Griffith UNIVERSITY
Queensland, Australia

*Griffith Business School*


*Economics and business statistics*

# Economic Insecurity, Nativism, and the Erosion of Institutional Trust

**Nicholas Rohde**

2023-01

**Series editors** Dr Nicholas Rohde and Dr Athula Naranpanawa **ISSN** 1837-7750

Department of Accounting, Finance and Economics

CRICOS No. 00233E

# Economic Insecurity, Nativism, and the Erosion of Institutional Trust

Nicholas Rohde*

February 7, 2023

**Abstract**

We study markers of economic insecurity and nativism as factors explaining recent declines in institutional confidence. Taking microdata from 64 middle and upper-income nations, we show that hostility towards immigrants/immigration and a synthetic measure of economic insecurity are both significant predictors of individual-level institutional mistrust. Our parameter estimates are slightly larger and more robust for economic insecurity, and the results are stronger for developed, western countries (UK, USA, Australia, Canada) than in Asia or South America. In line with the concept of economic nationalism, we also find evidence of an 'amplification' effect, where individuals exposed to higher levels of economic insecurity are more responsive to nativist beliefs. The results have implications for policymakers looking to promote institutional confidence and social cohesion.

**Key Words:** Cultural Backlash, Economic Insecurity, Nativism, Populism

**JEL Classification:** D63, D72, I32, J15

## 1 Introduction

The last decade has seen rising political turmoil in the United States and Europe, which appears to be related to a sharp decline in public institutional trust.[1] The 2016 election of US President Donald Trump was broadly interpreted as an expression of populist backlash towards government and the media, while support for separatist movements in the UK and Europe have also been attributed to frustration towards social and political elites. These effects have been widespread and not limited to strictly political domains. For example, resistance to public health initiatives such as vaccination programs have also grown substantially in light of the Covid-19 pandemic. Again, this phenomenon appears to be motivated by a lack of confidence in previously well-respected institutions such as universities, hospitals, and scientific agencies (Bajos *et al.*, 2022).

*Email: n.rohde@griffith.edu.au. Griffith University, 58 Parklands Drive Southport, 4215. The author has no conflicts of interest to report, and thanks Prasada Rao for comments and suggestions. Any errors are the author's sole responsibility.

[1] E.g., see polling data by Pew Research (2022).

Although this rapid erosion of trust is likely to be multi-causal, there are two main hypotheses that have received widespread attention. We call the first the *Nativist* hypothesis – the idea governments and other institutions have increasingly adopted global cultural and social values, as opposed to those that benefit only existing domestic populations[2] (Deaton, 2016). A typical example is relatively unrestrictive border policies, which are thought to have provoked a populist, anti-elite backlash, fueled by resentment towards multiculturalism and societal change (Inglehart and Norris, 2016).[3] These divisions normally occur along racial lines and are often formed at the expense of visible or ethnic minorities (Classen and Maclaren, 2022). Conversely, we characterize the *Economic Insecurity* hypothesis as a response to stagnating material conditions and increased household-level economic risk (Case and Deaton, 2015; Hacker, 2019). This anxiety is believed to have led to a general mistrust towards governments and policymakers that have failed to provide protection and opportunity (Bossert *et al.*, 2022).[4] Notably, the Economic Insecurity hypothesis is consistent with the theory of postmaterialism (Inglehart, 1977), which requires individuals feel economically secure before they can develop non-material cultural values.

In this paper, we empirically contrast these cultural and economic determinants using recent, highly-detailed data from the 2022 World Values Survey. Our models provide statistical evidence as to which is more important in explaining the erosion of institutional trust, with the aim of directing policymakers toward the sources of this contentious social problem. Our analysis shows that both insecurity and nativism are powerful correlates of a suite of markers of low social, political, and institutional confidence. However, in regression models designed to allow cross-equation comparability, we find that the effect sizes on our economic insecurity variables are a little larger and more robust than our measures of nativistic sentiment.

We also estimate our models separately for a set of high-income countries and show that the importance of both variables is remarkably persistent throughout. Economic insecurity is a stronger predictor of diminished public trust in the United States, although our estimates show that insecurity and nativism are of about equal importance in other Anglophonic countries such as the UK, Australia, and Canada. Further, the effect sizes we uncover here are considerably larger than for non-western countries, indicating that populist distrust is much more closely tied to insecurity and nativism in North America and Europe than in Asia or South America. We attribute this to (i) the relatively large differentials in wages (and therefore competitiveness) between our clusters of western and non-western countries, and (ii) asymmetries in cultural familiarity between the English-speaking and non-English-speaking world.

[2]Angus Deaton calls this "cosmopolitan prioritarianism" - a view diametrically opposed to nativism.

[3]Nonetheless, these arguments are not necessarily consistent with existing research. For example, Akay *et al.* (2014) find that immigration has had a net positive effect on the wellbeing of domestic populations.

[4]These two hypotheses can interact, as resentment towards immigration may act through economic channels rather than cultural channels. We examine this *economic nationalism* issue in Section 5 of the paper.

Finally, we consider whether economic insecurity introduces heterogeneity in the effects of anti-immigration attitudes. For example, an unskilled individual who expresses nativist beliefs may do so because they dislike cultural change, but have their attitudes implicitly formed by economic factors like competition resources or labor supply for low-wage work. Using finite mixture models, we find evidence of this type of amplification effect in our data, especially with respect to distrust in electoral processes. This pattern is consistent with the *economic nationalism* explanation for opposition to globalization and multiculturalism (Colatone and Stanig, 2019).

Results like these have important implications for the formulation of economic and social policy and address a contentious topic often debated in the global press (e.g., Edsall, 2019). If opposition to globalization, immigration, and other forms of cultural change are corrosive to public trust, then policies that affect immigration or promote social cohesion may yield positive societal effects. In this instance, public awareness campaigns, or messaging programs that underscore commonality between native and immigrant populations are likely to be effective (Benesch *et al.*, 2019; Cattaneo and Grieco, 2021). Alternatively, if economic insecurity is the main driver of populist backlash, then policies that provide financial stability and labor-market opportunity are needed. The latter is likely to be particularly effective if focused on the lower end of the income distribution, where both economic disadvantage and backlash attitudes tend to be concentrated (Franzese, 2019; Romeguera-de-la-Cruz, 2020).

Our work adds to an emerging body of literature contrasting sociocultural and economic factors in determining behavior related to populism. Currently there is no clear consensus on what the drivers of these attitudinal changes are, as variables, definitions, and data have differed from paper to paper. To our knowledge however, this is the first paper to estimate the relative importances of these factors as determinants of institutional trust. This literature gap exists in part because current research has focused heavily on modeling voting patterns, or other indicators of extremist political preference. For example, the paper most similar to ours comes from Inglehart and Norris (2016), who estimate the impacts of economic and cultural factors using support for right-wing populist political parties as the dependent variable. These authors use an earlier wave of the World Values Survey and find that cultural factors are much stronger predictors of electoral support than economic welfare for extremist candidates. Similarly, Rebechi and Rohde (2022) also find that measures of racial resentment (which are likely to reflect cultural factors similar to nativism or xenophobia) are much stronger than economic perceptions for predicting populist voting patterns in the US. Further, a survey by Margalit (2019) argues that cultural factors related to immigration are better predictors than economic variables for populism in the US and Europe.

However, other authors have found considerable support for the idea that economic insecurity is also a key determinant of populist partisan choice. For example, Bossert *et al.* (2022) show that

it was linked to both support for Donald Trump in 2016, and voting "Leave" in the UK Brexit referendum in the same year. Gallo *et al.* (2022) conduct a similar analysis with British panel data and show economic insecurity to be strongly related to nationalistic voter preferences. Other works such as Rodrik (2018), Colatone and Stanig (2019), and Di Tella and Rodrik (2020) show that the threat of economic shocks (such as retrenchment) induces protectionist preferences, which may feed through to opposition to immigration and globalization. Guriev and Papaioannou (2020) and Wroe (2016) also argue for the general importance of economic explanations, while Guiso *et al.* (2022) show that economic insecurity was a major predictor of populist support and turnout in recent European voting data.

Like much of the above work, the models presented here are better interpreted as descriptive rather than purely causal. This is due to the nature of subjectively determined data (in our case insecurity, nativism, and institutional mistrust), which often neglects unobserved phenomena that are correlated with the dependent variables. For example, our measures of anti-immigration sentiment could easily reflect adjacent factors such as racism or jingoism, which are likely to also be related to trust, and therefore become absorbed into our parameter estimates. Likewise, economic insecurity metrics could reflect non-pecuniary factors related to economic welfare not captured by other controls such as education. Nonetheless, the conditional associations we uncover are often very strong, robust to a variety of measurement techniques, and stable with respect to the inclusion/exclusion of controls. This stability in the presence of observables implies that unobserved factors are unlikely to be a major source of statistical bias (Oster, 2019). Thus, our estimates are still likely to be suggestive of causal flows, provided the variables are interpreted as broad attitudinal markers potentially capturing a cluster of related phenomena. Further, if our attitudinal variables are mutually reinforcing (in a reverse-causal sense), then the associations are still relevant for policy, as interventions that improve one outcome (e.g., increase trust) will have positive reverse benefits, such as flowing on to reduce nativism and insecurity.

The paper is structured as follows. Section 2 previews the dataset, defines our variables of interest, and presents some descriptive statistics. Section 3 performs the regression analysis and gives our baseline results. Section 4 searches for cross-national heterogeneity and identifies country-level factors that are associated with higher and lower estimates on the parameters of interest. Section 5 looks for heterogeneity across individuals using latent class models, and Section 6 concludes.

## 2 Data

We draw our data from the World Values Survey (WVS), a well-known repeated international survey that asks hundreds of questions on economics, demographics, health, and social attitudes

(Haerpfer *et al.*, 2022). The WVS is cross-sectional, which is less useful than panel data for causal analysis, however, the immensely rich set of questions asked allows us to capture complex attitudinal phenomena that would be inaccessible with other data sets. We use the most recent wave, which started in 2017 and finished in 2021 before being released in 2022. Using the most up-to-date data is important here, as sharply rising populism, nativism, and economic nationalism appears to be a relatively recent phenomenon. There are 64 separate countries in our data, with most falling in the mid to upper-income range.[5] After dropping observations with missing values on our key covariates, we are left with a sample of around 90,000 observations for most of our estimations, with most countries having between 500 and 2000 individual respondents each.

Four major clusters of variables are defined, and we outline each below.

### *Institutional Trust*

We define institutional trust as the degree to which individuals accept the legitimacy of their social, political, and governmental organizations, and believe that they are working towards the common good. We measure this sense of trust using two different sets of variables. The first is a collection of 1-4 ordinal scales eliciting responses on a series of public and social institutions. The question reads *"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?"* We take responses on nine variables: (i) The Press, (ii) The Police, (iii) The Justice System/Courts, (iv) The Government, (v) Parliament, (vi) Civil Services, (vii) Universities, (viii) Major Companies, and (ix) Banks.

Given that reduced trust in electoral outcomes (particularly in the United States) is a pressing democratic issue, we draw on an additional set of variables focusing specifically on confidence in the electoral process. The question asks *"In your view, how often do the following things occur in this country's elections?"* using the same four-point ordinal scale. The specific items are (i) Votes are counted fairly, (ii) Opposition candidates are prevented from running, (iii) TV news favors the governing party, (iv) Voters are bribed, (v) Journalists provide fair coverage of elections, (vi) Election officials are fair, (vii) Rich people buy elections, and (viii) Voters are threatened with violence at the polls. Since some questions capture trust and others capture distrust, we invert the trust-oriented variable orderings such that higher values are always indicative of lower confidence.

[5]The countries are Andorra, Argentina, Armenia, Australia, Bangladesh, Bolivia, Brazil, Canada, Chile, China, Colombia, Cyprus, Czechia, Ecuador, Egypt, Ethiopia, Germany, Great Britain, Greece, Guatemala, Hong Kong SAR, Indonesia, Iran, Iraq, Japan, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Lebanon, Libya, Macau SAR, Malaysia, Maldives, Mexico, Mongolia, Morocco, Myanmar, Netherlands, New Zealand, Nicaragua, Nigeria, Northern Ireland, Pakistan, Peru, Philippines, Puerto Rico, Romania, Russia, Serbia, Singapore, Slovakia, South Korea, Taiwan ROC, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, United States, Uruguay, Venezuela, Vietnam, and Zimbabwe.

### *Nativism*

Nativism, defined as analogous to anti-immigrant sentiment here, refers to the degree to which an existing domestic population is protective of its own status and hostile to outsiders. Since sociopolitical elites tend to have more cosmopolitan values than the general population (Campbell and Heath, 2021), nativism could act as a wedge that pits populists against elites and diminishes the trust each has in the other. We infer nativism using proxy measures of opposition to immigrants/immigration that capture perceptions of the effects of immigration upon society. The questions are responses to the stem *"Now we would like to know your opinion about the people from other countries who come to live in your country - the immigrants. How would you evaluate the impact of these people on the development of your country?"* Questions then capture (dis)agreement that immigration (i) Fills important jobs vacancies, (ii) Strengthens cultural diversity, (iii) Increases the crime rate, (iv) Gives asylum to political refugees who are persecuted elsewhere, (v) Offers people from poor countries a better living, (vi) Increases unemployment, and (vii) Leads to social conflict. Respondents are given three ordinal options (agree, neutral, disagree), and as before, we invert the orderings where appropriate to ensure that each variable captures opposing attitudes.

### *Economic Insecurity*

Here we define Economic Insecurity as a general sense of dissatisfaction with individual or household-level economic wellbeing. It is frequently characterized directly in terms of risk (e.g., Osberg, 1998; Bossert and D'Ambrosio, 2013; Bossert and D'Ambrosio, 2019), and is usually measured using a combination of subjective and objective measures of current welfare (e.g., Rohde *et al.*, 2022; Romeguera-de-la-Cruz, 2020). This multidimensional approach is needed since economic risks and economic welfare are multifaceted, and depend upon factors like income, consumption, wealth, downside volatility, job security, peer effects, risk aversion, and expectations for the future (e.g., Osberg and Sharpe, 2014).

It is distinctly possible that economic insecurity could affect trust, as it is linked with a variety of other behavioral variables such as smoking, diet, and obesity (Barnes and Smith, 2009; Kong *et al.*, 2019; Watson *et al.*, 2020), mental health (Rohde *et al.*, 2017) and fertility (Clark and Lepinteur, 2021). In line with our multidimensional definition, we take data on a range of welfare indicators. These include each individual's within-country income decile rank, which provides an objective measure of their country-specific status. We also take observations on their savings (where positive/negative changes are interpreted as indicative of short-term fluctuations), a marker of going without income in the last year (indicating distress), and a measure of their expectations relative

to their parents. We also take a general self-assessment of each individual's financial position, such that our basket of measures contains an appropriate mixture of objective and subjective metrics. Decile ranks and satisfaction with current financial position are assessed on 10-point scales, while the remainder use the same three and four-point scales as above.[6]

Since the three variable types above consist of multiple markers capturing alternative dimensions of each concept, we base our main analysis on summary scales. These are obtained using Principal Component Analysis – a latent variable technique that extracts the main underlying variable common to a set of correlated variables. The technique is useful when the variable of interest is unobserved but captured in part by a series of related indices. PCA assumes cardinality in the underlying variables, which are ordinal in our case. However, ordinal and cardinal methods generally produce similar results when applied to ordinal subjective data (Ferrer-i-Carbonell and Frijters, 2004), and we also require cardinal assumptions later when interpreting relative effect sizes. The first component is used in all instances and is normalized to have a mean of zero and a standard deviation of one. Distributional plots of each normalized latent scale {institutional distrust, electoral distrust, nativism, insecurity} are provided in the appendix.

### *Controls*

Our final cluster of variables is a set of standard socioeconomic and demographic controls designed to facilitate like-for-like comparisons in our regression models. Our covariates include age, the square of age (to handle potential non-linearities over the lifecycle), gender, educational attainments, labor market status, marital status, and country of residence. We also take data on whether the respondent themselves is an immigrant, and whether their mother or father were immigrants. Note that we exclude economic variables related to resources from our standard control set such that any economic effect flows through our insecurity variable defined above. Descriptive statistics for all variables appear in Table 1.

[6]Respondents are asked to rate their *Satisfaction with the Financial Situation of the Household*, from Dissatisfied (1) to Satisfied (10). Income gaps are captured with the question *Frequency You/Family: Went Without a Cash Income* - Often (4), Sometimes (3), Rarely (2) and Never (1). Performance relative to the previous generation comes from: *Standard of Living Compared to Your Parents*: Better off (1), About the same (2), Worse off (3). Deciles are assessed on a standard 10 step scale (Decile 1-10). Savings behavior comes from the question *Family Savings During Past Year*: Save Money (1), Just Get By (2), Spent Some Savings (3), Spent Savings and Borrowed Money (4). Scores are inverted where appropriate.

Table 1: Descriptive Statistics:- Key Variables

| Variable | Observations | Mean | Std Dev | Min | Max |
|---|---|---|---|---|---|
| Nativism Scale | 82,686 | 0.000 | 1 | -1.941 | 1.392 |
| Economic Insecurity Scale | 87,834 | 0.000 | 1 | -2.263 | 3.194 |
| Institutional Distrust Scale | 82,497 | 0.000 | 1 | -2.384 | 2.266 |
| Electoral Distrust Scale | 69,490 | 0.000 | 1 | -2.009 | 2.599 |
| Age | 93,768 | 43.41 | 16.57 | 16 | 103 |
| Age Squared | 93,768 | 2159 | 1576 | 256 | 10609 |
| Female | 94,183 | 0.529 | 0.499 | 0 | 1 |
| Married | 93,701 | 0.555 | 0.497 | 0 | 1 |
| De Facto | 93,701 | 0.080 | 0.271 | 0 | 1 |
| Divorced | 93,701 | 0.045 | 0.208 | 0 | 1 |
| Separated | 93,701 | 0.022 | 0.147 | 0 | 1 |
| Widowed | 93,701 | 0.058 | 0.234 | 0 | 1 |
| Undergraduate Degree | 93,266 | 0.347 | 0.476 | 0 | 1 |
| Postgraduate Degree | 93,266 | 0.077 | 0.267 | 0 | 1 |
| Immigrant | 93,894 | 0.060 | 0.238 | 0 | 1 |
| Mother Immigrant | 89,600 | 0.100 | 0.300 | 0 | 1 |
| Father Immigrant | 89,406 | 0.103 | 0.304 | 0 | 1 |
| Full Time | 93,092 | 0.366 | 0.482 | 0 | 1 |
| Part Time | 93,092 | 0.086 | 0.280 | 0 | 1 |
| Not Working | 93,092 | 0.133 | 0.339 | 0 | 1 |

Note: The table presents descriptive statistics of our sample extracted from the 2022 World Values Survey. The columns give sample sizes, means, standard deviations, minimums and maximums respectively. The outcome variables and main covariates (institutional trust, electoral trust, nativism and economic insecurity) are based upon normalized principal components extracted from underlying survey variables. Descriptive statistics for these variables appear in the appendix.

The figures in Table 1 show that our sample approximately matches the adult demographic characteristics of most middle- and higher-income countries. The average age is around 43 years, with almost 53% of our sample being female, while 55% are married. The sample is a little better educated than most countries, with more than 34% having an undergraduate degree and almost 8% having a postgraduate degree. Approximately 6% are immigrants themselves, and 10% of respondents have an immigrant mother or father. These figures are lower than for most developed countries, where the fraction of the population who were born in another country is usually between 10% and 30%.[7]

## 3 Models and Estimates

Here we specify our main econometric models and report our baseline results. The analysis is conducted with a series of related linear regression models of the form outlined below. Since our

[7]For example, the median age of the US population is approximately 38, with around 50.8% female, 45% married, and 41% having at least some form of tertiary education. 15% of the US population is foreign-born, while the corresponding figures for the UK and Germany are 17% and 27%.

main dependent and independent variables are our continuous synthetic scales, linear specifications are appropriate. However, when using ordinal data, probit models give conceptually similar results. The baseline equation is:

$$y_{ij} = \alpha + \delta_j + \phi NS_{ij} + \gamma EI_{ij} + \mathbf{x}_{ij}^{'}\beta + \varepsilon_{ij} \tag{1}$$

Here variable $y_{ij}$ denotes the institutional or electoral trust variable observed for individual $i$ in country $j$. Parameter $\alpha$ is a constant term and $\delta_j$ represents a series of country fixed-effects. $NS_{ij}$ and $EI_{ij}$ are our Nativist Sentiment and Economic Insecurity metrics, with $\phi$ and $\gamma$ capturing the marginal effects of each. Since $y_{ij}$, $NS_{ij}$ and $EI_{ij}$ are all standardized, $\phi$ and $\gamma$ reflect the *ceteris paribus* predicted standard-deviation change in $y_{ij}$ for a standard deviation change in $NS_{ij}$ and $EI_{ij}$. Further, $\mathbf{x}_{ij}^{'}$ represents a vector of individual-level exogenous controls, and $\varepsilon_{ij}$ an idiosyncratic error term. The model is estimated by OLS, and we cluster our standard errors at the country level $j$. Estimates are reported in Table 2 below.

Table 2: Regression Outputs – Institutional Distrust and Electoral Distrust

| Variable | Institutional Distrust | | | Electoral Distrust | | |
|---|---|---|---|---|---|---|
| Nativist Scale | 0.132*** | 0.134*** | 0.063*** | 0.162*** | 0.160*** | 0.104*** |
| | (0.034) | (0.032) | (0.012) | (0.033) | (0.031) | (0.017) |
| Econ Insecurity Scale | 0.146*** | 0.149*** | 0.124*** | 0.185*** | 0.158*** | 0.083*** |
| | (0.027) | (0.022) | (0.015) | (0.031) | (0.024) | (0.013) |
| Age | | 0.008** | 0.014*** | | -0.006 | -0.001 |
| | | (0.004) | (0.002) | | (0.004) | (0.002) |
| Age Squared | | -0.000** | -0.000*** | | -0.000* | -0.000** |
| | | (0.000) | (0.000) | | (0.000) | (0.000) |
| Female | | -0.004 | 0.006 | | -0.052** | -0.012 |
| | | (0.019) | (0.009) | | (0.023) | (0.014) |
| Married | | -0.228*** | -0.081*** | | -0.050 | -0.050*** |
| | | (0.039) | (0.015) | | (0.049) | (0.016) |
| De Facto | | 0.129* | -0.071*** | | 0.029 | -0.016 |
| | | (0.071) | (0.018) | | (0.060) | (0.016) |
| Divorced | | -0.04 | 0.003 | | -0.025 | 0.002 |
| | | (0.040) | (0.025) | | (0.048) | (0.022) |
| Separated | | 0.118** | -0.057** | | 0.124** | 0.001 |
| | | (0.055) | (0.026) | | (0.052) | (0.031) |
| Widowed | | -0.163*** | -0.076*** | | 0.080 | -0.019 |
| | | (0.054) | (0.021) | | (0.064) | (0.028) |
| Undergraduate Degree | | 0.145*** | 0.067*** | | -0.029 | 0.016 |
| | | (0.051) | (0.020) | | (0.053) | (0.019) |
| Postgraduate Degree | | 0.091 | -0.014 | | -0.136* | -0.025 |
| | | (0.080) | (0.031) | | (0.075) | (0.037) |
| Immigrant | | -0.101** | -0.106*** | | -0.096 | -0.040 |
| | | (0.039) | (0.034) | | (0.071) | (0.027) |
| Mother Immigrant | | 0.016 | 0.028 | | -0.097** | -0.021 |
| | | (0.045) | (0.021) | | (0.043) | (0.022) |
| Father Immigrant | | -0.071* | 0.006 | | -0.070 | 0.048** |
| | | (0.041) | (0.022) | | (0.070) | (0.023) |
| Full Time | | 0.049 | 0.016 | | -0.021 | 0.022 |
| | | (0.032) | (0.013) | | (0.042) | (0.016) |
| Part Time | | 0.052* | 0.002 | | 0.021 | 0.028* |
| | | (0.030) | (0.016) | | (0.051) | (0.016) |
| Not Working | | 0.068 | -0.014 | | 0.056 | -0.015 |
| | | (0.050) | (0.016) | | (0.056) | 0.019) |
| Cons | 0.030 | -0.096 | -0.066 | 0.020 | 0.512*** | -0.274*** |
| | (0.063) | (0.115) | (0.058) | (0.071) | (0.095) | (0.076) |
| Country Fixed Effects | N | N | Y | N | N | Y |
| $R^2$ | 0.042 | 0.067 | 0.274 | 0.064 | 0.114 | 0.344 |
| $F$ | 32.393 | 15.685 | 12.215 | 30.238 | 10.614 | 8.331 |
| $N$ | 70688 | 68244 | 68244 | 63552 | 61379 | 61379 |

Note: The table presents regression coefficients from EQ (1). The first three columns use our institutional trust scale as the dependent variable while the latter three use the electoral trust scale. Column 1 presents raw associations while Column 2 uses a standard set of individual-level controls. Column 3 adds in country fixed effects. Estimates of $\phi$ and $\gamma$ are in the first two rows, with standard errors reported below each value. Models are estimated with OLS with standard errors clustered at the country level. *, ** and *** denote significance at 10%, 5% and 1% respectively.

Coefficient estimates in the first columns of each panel show the raw associations between our nativism scale, insecurity scale, and our two distrust metrics. The effect sizes here are all quite similar – a standard deviation increase in economic insecurity predicts increases in institutional and electoral distrust of 0.146 and 0.185 standard deviations respectively, while hostility to immigration predicts increases of 0.132 and 0.162 standard deviations. All are highly significant at standard levels.

Since there are likely to be sociodemographic factors that are correlated with both our outcomes and our covariates of interest, the second columns include controls for age, gender, background, marital status, and education. Interestingly, even though these variables are often highly predictive of both distrust scales, they do very little to attenuate the estimates of $\phi$ and $\gamma$. For our institutional distrust measures, the estimates for nativism actually increased slightly, from 0.132 to 0.134, while for economic insecurity they increased from 0.146 to 0.149. The corresponding changes for electoral distrust are from 0.162 to 0.160, and 0.185 to 0.158. Thus, there is virtually no evidence of confounding via observables, which suggests that unobservables are likely to play a limited role as well (Nunn and Wantchekon, 2011; Oster, 2019).

Column 3 then adds in country-level fixed effects. When only using variation within each country our effect sizes are a little lower. Our nativism scale predicts declines in institutional and electoral trust of 0.063 and 0104 units respectively, while standard deviation changes to insecurity predict corresponding increases of 0.124 and 0.083 units. Since these account for large quantities of otherwise unobservable phenomena (such as fixed cultural and political make-up within countries) they remain our preferred estimates.

Notably, there is also very little evidence of confounding between our insecurity and nativism variables within these models. If we exclude the economic insecurity scale from the regressions, then our estimates for institutional and electoral distrust are almost unchanged at 0.067 and 0.107. The estimates for insecurity are also very similar at 0.125 and 0.088 respectively. Such a result implies that $NS$ and $EI$ operate through distinct channels in their relationships with $y$. The idea that nativism simply reflects latent economic insecurity (or vice versa) is therefore rejected. Indeed, the very minimal mediation suggests that insecurity and nativism are separate phenomena, exerting their own distinct impacts upon public trust.

## 4 Estimates for Separate Components

The parameter estimates in Table 2 are based upon summary scales that condense complex attitudes to public trust into a single variable. However, the fundamental trust variables that were used to construct these scales are far from perfectly correlated, and therefore there are potentially

many separate dimensions to institutional (dis)trust. For example, there are meaningful differences in levels of distrust towards the media (fairly high - distrusted), and the justice system (low - trusted). There is also likely to be heterogeneity in the ways that our covariates of interest translate into trust or distrust on these separate dimensions.

To examine these patterns in our data, we take the individual trust variables defined above and regress each against our explanatory variables in the same manner as above. Aside from highlighting which dimensions are most responsive to nativism and insecurity, this also acts as a form of robustness check, where consistently similar results would imply that our results were insensitive to measurement concepts. We use the fully specified model, with all controls and country-level fixed-effects, and use the same normalization transform for the dependent variables in each case to preserve comparability.

The results are reported in Tables 7 and 8 in the Appendix. A few key points stand out. Firstly, the parameter estimates for both our nativism and insecurity measures are usually smaller than those reported in Table 2. It therefore appears that our summary scales are capturing much more of the underlying trust variable than any of the individual metrics. Secondly, the larger estimates for economic insecurity are more pronounced here. When looking at the institutional trust variables (Table 7), the economic insecurity parameter was larger than the nativism parameter in all nine cases (albeit by small margins in some instances). However this did not hold for the electoral trust variables (Table 8), where the effect sizes were approximately the same on average. Across our markers, those most influenced by either insecurity or nativism were public trust in institutions directly related to the government such as the justice system, the government generally, parliament, and civil services. Those least affected were electoral trust metrics related to media bias and fear of violence at polling stations. The increased effect sizes for governmental variables here is intuitive, since populist backlash is usually directed towards clearly identifiable official institutions.

**Country Specific Regressions**

Given that our set of countries is quite heterogeneous and subject to their own internal cultural and economic dynamics, it is plausible that the relationships between our variables of interest vary across borders. Here we run our standard regression models specified in EQ (1) restricting each estimation sample to a set of selected countries. For comparative purposes, we present our results in two clusters – country-specific estimates for western and/or Anglophonic nations, and equivalent estimates for non-western and/or non-Anglophonic nations drawn from Asia and South/Central America.

Table 3: Table 3. Key Coefficients– Selected Countries

| Type | | Institutional Mistrust | | Electoral Mistrust | |
|---|---|---|---|---|---|
| | Country | Nativism | Economic Insec | Nativism | Economic Insec |
| Western | Australia | 0.126*** | 0.130*** | 0.158*** | 0.139*** |
| | Canada | 0.170*** | 0.210*** | 0.319*** | 0.120*** |
| | Germany | 0.146*** | 0.159*** | 0.121*** | 0.109*** |
| | Netherlands | 0.198*** | 0.186*** | 0.176*** | 0.219*** |
| | New Zealand | 0.243*** | 0.089** | 0.174*** | 0.054 |
| | United Kingdom | 0.050** | 0.178*** | 0.120*** | 0.164*** |
| | United States | -0.021 | 0.189*** | 0.139*** | 0.166*** |
| Non-Western | Argentina | -0.037 | 0.158*** | -0.073 | 0.072*** |
| | Bangladesh | 0.054* | 0.125*** | 0.010 | 0.242*** |
| | Brazil | 0.072** | 0.091*** | 0.085*** | 0.021 |
| | Chile | -0.06 | 0.141*** | -0.010 | -0.077 |
| | Columbia | 0.082*** | 0.091*** | 0.143*** | 0.031 |
| | Ecuador | 0.004 | 0.0046 | 0.152*** | 0.045* |
| | Indonesia | 0.098*** | -0.027 | 0.076*** | 0.033 |
| | Japan | 0.058 | 0.145*** | -0.035 | 0.107*** |
| | Mexico | -0.001 | 0.129*** | 0.116*** | -0.011 |
| | Pakistan | -0.037 | 0.058 | 0.140*** | 0.083*** |
| | Philippines | 0.030 | -0.002 | 0.054*** | 0.034 |
| | Singapore | 0.133*** | 0.169*** | 0.142*** | 0.125*** |
| | Vietnam | 0.007 | 0.072*** | 0.005 | 0.003 |
| | Thailand | -0.057** | 0.036 | 0.078** | 0.069** |

Note: The table presents regression coefficients from EQ (1) stratified by country. The leftmost columns use the institutional trust scale as the dependent variable while right columns use the electoral trust scale. Estimates of $\phi$ and $\gamma$ are reported on the left and right under each variable name. Models are estimated with OLS with robust covariance. *, ** and *** denote significance at 10%, 5% and 1% respectively.

The estimates in Table 3 show that our empirical links are highly robust to variations in the country considered. For our western/Anglophonic set (top panel) the parameters are almost always positive and significant for both our nativism and insecurity scales, and for institutional and electoral distrust. Here the effect sizes average around 0.150 for both nativism and insecurity, with no meaningful differences in parameter values across the columns. Notably, these values are a little higher than the corresponding estimates for the pooled sample in Table 2, where standard deviation changes in $y$ in response to a standard deviation change in $NS$ or $EI$ were from 0.06-0.10 depending on the variable. Correspondingly, our estimates for non-western countries are much lower. Here the regression coefficients are only significantly positive around half the time, and there are several instances where the estimates show negative relationships. Averaging the coefficients across countries gives a value of 0.04 for nativism and 0.07 for economic insecurity – thus the statistical links with public trust are less than half as strong as for our western set. Indeed, the only country that showed comparably strong relationships was Singapore, which is comparable to our western nations in terms of wages and GDP per capita.

What makes trust in western countries so highly sensitive to both insecurity and nativism? The results are likely to be linked to (i) the relatively high differentials in factors like wages between themselves and trading partners, and (ii) the large cultural divergences with countries that supply immigration. For example, differentials in wages between the US and China have driven the so-called "China Shock" (Autor *et al.*, 2016) which has supplied US consumers with inexpensive goods, but reconfigured domestic labor markets away from industries like manufacturing, and in favor of high-skilled, white-collar work. Such a phenomenon is likely to be at play in most developed countries, where the greater the economic gradient, the larger the effect of globalization on factors like earnings inequality (Bergh and Nilsson, 2010). Additionally, western countries tend to be relatively culturally dominant, and their citizens are less likely to be familiar with the languages, customs, and practices of their trading partners than the reverse (e.g., Pease, 2000). This may generate an asymmetry for western and Anglophonic countries, where competition from developing countries interacts with xenophobia or inverted familiarity bias.

## 5 Latent Class Analysis

The models depicted above estimate separate additive effects for nativism and economic insecurity upon our trust indices. However, the potential interplay between these variables outlined above means that this simple model might miss important interactive dynamics. For example, there are likely to be subsets of our data that are relatively more responsive to nativism or economic insecurity, and individuals who are more or less sensitive may vary in ways that are correlated with the covariates in our models. Further, it is possible that exposure to economic insecurity could increase resistance to immigration and exacerbate the effect upon institutional trust. This may occur, for example, if an individual experiences insecurity and attributes this to immigration, potentially through factors like labor market competition. Conversely, it is also possible that population subsets that score highly on our nativist scales might have larger effect sizes for economic insecurity.

To examine these issues we look for latent classes in the data using Finite Mixture Models as per Clark *et al.* (2005) and Deb and Trivedi (1997). The general model is:

$$f\left(y;\mathbf{x},\mathbf{z};\boldsymbol{\beta},\boldsymbol{\theta}\right)=\sum_{k=1}^{K}p_k\left(\mathbf{z};\boldsymbol{\theta}\right)f_k\left(y;\mathbf{x},\boldsymbol{\beta}\right) \tag{2}$$

where $f(y)$ is the density for our outcome variable, which is assumed to be Gaussian, and is conditioned upon the covariate vector $\mathbf{x}$. There are $k = 1, \ldots, K$ mixing components, each of which has its own coefficient vector $\beta_k$, which is the feature that captures parameter heterogeneity.

We employ $K = 2$ mixing components, where the probability of falling into a particular group $p_k(\mathbf{z};\boldsymbol{\theta})$ is given by a multinomial logit, with covariates $\mathbf{z}$ and parameter vector $\boldsymbol{\theta}$. This is the simplest possible specification that allows for differences in response to our variables of interest. In each case we let one of these variables dictate class membership (i.e., we include either nativism or insecurity in $\mathbf{z}$ ) and the other variable in $\mathbf{x}$. The model is then estimated by maximum likelihood. Estimates appear in Tables 4 and 5 below, where nativism is used in the mean equation in Table 4, while insecurity appears in the mean equation of the models shown in Table 5.

Table 4: Finite Mixture Models: Effects of Nativism

| | Institutional Distrust | | | Electoral Distrust | | |
|---|---|---|---|---|---|---|
| Variable | $\hat{\theta}$ | $\hat{\beta}_{k=1}$ | $\hat{\beta}_{k=2}$ | $\hat{\theta}$ | $\hat{\beta}_{k=1}$ | $\hat{\beta}_{k=2}$ |
| Nativism Scale | | 0.075*** | 0.152*** | | 0.167*** | 0.053*** |
| Economic Insecurity Scale | -0.531*** | | | -0.740*** | | |
| Age | -0.007 | 0.004 | 0.009*** | 0.060*** | 0.001 | 0.001 |
| Age Squared | 0.000 | 0.000 | -0.000** | -0.000*** | -0.000*** | 0.000 |
| Female | 0.065 | -0.072*** | 0.053*** | -0.207*** | -0.093*** | -0.025 |
| Married | | -0.148*** | -0.244*** | | -0.050*** | -0.008 |
| De Facto | | 0.065** | 0.136*** | | 0.056*** | -0.008 |
| Divorced | | -0.004 | -0.046* | | -0.030 | 0.078** |
| Separated | | 0.100** | 0.127*** | | 0.140*** | 0.073 |
| Widowed | | 0.051 | -0.223*** | | 0.077*** | 0.046 |
| Undergraduate Degree | | -0.035** | 0.203*** | | -0.036*** | 0.018 |
| Postgraduate Degree | | -0.030 | 0.115*** | | -0.109*** | -0.087*** |
| Immigrant | | -0.091 | -0.098*** | | -0.087*** | -0.109*** |
| Mother Immigrant | | -0.138*** | 0.075*** | | -0.153*** | 0.058* |
| Father Immigrant | | -0.148*** | -0.044* | | -0.092*** | 0.047 |
| Full Time | | -0.038** | 0.076*** | | -0.057*** | -0.014 |
| Part Time | | -0.007 | 0.071*** | | -0.001 | 0.025 |
| Not Working | | 0.128*** | 0.022 | | 0.034** | 0.051* |
| Constant | 0.740*** | 0.980*** | -0.637*** | -4.052*** | 0.492*** | -1.307*** |
| $\ln L$ | -93241 | | | -82325 | | |
| $\hat{\sigma}^2$ | | 0.530 | 0.636 | | 0.717 | 0.186 |

Note: The table presents parameter estimates from EQ (2) using institutional distrust (leftmost columns) and electoral distrust (rightmost columns) as the dependent variables. The parametric form is a mixture of two normal distributions with means conditioned on the controls used in EQ (1). Columns $\beta_{k=1}$ and $\beta_{k=2}$ give these means, while class membership is a conditional logit using parameters in $\theta$ In each case, this gives the conditional probability of an individual belonging to the second latent group $k = 2$. Parameters are estimated with Maximum Likelihood. *, ** and *** denote significance at 10%, 5% and 1% respectively.

In each case, we see strong heterogeneity in the ways that trust responds to insecurity and nativism. In Table 4, the first columns give coefficients for the logit model assigning probabilities of belonging to Class 2 (Class 1 is the base) as a function of some baseline demographics (age and gender) and economic insecurity. Here, when examining institutional distrust, we see that economically insecure individuals are more likely to be in Class 1, where the effect of nativism is 0.075, rather than 0.152. However, if we look at electoral distrust, the effect of insecurity as a sorting variable is much larger, and here the effect of nativism (on electoral distrust) increases more than threefold, from 0.053 to

0.167. We see the same pattern of amplification when allowing the latent classes to depend on our nativism scale. In Table 5, when looking at our institutional distrust scale, higher levels of nativism predict an increased likelihood of belonging to Class 1, where the effect of economic insecurity is 0.192 as opposed to 0.083. And for the electoral trust variable, higher levels of nativism increase the probability of an individual having the relatively high effect size for insecurity of 0.156, as opposed to 0.100. Taken together, these results are consistent with a process where nativism and insecurity interact and generate greater reductions in trust than the sum of their respective parts.

Table 5: Finite Mixture Models: Effects of Nativism

| | Institutional Distrust | | | Electoral Distrust | | |
|---|---|---|---|---|---|---|
| Variable | $\hat{\theta}$ | $\hat{\beta}_{k=1}$ | $\hat{\beta}_{k=2}$ | $\hat{\theta}$ | $\hat{\beta}_{k=1}$ | $\hat{\beta}_{k=2}$ |
| Nativism Scale | -0.492*** | | | -0.500*** | | |
| Economic Insecurity Scale | | 0.192*** | 0.083*** | | 0.156*** | 0.100*** |
| Age | 0.009 | 0.008*** | 0.008** | 0.030*** | -0.001 | -0.006** |
| Age Squared | 0 | -0.000*** | 0 | 0 | -0.000** | 0 |
| Female | 0.038 | -0.072*** | 0.135*** | -0.091** | -0.082*** | -0.017 |
| Married | | -0.168*** | -0.256*** | | -0.044*** | -0.045** |
| De Facto | | 0.103*** | 0.116*** | | 0.036** | 0.008 |
| Divorced | | -0.015 | -0.056 | | -0.021 | 0.031 |
| Separated | | 0.149*** | 0.058 | | 0.146*** | 0.057 |
| Widowed | | -0.007 | -0.355*** | | 0.079*** | 0.023 |
| Undergraduate Degree | | 0.030** | 0.300*** | | -0.013 | -0.012 |
| Postgraduate Degree | | -0.02 | 0.245*** | | -0.089*** | -0.123*** |
| Immigrant | | -0.084*** | -0.159*** | | -0.102*** | -0.103*** |
| Mother Immigrant | | -0.096*** | 0.184*** | | -0.154*** | 0.028 |
| Father Immigrant | | -0.131*** | 0.03 | | -0.082*** | 0.02 |
| Full Time | | -0.022* | 0.144*** | | -0.036*** | 0.019 |
| Part Time | | 0.028 | 0.074*** | | 0.013 | 0.048* |
| Not Working | | 0.112*** | -0.031 | | 0.042*** | 0.099*** |
| Constant | -0.593*** | 0.498*** | -1.013*** | -2.792*** | 0.579*** | -0.967*** |
| $\ln L$ | -93160 | | | -82660 | | |
| $\hat{\sigma}^2$ | | 0.688 | 0.558 | | 0.672 | 0.244 |

Note: The table presents parameter estimates from EQ (2) using institutional distrust (leftmost columns) and electoral distrust (rightmost columns) as the dependent variables. The parametric form is a mixture of two normal distributions with means conditioned on the controls used in EQ (1). Columns $\beta_{k=1}$ and $\beta_{k=2}$ give these means, while class membership is a conditional logit using parameters in $\theta$ In each case, this gives the conditional probability of an individual belonging to the second latent group $k = 2$. Parameters are estimated with Maximum Likelihood. *, ** and *** denote significance at 10%, 5% and 1% respectively.

## 6 Conclusion

The rise of populism and the associated decline in trust in institutions s represents one of the biggest challenges for policymakers in the developed world. This paper has considered two often-discussed explanations for this phenomenon: (i) a populist backlash driven by hostility to immigration and cultural change, and (ii) anti-elite resentment stemming from rising economic insecurity. Using

data drawn from the most recent wave of the World Values Survey, we have shown that both factors are highly predictive of a wide array of markers of institutional and electoral distrust. When expressed in normalized terms, we show that standard deviation shocks to each predict increases in institutional and electoral distrust of around 0.06-0.1 standard deviations, usually with slightly higher estimates for insecurity. These results hold across a wide range of measurement concepts and are almost always highly statistically significant. Further, the results are much stronger in developed western countries, where there is a strong backlash against globalization amongst blue-collar workers.

The similar effect sizes we uncover for insecurity and nativism add weight to the importance of economic factors in explaining the rise of populist distrust. While there is no strong empirical consensus, most research that examines economic and nativistic drivers of related variables like voting behavior finds a larger role for sociocultural factors. Additionally, the fact that our estimates of each are not confounded by the other suggests that insecurity and nativism are quite distinct and have their own separate relationships with populist distrust. The commonly expressed hypothesis that opposition to immigration and multiculturalism just reflects latent economic insecurity (or vice versa) is therefore not supported, despite both variables being highly concentrated in the lower half of the income distribution. However, we did find some evidence of an amplification effect, where latent populations with higher insecurity had stronger links between our nativism scale and our distrust scales. This is consistent with a process where a sense of insecurity primes individuals to blame competition from immigrants and globalization for their economic woes.

Given that nativism and insecurity appear to exert separate and approximately comparable effects on public trust, efforts to rebuild confidence should simultaneously address both issues. To the degree that our models are causal, social safety nets and other policies that provide security and opportunity to economically vulnerable individuals are likely to have positive effects. Similarly, persuasive multicultural messaging such as advocated in Cattaneo and Grieco (2021) is also likely to undermine backlash sentiment. Further, since attitudinal factors are often self-reinforcing, improvements in one area may well spill over into more general improvements in social harmony.

## References

Akay, A. Constant, A. and Giulietti, C. (2014). "The Impact of Immigration on the Well-Being of Natives," *Journal of Economic Behavior & Organization*, 103, 72–92.

Autor, D. Dorn, D. and Hanson, G. (2016). "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade," *Annual Review of Economics,* 8, 205–240.

Bajos, N. Spire, A. Silberzan, L. *et al.* (2022). "When Lack of Trust in the Government and in Scientists Reinforces Social Inequalities in Vaccination Against COVID-19," *Frontiers of Public Health*, 10, 908152.

Barnes, M. and Smith, T. (2009). "Tobacco Use as Response to Economic Insecurity: Evidence from the National Longitudinal Survey of Youth," *BE Journal of Economics and Policy*, 9, 1.

Benesch, C. Loretz, S. Stadelmann, D. and Thomas T. (2019), "Media Coverage and Immigration Worries: Econometric Evidence", *Journal of Economic Behavior & Organization*, 160, 52–67.

Bergh, A. and Nilsson, T. (2010). "Do Liberalization and Globalization Increase Income Inequality?," *European Journal of Political Economy*, 26, 488–505.

Bossert, W. Clark, A. D'Ambrosio, C. and Lepinteur, A. (2022), "Economic Insecurity and Political Preferences", *Oxford Economic Papers*, forthcoming.

Bossert, W. and D'Ambrosio, C. (2013). "Measuring Economic Insecurity," *International Economic Review*, 54, 1017-1030.

Bossert, W. and D'Ambrosio, C. (2019). "Economic Insecurity and Variations in Resources", Working Papers 422, ECINEQ, Society for the Study of Economic Inequality.

Campbell, R. and Heath, O. (2021). "Fueling the Populist Divide: Nativist and Cosmopolitan Preferences for Representation at the Elite and Mass Level," *Political Behavior*, 43, 1707–1729.

Case, A. and Deaton, A. (2015). "Rising Morbidity and Mortality in Midlife Among White Non-Hispanic Americans in the 21st Century," *Proceedings of the National Academy of Science*, 112, 15078–15083.

Cattaneo, C. and Grieco, D. (2021). "Turning Opposition into Support to Immigration: The Role of Narratives," *Journal of Economic Behavior & Organization*, 190, 785-801.

Clark, A. Etile, F. Postel-Vinay, F. Senik, C. and van der Straeten, K. (2005). "Heterogeneity in Reported Well-Being: Evidence from Twelve European Countries," *Economic Journal*, 115, C118–C132.

Clark, A. and Lepinteur, A. (2022), "A natural experiment on job insecurity and fertility in France", *Review of Economics and Statistics*, 104, 386–398.

Claassen, C. and McLaren, L. (2022). "Does Immigration Produce a Public Backlash or Public Acceptance? Time-Series, Cross-Sectional Evidence from Thirty European Democracies." *British Journal of Political Science*, 52, 1013 - 1031.

Colantone, I. and Stanig, P. (2019). "The Surge of Economic Nationalism in Western Europe." *Journal of Economic Perspectives*, 33, 128-151.

Deaton, A. (2016). "Rethinking Robin Hood," Project Syndicate. Downloaded from https://www .project-syndicate.org/commentary/globalization-hurts-poor-in-rich-countries-by-angus-deaton-2016. Accessed Dec 4th 2022.

Deb, P. and Trivedi, P. (1997). "Demand for Medical Care by the Elderly: A Finite Mixture Approach," *Journal of Applied Econometrics*, 12, 313-336.

Di Tella, R. and Rodrik, D. (2020). "Labor Market Shocks and the Demand for Trade Protection: Evidence from Online Surveys," *Economic Journal,* 130, 1008-1030.

Edsall, T. (2019). Red and Blue Voters Live in Different Economies. New York Times, published September 25. https://www.nytimes.com/2019/09/25/opinion/trump-economy.html.

Ferrer-i-Carbonell, A. and Frijters, P. (2004). "How Important Is Methodology for the Estimates of the Determinants of Happiness?" *Economic Journal*, 114, 641–59.

Franzese, R. (2019). "The Comparative and International Political Economy of Anti-Globalization Populism." In Oxford Research Encyclopedia of Politics, edited by Thompson, W. R. Oxford: Oxford University Press.

Gallo, A. Lepinteur, A. and Rohde, N. (2022). "An Appraisal of Economic Insecurity Measures in a Retrospective Voting Framework," Unpublished Manuscript.

Guiso, L. Herrera, H. Morelli, M. and Sonno, T. (2020). "Economic Insecurity and the Demand of Populism in Europe," Einaudi Institute for Economics and Finance.

Guriev, S. and Papaioannou, E. (2020). "The Political Economy of Populism," *Journal of Economic Literature*, 60, 753-832.

Hacker, J. (2019). The Great Risk Shift: The New Economic Insecurity and the Decline of the American Dream. 2nd Edition, Oxford University Press, New York.

Haerpfer, C., Inglehart, R., Moreno, A., Welzel, C., Kizilova, K., Diez-Medrano, J., Lagos, M., Norris, P., Ponarin, E. & Puranen B. (2022). World Values Survey Wave 7 (2017-2022) Cross-National Data-Set. Version: 4.0.0. World Values Survey Association.

Inglehart, R. (1977). The Silent Revolution: Changing Values and Political Styles Among Western Publics. Princeton, New Jersey: Princeton University Press.

Inglehart, R. and Norris, P. (2016). "Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash," Harvard Kennedy School Faculty Research Working Paper Series RWP16-026.

Kong, N. Osberg, L. and Zhou, W. (2019). "The Shattered "Iron Rice Bowl": Intergenerational Effects of Chinese State-Owned Enterprise Reform," *Journal of Health Economics*, 69, 102220.

Margalit, Y. (2019P. "Economic Insecurity and the Causes of Populism, Reconsidered," *Journal of Economic Perspectives*, 33, 152-170.

Nunn, N. and Wantchekon, L. (2011). "The Slave Trade and the Origins of Mistrust in Africa," *American Economic Review*, 101, 3221-3252.

Osberg, (1998). "Economic Insecurity," Discussion Papers 0088, University of New South Wales, Social Policy Research Centre.

Osberg, L. and Sharpe, A. (2014). "Measuring Economic Insecurity in Rich and Poor Nations," *Review of Income and Wealth*, 60, S53-S76.

Oster, E. (2019). "Unobservable Selection and Coefficient Stability: Theory and Evidence," *Journal of Business & Economic Statistics*, 37, 187-204.

Pease, D. (2000). US imperialism: Global dominance without colonies. In Henry Schwarz and Sanjeeta Ray (Eds.). A Companion to Postcolonial Studies. Oxford, UK: Blackwell Publishers.

Pew Research (2022). "Public Trust in Government: 1958-2022," Downloaded from https://www.pewresearch.org/politics/2022/06/06/public-trust-in-government-1958-2022/. Accessed Dec 7 2022.

Rebechi, A. and Rohde, N. (2022). "Economic Insecurity, Racial Anxiety, and Right-Wing Populism," *Review of Income and Wealth*, forthcoming.

Rodrik, D. (2020): "Why Does Globalization Fuel Populism? Economics, Culture, and the Rise of Right-wing Populism," Working paper, National Bureau of Economic Research.

Rodrik, D. (2018). "Populism and the Economics of Globalization." *Journal of International Business Policy*, 1, 12–33.

Rohde, N. D'Ambrosio, C. and Watson, B. (2022). Empirical Methods for Measuring Economic Insecurity, in Chotikapanich, D. Rambaldi, A. and Rohde, N. (eds), Advances in Economic Measurement, A Volume in Honour of D. S. Prasada Rao. Palgrave Macmillan.

Rohde, N. Tang, K Osberg, L. and Rao, D. (2017). "Is it Vulnerability or Economic Insecurity that Matters for Health? *Journal of Economic Behavior & Organization*, 134, 307-319,

Romeguera-de-la-Cruz, M. (2020). "Measuring Economic Insecurity Using A Counting Approach. An Application to Three EU Countries," *Review of Income and Wealth*, 66, 558-583.

Watson, B. (2018). "Does Economic Insecurity Cause Weight Gain Among Canadian Labor Force Participants?," *Review of Income and Wealth*, 64, 406-427.

Wroe, A. (2016). "Economic Insecurity and Political Trust in the United States," *American Politics Research*, 44, 131-163.

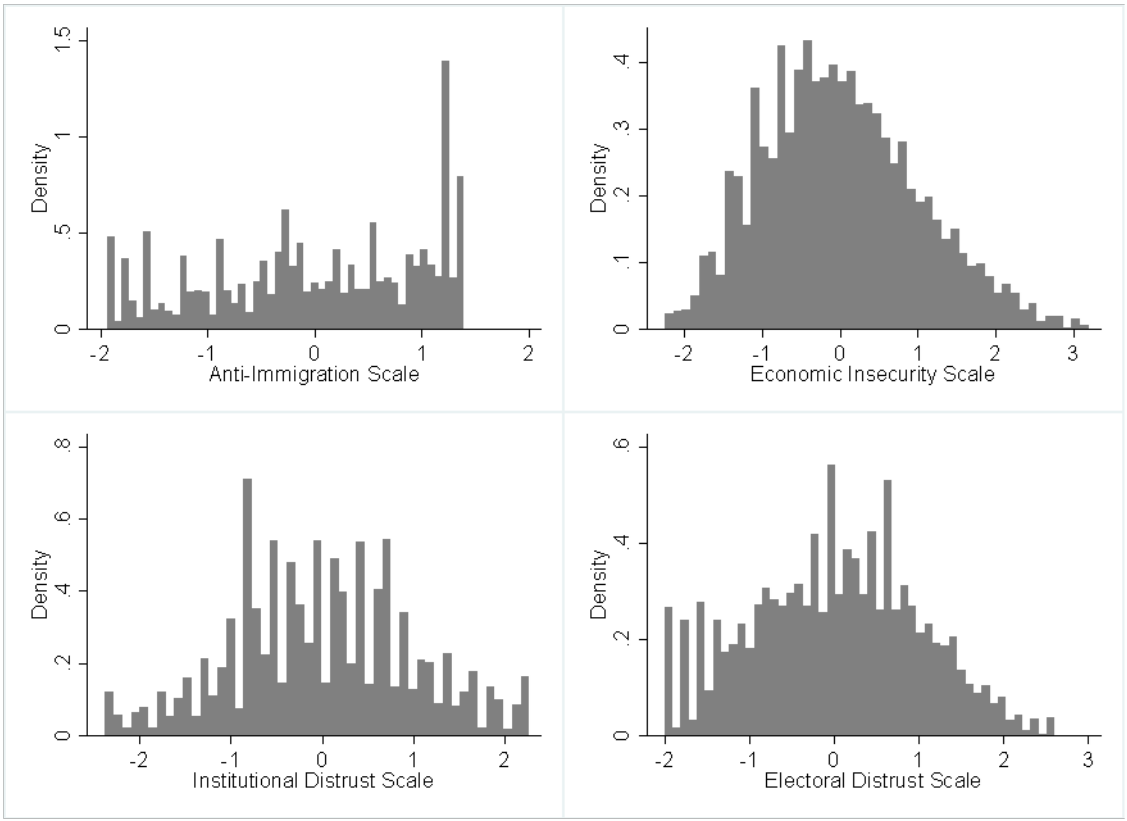
# Appendix

Table 6: Descriptive Statistics:- Key Variables

| Variable | Variable | Observations | Mean | Std Dev | Min | Max |
|---|---|---|---|---|---|---|
| Institutional Trust | Media | 92,160 | 2.724 | 0.866 | 1 | 4 |
| | Police | 91,888 | 2.359 | 0.933 | 1 | 4 |
| | Justice System | 90,821 | 2.438 | 0.936 | 1 | 4 |
| | Government | 91,194 | 2.644 | 0.983 | 1 | 4 |
| | Parliament | 90,982 | 2.826 | 0.934 | 1 | 4 |
| | Civil Services | 91,078 | 2.586 | 0.880 | 1 | 4 |
| | Universities | 90,484 | 2.159 | 0.842 | 1 | 4 |
| | Companies | 89,165 | 2.625 | 0.841 | 1 | 4 |
| | Banks | 91,468 | 2.439 | 0.918 | 1 | 4 |
| Electoral Trust | Votes Not Counted | 85,565 | 2.115 | 1.027 | 1 | 4 |
| | Opposition Impeded | 81,508 | 2.142 | 0.981 | 1 | 4 |
| | TV Biased | 79,726 | 2.669 | 0.983 | 1 | 4 |
| | Voters Bribes | 83,547 | 2.509 | 1.084 | 1 | 4 |
| | Media Biased | 84,365 | 2.353 | 0.947 | 1 | 4 |
| | Officials Biased | 84,317 | 2.272 | 0.992 | 1 | 4 |
| | Elections Bought | 82,541 | 2.582 | 1.068 | 1 | 4 |
| | Threats of Violence | 83,208 | 1.906 | 1.001 | 1 | 4 |
| Nativism | Fill Useful Roles – R | 91,774 | 1.810 | 0.857 | 1 | 3 |
| | Strengthen Diversity - R | 91,336 | 1.722 | 0.852 | 1 | 3 |
| | Increase Crime | 91,700 | 2.143 | 0.863 | 1 | 3 |
| | Provide Asylum – R | 87,039 | 1.786 | 0.838 | 1 | 3 |
| | Increase Terrorism | 91,345 | 2.128 | 0.870 | 1 | 3 |
| | Helps the Poor - R | 91,679 | 1.611 | 0.803 | 1 | 3 |
| | Increase Unemployment | 92,096 | 2.190 | 0.868 | 1 | 3 |
| | Create Social Conflict | 91,635 | 2.223 | 0.848 | 1 | 3 |
| Insecurity | Satisfaction with Finance | 93,700 | 6.198 | 2.422 | 1 | 10 |
| | No Cash Income | 93,711 | 3.188 | 1.008 | 1 | 4 |
| | Inc Compared w Parents | 92,610 | 1.733 | 0.868 | 1 | 3 |
| | Inc Decile | 91,350 | 4.891 | 2.076 | 1 | 10 |
| | Saved in Last Year | 91,599 | 2.030 | 0.900 | 1 | 4 |

Note: The table presents descriptive statistics of our source variables used to produce the summary scales taken from the 2022 World Values Survey. The columns give sample sizes, means, standard deviations, minimums and maximums respectively. R denotes a scale that has been reversed to ensure that higher values indicate greater levels of the underlying attribute.

Figure 1: Figure 1. Distributional Plots – Key Synthetic Scales




Note: The figure shows histograms of the summary scales used to define opposition to immigration (top left), economic insecurity (top right), institutional distrust (bottom left) and electoral distrust (bottom right). All scales are based on the first principal component of the raw variables, rescaled to have a mean of zero and a standard deviation of one. Densities are based upon sample sizes of 82, 686, 87,834, 82, 497, and 69, 490 observations respectively.

Table 7: Public Distrust – Individual Components

| Variable | PD1 | PD2 | PD3 | PD4 | PD5 | PD6 | PD7 | PD8 | PD9 |
|---|---|---|---|---|---|---|---|---|---|
| Nativism Scale | 0.051*** | 0.020* | 0.052*** | 0.051*** | 0.067*** | 0.055*** | 0.029** | 0.026** | 0.027*** |
| Economic Insecurity Scale | 0.056*** | 0.093*** | 0.089*** | 0.078*** | 0.070*** | 0.088*** | 0.083*** | 0.105*** | 0.106*** |
| Age | 0.004 | 0.011*** | 0.016*** | 0.009*** | 0.011*** | 0.008*** | 0.009*** | 0.007*** | 0.014*** |
| Age Squared | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** |
| Female | 0.015 | -0.017 | -0.012 | -0.012 | -0.005 | -0.001 | 0.014 | 0.022* | -0.035*** |
| Married | -0.022 | -0.099*** | -0.081*** | -0.083*** | -0.068*** | -0.043*** | -0.02 | -0.039*** | -0.043*** |
| De Facto | -0.039** | -0.044** | -0.060*** | -0.079*** | -0.070*** | -0.048** | -0.041 | -0.027 | -0.026 |
| Divorced | 0.021 | -0.021 | -0.014 | -0.015 | 0.014 | 0.022 | 0.015 | -0.004 | -0.031 |
| Separated | 0.008 | -0.053** | -0.072*** | -0.077*** | -0.047** | -0.022 | 0.018 | -0.053* | -0.042* |
| Widowed | -0.034 | -0.086*** | -0.078*** | -0.067*** | -0.048*** | -0.060*** | -0.016 | -0.037 | -0.052** |
| Undergraduate Degree | 0.045*** | 0.080*** | 0.043** | 0.099*** | 0.053*** | 0.035** | -0.025 | 0.028* | 0.057*** |
| Postgraduate Degree | -0.002 | 0.077*** | -0.020 | 0.045 | -0.020 | -0.045* | -0.106*** | 0.017 | 0.048* |
| Immigrant | -0.077*** | -0.081** | -0.043* | -0.136*** | -0.095*** | -0.084*** | -0.064* | -0.057** | -0.026 |
| Mother Immigrant | 0.043* | 0.062** | 0.010 | 0.015 | 0.014 | 0.012 | -0.016 | 0.003 | -0.025 |
| Father Immigrant | 0.003 | 0.024 | 0.00 | 0.006 | 0.004 | -0.012 | 0.014 | -0.004 | -0.043* |
| Full Time | 0.007 | 0.000 | 0.008 | 0.008 | 0.015 | -0.007 | 0.033*** | 0.013 | 0.008 |
| Part Time | 0.030 | -0.002 | 0.004 | -0.008 | -0.017 | -0.019 | 0.017 | 0.015 | 0.003 |
| Not Working | -0.001 | -0.045*** | -0.028* | -0.016 | 0.003 | -0.015 | 0.020 | 0.004 | 0.014 |
| Constant | 0.093 | -0.385*** | -0.195*** | 0.021 | -0.112** | -0.105** | -0.125** | -0.022 | 0.416*** |
| $R^2$ | 0.129 | 0.202 | 0.208 | 0.244 | 0.257 | 0.221 | 0.113 | 0.098 | 0.197 |
| $N$ | 74222 | 74002 | 73412 | 73602 | 73604 | 73631 | 73331 | 72450 | 73911 |

Note: The table presents regression coefficients from EQ (1) using normalized individual markers as the dependent variable. PD1-PD9 refer to the public distrust variables obtained from the 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?" We take responses on nine variables: (i) The Press, (ii) The Police, (iii) The Justice System/Courts, (iv) The Government, (v) Parliament, (vi) Civil Services, (vii) Universities, (viii) Major Companies, and (ix) Banks.". All estimates include individual-level controls and country fixed effects. Estimates of $\phi$ and $\gamma$ are in the first two rows. Models are estimated with OLS with standard errors clustered at the country level. *, ** and *** denote significance at 10%, 5% and 1% respectively.

Table 8: Electoral Distrust – Individual Components

| Variable | ED1 | ED2 | ED3 | ED4 | ED5 | ED6 | ED7 | ED8 |
|---|---|---|---|---|---|---|---|---|
| Nativism Scale | 0.047*** | 0.050*** | 0.077*** | 0.104*** | 0.008 | 0.037*** | 0.090*** | 0.044*** |
| Economic Insecurity Scale | 0.075*** | 0.040*** | 0.042*** | 0.043*** | 0.037*** | 0.071*** | 0.061*** | 0.035*** |
| Age | -0.002 | 0.000 | -0.001 | -0.003 | 0.004 | 0.001 | 0.003 | -0.001 |
| Age Squared | 0.000 | -0.000** | 0.000 | 0.000 | -0.000** | -0.000*** | -0.000*** | 0.000 |
| Female | 0.021* | -0.004 | -0.033** | -0.016 | -0.018* | 0.026* | -0.026** | -0.002 |
| Married | -0.051*** | -0.019 | -0.039** | -0.044*** | -0.024 | -0.055*** | -0.039*** | 0.004 |
| De Facto | -0.032* | -0.004 | -0.037* | 0.002 | -0.069*** | -0.042** | 0.019 | 0.006 |
| Divorced | 0.022 | -0.017 | -0.019 | 0.010 | 0.004 | -0.008 | 0.023 | 0.016 |
| Separated | 0.012 | -0.052* | -0.072** | 0.021 | -0.006 | -0.018 | 0.029 | 0.032 |
| Widowed | 0.012 | -0.007 | -0.070*** | -0.036 | -0.007 | 0.002 | -0.019 | 0.023 |
| Undergraduate Degree | -0.009 | -0.011 | 0.057*** | 0.047*** | 0.030** | -0.011 | 0.011 | -0.032** |
| Postgraduate Degree | -0.079** | -0.046 | 0.069** | 0.031 | 0.022 | -0.098*** | -0.013 | -0.03 |
| Immigrant | 0.046* | -0.046** | -0.084*** | -0.074** | -0.018 | 0.003 | -0.046** | 0.032 |
| Mother Immigrant | 0.012 | -0.025 | -0.007 | 0.012 | -0.010 | -0.013 | -0.004 | -0.048** |
| Father Immigrant | -0.009 | 0.077*** | 0.042** | 0.029** | -0.060*** | -0.013 | 0.027 | 0.036 |
| Full Time | 0.015 | 0.014 | 0.019 | 0.008 | 0.01 | 0.024** | 0.015 | 0.016 |
| Part Time | 0.000 | 0.034** | 0.013 | 0.010 | -0.003 | 0.044*** | -0.001 | -0.003 |
| Not Working | 0.026 | -0.007 | -0.003 | -0.021 | -0.004 | 0.028* | -0.012 | -0.015 |
| Constant | -0.372*** | -0.494*** | 0.217*** | 0.172** | -0.306*** | -0.303*** | 0.049 | -0.685*** |
| $R^2$ | 0.239 | 0.107 | 0.087 | 0.277 | 0.055 | 0.179 | 0.223 | 0.223 |
| $N$ | 72358 | 69956 | 68140 | 71123 | 71824 | 71819 | 70528 | 70925 |

Note: The table presents regression coefficients from EQ (1) using normalized individual markers as the dependent variable. ED1-ED8 refer to the electoral distrust variables obtained from the question "How would you evaluate the impact of these people on the development of your country? (i) Fills important jobs vacancies, (ii) Strengthens cultural diversity, (iii) Increases the crime rate, (iv) Gives asylum to political refugees who are persecuted elsewhere, (v) Offers people from poor countries a better living, (vi) Increases unemployment, and (vii) Leads to social conflict." All estimates include individual-level controls and country fixed effects. Estimates of $\phi$ and $\gamma$ are in the first two rows. Models are estimated with OLS with standard errors clustered at the country level. *, ** and *** denote significance at 10%, 5% and 1% respectively.