsoo Lee, Lecturer, Department of Public Administration, Seoul National University of Science and Technology, 232 Gongneung-ro, Nowon-gu, Seoul, 01811, Korea, Tel: +82-2-970-6114, E-mail: yunsoolee@seoultech.ac.kr