John H. Schnatter Institute for the Study of Free Enterprise

RESEARCH SUMMARY

The Growth of Government, Trust in Government, and Evidence on Their Coevolution

Steven Gordon, University of Kentucky
John Garen, University of Kentucky
J.R. Clark, University of Tennessee at Chattanooga

Do you trust the United States government to do the right thing most of the time? Only one in five Americans trust the U.S. government. Public trust in government fell in the 1960s and 1970s and remains at historic low levels.

The erosion of trust in government is closely tied to the growth of special interest politics, according to this research by Gordon, Garen and Clark. The authors test whether increases in lobbying, transfer payments and regulatory activity lead to decreased trust and economic productivity.

BACKGROUND

Trust in the federal government dropped precipitously in the 1970s and remains near historic lows according to opinion polling data collected by the Pew Research Center. Trust is important for a healthy economy. Public trust in and cooperation with important government functions raises economic productivity by facilitating social and commercial interactions. These fundamental functions include:

- Enforcement of legal rights,
- Protection of persons and property,
- Prevention of fraud,
- Assisting in enforcement of contracts and
- Promoting competition.

For more information, contact:
Dr. John Garen
Department of Economics
University of Kentucky
jgaren@email.uky.edu

UKSchnatterInstitute@uky.edu, (859) 213-6604
Schnatter Institute at the University of Kentucky
334 Gatton College of Business and Economics
Lexington, KY 40506-0034
www.schnatterinstitute.org

The precipitous drop in trust in the 1970s is associated with a large increase in the size of the United States government—measured by spending and regulatory activity. Gordon, Garen and Clark investigate whether the growth of government has led to the increase in mistrust. They hypothesize two scenarios:

1. If government growth is largely a function of supporting special interests, public mistrust will grow. The increased lobbying activity of special interests comes at the expense of economic activity and productivity growth.

2. If the growth of government is largely a function of improving social and economic conditions across society and dealing with broad-based problems, public trust will grow. The improvements in social and economic conditions may raise productivity and reduce lobbying.

To distinguish between these two scenarios, the authors examine the relationships of government size, trust in government, lobbying and productivity from 1958 to 2014.

FINDINGS

Gordon, Garen and Clark find evidence in support of their first scenario. Special interest politics appear to be the primary driver linking government size with the erosion of public trust.

- As transfer payments increase trust in government decreases.
- As regulatory activity increases trust in government decreases.
- As lobbying activity increases trust in government decreases.
- As lobbying increases and trust decreases, economic productivity decreases.