Inflation, unemployment, and institutional trust: The global evidence

Olga Popova, Milena Nikolova, Sarah Grace See, and Vladimir Otrachshenko

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Inflation, unemployment, and institutional trust: The global evidence*

Olga Popova[a]

Milena Nikolova[b]

Sarah Grace See[c]

Vladimir Otrachshenko[d]

Abstract

How do macroeconomic conditions shape people's trust in political institutions? This paper addresses this question by analyzing the association between inflation, unemployment, and political trust using repeated cross-sectional data from over two million individuals across 148 countries between 2006 and 2023. We find that high unemployment is strongly and consistently linked to lower confidence in national governments and reduced approval of national leaders. In contrast, the influence of inflation is substantially smaller—typically four to eight times weaker—and less robust across specifications. Perceptions of national economic performance, personal financial insecurity, and corruption appear to be key channels underlying these relationships. While inflation is linked to lower political trust mostly in upper-middle- and high-income countries, the negative association between unemployment and trust is widespread across all income levels. These findings suggest that unemployment remains a global and salient challenge that governments should prioritize.

Keywords: inflation, unemployment, trust, Gallup World Poll

JEL Codes: I31; H11; E31; J60

[a] Corresponding author. Leibniz Institute for East and Southeast European Studies (IOS), Regensburg, Germany; Institute of Labor Economics (IZA), Bonn, Germany; and Global Labor Organization (GLO), Essen, Germany. E-mail: popova@ios-regensburg.de

[b] University of Groningen, Groningen, The Netherlands; Brookings Institution ; Institute of Labor Economics (IZA), Bonn, Germany; and Global Labor Organization (GLO), Essen, Germany.

[c] University of Groningen, Groningen, The Netherlands; and Global Labor Organization (GLO), Essen, Germany.

[d] Research Department, National Bank of Slovakia.

Non-technical Summary

Trust in national governments and leaders is a crucial marker of a well-functioning democracy, affecting public compliance with economic policies and support for policy reforms. This paper analyses how economic conditions like inflation and unemployment affect people's confidence in national governments and the approval of national leaders. To this end, it uses the survey answers of about two million individuals across 148 countries, combined with country-level information on inflation and unemployment. This is the first study to look at the joint influence of inflation and unemployment on confidence in national institutions at a global scale.

The findings suggest that high unemployment is strongly associated with lower confidence in national governments and reduced approval of national leaders. This relationship is remarkably stable across countries at different levels of economic development. In contrast, the association between inflation and trust is substantially smaller—typically four to eight times weaker—and is more pronounced in upper-middle- and high-income countries.

The findings reveal that perceptions of how well the national economy is doing, personal financial insecurity, and corruption are likely channels explaining why inflation and unemployment erode trust in national institutions. While better economic and financial outlooks slightly soften the negative effects of unemployment on trust, concerns about widespread corruption in business and government intensify them. These patterns highlight that it is not just objective economic conditions that shape confidence in political institutions, but how people interpret and experience these conditions.

The research highlights that the relationship between economic conditions and political trust varies across different social and economic groups. Therefore, identifying which population groups respond most strongly to macroeconomic fluctuations can inform communication strategies and public debates. The consequences of unemployment are more pronounced for lower-income individuals, while the effects of inflation are more salient among urban residents and higher-educated individuals. The study finds no differences by education and urbanicity in the unemployment-trust relationship, nor is there strong evidence that labour force status or age moderate these links. Overall, the findings emphasize that while both inflation and unemployment can contribute to declining trust in political institutions, unemployment poses a more widespread, consistent, and significant challenge. This implies that addressing unemployment should be a priority for national governments seeking to maintain or build public trust.

"Without trust in governments, markets and institutions, support for necessary reforms is difficult to mobilise, particularly where short-term sacrifices are involved, and long-term gains might be less tangible."

OECD Report 2013 "Government at a Glance"

1. Introduction

This paper studies whether and how inflation and unemployment correlate with confidence in the national government and with leadership approval. To this end, we study the trust answers of about two million individuals across 148 countries, combined with country-level information on inflation and unemployment.

Trust in government and approval of the leader are critical markers of the functioning of democracy and the public's opinion of the government's work. For example, during the first waves of the Covid-19 pandemic, European countries with high trust in politicians had higher compliance with the lockdown measures, translating into lower mortality rates (Eichengreen et al., 2024). Furthermore, trust in government also influences support for policy reforms (Chanley et al., 2000; Gabriel and Trüdinger, 2013; OECD, 2013).[1]

Beyond its role in shaping democratic compliance and reform, trust in political institutions also responds to people's lived experiences with inflation and unemployment. Survey evidence shows that people are inflation-averse (Binetti et al., 2024; Shiller, 1997; Stantcheva, 2024), suggesting that the costs of inflation are not just economic but also psychological (Blanchflower et al., 2014; Cupak and Siranova, 2023; Di Tella et al., 2001; El-Jahel et al., 2023; Otrachshenko et al., 2016; Prati, 2024; Wolfers, 2003). Individuals associate inflation with decreasing living standards, the loss of national prestige, political instability, and exploitation (Shiller, 1997). Recent survey research confirms that inflation is widely perceived as unfair and anxiety-inducing,

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[1] Societal trust plays a central role in financial transactions and economic growth (Arrow, 1972; Knack and Keefer, 1997; Tabellini, 2010; Algan and Cahuc, 2010; Akçomak and Ter Weel, 2009). While trust can promote prosperity, excessive trust may hinder reforms (Roth, 2009). Its roots lie in factors such as genetic diversity, governance, politics, and historical conflict (Ashraf and Galor, 2013; Bai and Wu, 2020; Conzo and Salustri, 2019; Grosjean, 2014; Guiso et al., 2016; Nikolova et al., 2022; Nunn and Wantchekon, 2011; Otrachshenko et al., 2023).

particularly among lower-income groups, who report cutting back on essentials, delaying purchases, and feeling increasingly vulnerable (Stantcheva, 2024; Binetti et al., 2024).[2] Importantly, survey respondents do not seem to recognize any positive side to inflation—such as job creation or economic dynamism—and many people believe inflation can be reduced without trade-offs (Binetti et al., 2024). People's views on inflation reflect both economic experience and political beliefs, with partisan divides over who to blame—government, business, or "the system" (Binetti et al., 2024; Stantcheva, 2024). Many see inflation as not just an economic issue, but a failure of institutions and leadership (Shiller, 1997; Van der Cruijsen et al., 2025; Wälti, 2012).

Furthermore, the relationship between inflation and unemployment—and the trade-offs it entails—is central to economic policy. Efforts to lower inflation, such as raising interest rates, often slow down growth and increase unemployment in the short term. Beyond these macroeconomic consequences, several studies highlight that unemployment imposes a much heavier psychological burden than inflation (Blanchflower et al., 2014; Di Tella et al., 2001, 2003; El-Jahel et al., 2023; Wolfers, 2003). Public views on this trade-off vary widely. Rather than income levels, political beliefs shape these preferences, with those on the political left more likely to prioritize reducing unemployment (Van Lelyveld, 1999).

Beyond the psychological well-being costs, economic uncertainty and volatility embodied in inflation and unemployment may also have socio-political costs, such as those related to trust, social cohesion, and social engagement. Consequently, a growing body of literature investigates the consequences of inflation and unemployment on trust in financial institutions (Guiso, 2010; Van der Cruijsen et al., 2025; Van der Cruijsen et al., 2021, 2023; Wälti, 2012), often using Eurobarometer data but showing conflicting results (Bursian and Fürth, 2015; Ehrmann et al., 2013).

Research on how inflation and unemployment shape trust in political institutions remains limited, especially in economics. Most studies focus on unemployment alone. For instance, Stevenson and Wolfers (2011) use Gallup and U.S. data to show a strong negative relationship between unemployment and institutional trust, while Algan et al.

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[2] Low-income individuals—especially in industrialized countries—are more likely to cite inflation as a top concern, seeing it as a threat to their financial stability (Easterly and Fischer, 2001).

(2017) link regional unemployment during the Great Recession to declining political trust across Europe. Van Erkel and Van der Meer (2016) include both inflation and unemployment and find that only unemployment consistently predicts lower trust in governments and parliaments. Roth et al. (2022) show that in stable periods, both inflation and unemployment are negatively associated with trust in national institutions, but during economic crises, only unemployment matters. Overall, the joint role of inflation and unemployment in shaping trust in political institutions remains underexplored, particularly from a global perspective.

Our results show that unemployment is strongly associated with lower confidence in national governments and greater disapproval of national leaders, while inflation has a smaller and less consistent link to political trust. The relationship between unemployment and trust is remarkably stable across countries at different levels of economic development, whereas the association between inflation and political trust is more pronounced in upper-middle- and high-income countries. We find no significant variation by age or labour market status. However, the negative link between unemployment and political trust is stronger among lower-income individuals, while the link between inflation and political trust is more evident among those with higher levels of education. Perceptions of national economic conditions, personal financial insecurity, and corruption emerge as key mechanisms behind these associations.

Our paper contributes to the literature in several ways. First, we are the first to examine the joint influence of inflation and unemployment on confidence in national governments and approval of national leaders using a large global dataset covering over 2 million individuals across 148 countries. Second, we assess how these associations vary by a country's economic development and individuals' socioeconomic characteristics—including age, gender, education, income, employment status, and rural or urban residence—recognizing that macroeconomic conditions affect groups differently. Third, we explore mechanisms that help explain these relationships, focusing on perceptions of national performance, personal economic insecurity, and corruption. These findings offer insights for policymakers and inform ongoing public debates about the political consequences of inflation and unemployment.

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2. Related Literature

Several studies convincingly demonstrate that inflation and unemployment have substantial negative personal well-being costs (e.g., Di Tella et al., 2001; Wolfers, 2003). For instance, using data from 1.5 million people in 141 countries between 2005 and 2019, El-Jahel et al. (2023) find that the well-being cost of unemployment is between five and thirteen times greater than that of inflation, depending on the subjective well-being measure.

Research on how inflation and unemployment relate to trust remains relatively limited. Existing studies report mixed findings, with results varying depending on the trust measure, country sample, and time period. Much of this work has focused on trust in central banks, particularly national central banks and the European Central Bank (ECB), rather than political institutions.[3] For example, using data on 12 European states for 1999-2010, Wälti (2012) finds that inflation negatively correlates with trust in the ECB, but unemployment is uncorrelated with it. Additionally, inflation and unemployment seem uncorrelated with trust in the European Commission, but unemployment negatively affects trust in the European Council. In other contributions over the same period and set of countries, Ehrmann et al. (2013) find that both inflation and unemployment are uncorrelated with trust in the ECB, while Bursian and Fürth (2015) show that inflation deviations from the target level are not associated with trust in the ECB and unemployment is negatively associated with it in the Euro area countries. Roth et al. (2014) extend the time frame to 2012 and find a negative and statistically significant association between unemployment and ECB trust during the financial crisis—driven primarily by Spain, Ireland, Greece, and Portugal.[4] Finally, Farvaque et al.

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[3] Brouwer and de Haan (2022) utilize a survey of Dutch households to investigate the drivers and consequences of trust in the ECB. They did not find supporting evidence on the impact of individual characteristics such as age, education, income, and employment status on trust, but confirmed the relevance of political (right-wing) ideology and financial knowledge. They also find that those who were clients of a bank that received government support during the financial crisis tend to be more trusting of the ECB.

[4] Van der Cruijsen et al. (2025) show that inflation perceptions are negatively associated with trust of national politics, trust of the ECB, and trust of the Dutch central bank. The authors also document that trust of national politics, the ECB, and the central bank is lower among Dutch respondents who believe that the given institution's task is to keep inflation low. High levels of trust in the ECB are also associated with lower inflation expectations and higher certainty about future price stability (Christelis et al., 2020).

(2017), analyzing 19 Euro-area countries from 1999 to 2015, find no association between inflation and trust in the ECB.

The literature examining trust in political institutions in relation to inflation and unemployment remains relatively limited and yields mixed results. Using Eurobarometer data from 1999 to 2010, Roth et al. (2022) analyze how macroeconomic conditions influence trust in national governments, parliaments, and EU institutions. In the pre-crisis period (1999–2007), both inflation and unemployment are negatively associated with trust in national governments and parliaments in the EU15 and EU27. However, during the crisis years (2008–2010), only unemployment remains negatively associated with political trust in the EU15, and neither variable is statistically significant in the broader EU27. Their results suggest that inflation matters more for political trust during periods of economic stability, whereas unemployment dominates during crises. The findings for EU institutions such as the European Commission and European Parliament are more nuanced and vary across time periods. Van Erkel and Van der Meer (2016), also using Eurobarometer data for 15 EU member states between 1999 and 2011, reach similar conclusions. They find unemployment is consistently negatively linked to trust in national political institutions, while the inflation rate shows no robust association.[5]

In a related study using data from the Gallup World Poll, Stevenson and Wolfers (2011) find that higher unemployment is strongly associated with lower public confidence in national governments and financial institutions worldwide, with even stronger effects observed in OECD countries. In the United States, rising unemployment is most closely linked to declining trust in banks. However, their analysis does not consider the role of inflation in shaping institutional trust. Similarly, Algan et al. (2017) show that regional increases in unemployment during the Great Recession led to declining trust in political institutions across European countries and contributed to growing support for populist parties. Their study likewise does not examine the influence of inflation.

Our paper focuses on confidence in political institutions and contributes to the literature in several ways. First, while much of the existing research has concentrated on the

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[5] Van Erkel and Van der Meer (2016) highlight that prior political science research on the link between macroeconomic performance and political trust yields inconsistent findings due to variation in methodological approaches the (lack of) rigour of research designs.

European context, our study uses a global sample covering 148 countries. Second, we go beyond average associations by examining heterogeneity in responses across different socio-demographic groups. Finally, we detail and empirically test the potential mechanisms linking inflation and unemployment to political trust.

3. Theoretical Insights

Inflation and unemployment influence trust in political institutions through several channels. First, individuals may associate high inflation with unpredictability and volatility (Friedman, 1977). Rising prices disproportionately affect low-income households, whose purchasing power declines (Friedman, 1977). Individuals may thus associate increasing prices and falling real incomes with economic mismanagement, undermining trust in governments and politicians (Guiso et al., 2019; Margalit, 2019; Sanz et al., 2022; Van Erkel and Van der Meer, 2016). Binetti et al. (2024) document that households view inflation as not only economically damaging but also socially disruptive. In their survey, a notable share of respondents identify a deterioration in social cohesion as one of the key adverse consequences of inflation. Furthermore, more than two-thirds believe that inflation erodes trust in the government and hampers economic growth (Binetti et al., 2024). According to an earlier survey by Shiller (1997), respondents think governments and politicians are morally obliged to keep inflation low. He writes: "To the extent that there is such a public perception, anyone who takes public office must feel that he or she is in a position of public trust, and is under pressure to live up to public expectations" (p. 56). A recent survey by Stantcheva (2024) confirms this argument.

Second, inflation may trigger the perception that greedy or opportunistic politicians and businesses are "causing" inflation to rise (Shiller, 1997; Stantcheva, 2024). This may lead to dissatisfaction with government policies, prompting people to blame governmental officials and political institutions for the economic hardship (Stantcheva, 2024). Moreover, if the public perceives that political leaders are unable or unwilling to control inflation, confidence in political institutions and leadership can decline. A belief that inflation benefits the wealthy (asset holders) while harming the working and middle classes may also lead to the general public seeing institutions as serving elite interests, which can lead to political cynicism.

Shiller (1997) also finds that respondents associate inflation with lost national prestige and political instability, which can erode trust in government and leadership.

Similarly, unemployment is associated with greater corruption perceptions (Mocan, 2008). Exposed to corruption, individuals lose trust in politicians (Giommoni, 2021; Sole-Olle and Sorribas-Navarro, 2018). In addition, when facing aggregate unemployment and economic hardship, individuals are more likely to think that politicians are incapable of solving their country's economic problems (Sanz et al., 2022). As a result, trust in political institutions declines and support for incumbent governments weakens—particularly when corruption is perceived as widespread (Guiso et al., 2019; Margalit, 2019; Sanz et al., 2022).

Moreover, the inflation-unemployment trade-off is not straightforward (Karanassou et al., 2005). Curbing the aggregate unemployment below a so-called Non-Accelerating Inflation Rate of Unemployment (NAIRU) is often viewed in terms of the risk of rising inflation (Ball and Mazumder, 2011, 2019; Blanchard, 2016; Gordon, 2013). Specifically, maintaining short-term aggregate unemployment at some (NAIRU) level is arguably necessary for low inflation since short-term unemployment creates an excess labour supply that reduces wage growth and curbs inflation (Ball and Mazumder, 2011, 2019; Gordon, 2013). Long-term unemployment has no such effect since long-term unemployment becomes unattractive in the labour market (Ball and Mazumder, 2019). Simultaneously, high national-level unemployment rates have high psychic costs, and aggregate unemployment becomes a proxy for fear of unemployment (Di Tella et al., 2001). This feeling of job insecurity may, in turn, be associated with lower trust in political institutions (Wroe, 2014).

Changes in inflation and unemployment translate into lower confidence in political institutions if people clearly understand macroeconomic performance and its implications. However, public knowledge of macroeconomic performance is often biased and systematically differs from the official statistics and experts' forecasts (Blendon et al., 1997; Caplan, 2002; Van Erkel and Van der Meer, 2016). This happens for several reasons. First, individuals may have limited information regarding macroeconomic performance, often based on media reports (Caplan, 2002; Coibion et al., 2023). At the same time, the media often paint a more pessimistic picture of economic performance than is actually the case, which can lead people to view macroeconomic performance negatively (Blendon et al., 1997). Second, individual knowledge and understanding of macroeconomic performance may also differ according to socio-demographic

characteristics (Caplan, 2002). Third, individual experiences with rising prices and unemployment may vary from the official inflation and unemployment figures (Blendon et al., 1997). As a result, how much inflation and unemployment affect political trust can depend on individual circumstances. For example, people may recognize unemployment as a serious national issue but be less concerned about inflation (Dolan et al., 2009; Van Erkel and Van der Meer, 2016). Still, those who are better informed about inflation and the broader economy may respond more thoughtfully in their expectations and spending choices (Coibion et al., 2022, 2024).

To summarize, inflation and unemployment may affect individual confidence in political institutions through three main channels: i) uncertainty regarding the country's economic performance, ii) perception of own economic insecurity, and iii) perceived greed and opportunism of the government officials or banks as proxied by corruption perceptions. Individuals are likely to associate inflation and unemployment with personal or country's instabilities and with low governmental performance, which affects their trust and confidence in political institutions.

4. Data and Variables

We utilize two main data sources: i) individual-level information from the Gallup World Poll (GWP) and ii) country-level data on inflation and unemployment from the World Bank.

Starting in 2005/6, the Gallup organization has surveyed individuals aged 15 and older living in over 150 countries worldwide, representing 99% of the world's adult non-institutionalized population.[6] Our analysis focuses on the 2006-2023 period, but we also provide analyses for the 2010-2019 period, i.e., the years after the global financial crisis and before the Covid-19 pandemic. Each survey wave includes a different group of respondents, resulting in pooled cross-sectional data. In addition, not every country is surveyed every year.

The GWP provides information on confidence in different institutions, political leaders, and individual-level characteristics, which are the important building blocks in

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[6] Phone surveys are conducted where telephone access is widespread, such as North America, Western Europe, economically developed parts of Asia, and the Gulf Cooperation Council countries. Face-to-face interviews are used in Central and Eastern Europe, most of Latin America, former Soviet Union countries, and nearly all of Asia, the Middle East, and Africa.

our analysis. Our main dependent variables include confidence in the national government and approval of the country's leader. Confidence in the national government is measured using the question (with possible answers being "yes" and "no"): "In (this country), do you have confidence in each of the following, or not? How about: National government." This dummy variable equals one if a respondent answers "yes" and zero otherwise. Approval of the country's leader is based on the following question (with possible answers being "approve" or "disapprove"): "Do you approve or disapprove of the job performance of the leadership of this country?" This dummy variable equals one if a respondent answers "approve" and zero otherwise. Both variables are available in our data for 148 countries for the 2006-2023 period.

Following related papers using the GWP in similar contexts (e.g., Eichengreen et al., 2024; El-Jahel et al., 2023; Stevenson and Wolfers, 2011), our control variables are age and age squared, a binary variable for biological sex, education level (tertiary education or primary/secondary education), having children below the age of 15 living in the household, immigrant and marital status. We do not include household size as a control because it is unavailable in all countries and years. We create a missing indicator for all variables reflecting the "do not know" (DK) and refusal responses. This additional "missing information" category has no interpretation but helps avoid bias from dropping respondents with missing observations. The respondent's employment status and household income are only available starting in 2009. Hence, we do not include them in the baseline analyses but show additional results with these variables in Panel C of Table2.

Inflation is measured as the annual percentage change in consumer prices using the year-on-year CPI, with data from the IMF's International Financial Statistics, accessed via the World Bank's World Development Indicators. We measure unemployment as the share of the labour force without work but available for and seeking employment, based on the International Labour Organization's (ILO) definition. The data are taken from the ILO Modelled Estimates and Projections Database (ILOEST) via the World Bank's World Development Indicators (WDI).

Table 1 reports the summary statistics for the main analysis variables for the four main analysis samples, based on the two dependent variables and over the full analysis period (2006-2023) and for the 2010-2019 period. Data on employment and income are only

available starting in 2009. About 53% of respondents report confidence in the national government, and a similar share approves of their country's leadership. The average respondent is about 40 years old, and the sample is evenly split by biological sex. Around 57% are married, 53% have children under the age of 15, and 54% are employed. Roughly 7% are unemployed, and 37% are out of the labour force. Around 4.5% are foreign-born, and 25% live in rural areas. About 12% have some college education or a college degree. In terms of income, about 40% of the sample falls into the bottom tertile of the within-country income distribution, while 26% are in the top tertile. The average inflation rate in the data is 6.5%, and the average unemployment rate is 7.4%. Figures 1 to 4 map the global patterns for the two dependent variables, along with inflation and unemployment. Darker shades indicate higher percentages.

5. Empirical Approach

We estimate a regression whereby the political trust level T of each individual i living in country c at time t is:

$$T_{ict} = \alpha + \beta Inflation_{ct} + \pi Unemployment_{ct} + X'_{ict}\gamma + \eta_c + \tau_t + \varepsilon_{ict} \ (1)$$

where *Inflation* is the rate of change of the CPI, *Unemployment* is the national share of those without work but seeking work in the nation's labour force. We standardize both inflation and unemployment to facilitate the comparisons of the coefficient estimates in the regression analyses. All regressions use the Gallup-provided survey weight. Furthermore, X captures individual socioeconomic characteristics (age and age squared, gender, marital and immigration status, education level, children in the home, and rural/urban place of residence). We also include country and year fixed effects, denoted by η_c and τ_t, respectively, which capture cultural differences in responding to survey questions and any other time-invariant differences between the countries, as well as shocks that affected all countries in the sample at the same time, e.g., the global Covid-19 pandemic or the 2008 financial crisis. We estimate Equation (1) using Ordinary Least Squares (OLS) and cluster the standard errors at the country-by-year level. Regression results using a probit estimator are available in Table A1.

5.1.   Econometric Issue

Readers should interpret our estimates as conditional correlations rather than causal effects. First, there is the issue of reverse causality. While inflation and unemployment

may affect individual confidence in institutions, personal opinions of institutions and leaders may also influence inflation and unemployment. In theory, central banks that set monetary policies are independent and politically neutral, but central banks may be susceptible to political pressure (Waller, 1991). Therefore, people's perceptions of politics and politicians may influence inflation and other economic policies.[7] Second, people who distrust national institutions and leaders may choose to emigrate (e.g., Auer et al., 2020; Dustmann and Okatenko, 2014; Lam, 2002). Those who stay might be more trusting or simply indifferent to politics. This kind of self-selection could lead to an upward bias in our results.

Dealing with these econometric challenges is non-trivial. Plausible instruments for inflation and unemployment that do not directly influence political trust and leadership approval are challenging to find. Natural experiments in terms of random shocks to inflation and unemployment are also not feasible in a cross-country setting. While we follow the literature in specifying Equation (1) and provide a series of robustness tests, our goal is to provide descriptive results about the trade-off between inflation and unemployment in different circumstances related to a broader set of political trust measures.

6. Results

Regression results using a probit estimator are available in Table A1.

6.1.   Main Results

Table 2 presents the main regression results based on the OLS estimations.[8] In panels A and B of this table, columns (1) and (2) present the results for the confidence in the national government and leadership approval, respectively, for the period 2006-2023. Columns (3) and (4) in Table 2 present the corresponding results for the period 2010-2019, i.e., excluding the years of the global financial crisis and the pre- and post-Covid-19 pandemic. Panel B in Table 2 presents the results with the lags of inflation and unemployment. Panel C in Table 2 presents the results for the period 2009-2023 with and without controls for income and employment status. The coefficient estimates in models with and without controls for personal employment status and income in Panel C

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[7] Panel B of Table 2 shows results using lagged inflation and unemployment to help address this issue.

[8] Full regression output for panel A is available in Appendix Table A2.

of Table 2 are not substantially different from our main results. We, therefore, further discuss the main analyses using data from 2006-2023, without controls for individual employment status and income in our main regressions.

Table 2 demonstrates that unemployment is strongly and consistently associated with lower confidence in national governments and reduced approval of national leaders. In contrast, the effects of inflation are substantially smaller—typically four to eight times weaker (depending on the model)—and less robust across specifications. One standard deviation increase in unemployment is associated with 0.048 standard deviation decrease in confidence in government and 0.063 standard deviation decrease in leadership approval (Table 2, Panel A, columns (1) and (2)).[9] The main conclusions remain when we limit the analysis period to 2010-2019 (columns (3) and (4)). In Panel B in Table 2, where we introduce lagged measures of inflation and unemployment, the results on unemployment remain robust, while the results on inflation are not.

6.2. Sensitivity Checks

We provide several robustness checks for our results. First, we collapse the data at the country level and conduct panel regressions to show that our results are independent of the unit of analysis and to allow comparisons with the findings in the literature (Table 3). Using the country-level data allows for country and year fixed effects, alleviating endogeneity concerns. The country panel results show similar patterns to our main results in Table 2, suggesting that our results are robust to this check.

Second, to alleviate concerns related to reverse causality, we provide a model in which we include the one-year lagged measures of inflation and unemployment instead of the contemporaneous measures (for a discussion of this approach, see Bellemare et al., 2017; Reed, 2015). The country panel results are presented in Panel B of Table 3 and are in line with the corresponding individual-level estimates in Panel B of Table 2.

Furthermore, inflation and unemployment levels may proxy for volatility and fluctuations. Volatility often goes hand in hand with uncertainty, which individuals dislike

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[9] To illustrate the size of these effects, consider Singapore, where average unemployment was about 4%, compared to Italy's 10% (based on data for 2006–2023). That difference—roughly 5.7 percentage points—reflects a one standard deviation increase in unemployment in our sample. For inflation, compare Nicaragua (7%) to Iran (over 26%). This 19-point gap similarly represents a one standard deviation increase in global inflation.

(Nikolova and Graham, 2022). To check whether accelerated inflation and unemployment are also associated with institutional trust, we provide several additional analyses. First, we estimate models using changes in inflation and unemployment over time (i.e., "changes on changes" specifications). Specifically, in Panel C of Table 3, we present a country-level analysis using first differences of inflation and unemployment. Two patterns emerge: first, larger changes in inflation are associated with lower confidence in national government, but only during the full period 2006–2023; second, greater changes in unemployment are more strongly associated with both trust outcomes, but primarily during the relatively stable period 2010–2019. These results are broadly consistent with our main findings.

In addition, we include binary indicators for high and low inflation and unemployment, as well as their interaction (Table 4). This approach helps examine whether combinations of high inflation and high unemployment are particularly important for trust outcomes. The results suggest several important insights. Compared to the baseline results (Panel A of Table 2), high inflation is not significantly associated with institutional trust. High unemployment, by contrast, remains strongly negatively associated with both trust in government and leadership approval. Furthermore, the interaction between high inflation and high unemployment is not statistically significant for either outcome, suggesting that the two indicators are not strongly related in their effects on trust.[10]

6.3. Mechanisms

Guided by the theoretical insights in Section 3, we investigate three potential pathways linking inflation and unemployment to confidence in political institutions: (i) uncertainty about the country's economic situation, (ii) concerns about personal financial circumstances, and (iii) perceptions of corruption. We test each channel empirically by adding proxies for each mechanism and their interactions with inflation and unemployment to Equation (1) one by one.

We measure perceptions of a country's economic situation through an Economic Confidence Index constructed by the Gallup Organization. It reflects the respondents'

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[10] The overall correlation (Pearson's r) between inflation and unemployment is low and equals 0.006 in the sample period 2006-2023, see Table A4 for correlations across different subsamples.

views regarding economic conditions in their country and originally takes values from -100 (a more negative view of the economy) to +100 (a more positive view of the economy). Perceptions of respondents' own economic situation are based on the survey question, "Right now, do you feel your standard of living is getting better or getting worse?" where possible answers include worse (1), the same (2), or better (3). Finally, corruption perception is an index that reflects the respondents' perceptions about the level of corruption in business and government in their country and originally takes values from -100 to +100, with higher scores indicating that corruption is perceived as widespread. All proxies for mechanisms are standardized with a zero mean and a standard deviation of one to facilitate the comparisons of the coefficient estimates in the regression analyses.

Table 5 shows that more positive perceptions of the national economy and one's personal financial situation are linked with higher political trust. Corruption perceptions, by contrast, are negatively associated with trust. In terms of interactions, better economic perceptions (both for the country and personal situation) slightly weaken the link between unemployment and low trust, while perceptions of corruption appear to strengthen it. Interaction terms between inflation and these mechanisms are not statistically significant. These findings align with our theoretical expectation that uncertainty, personal insecurity, and perceived institutional failure—especially corruption—can erode confidence in political institutions.

6.4. Heterogeneity

We further explore whether the relationship between trust, inflation, and unemployment varies with country and individual circumstances. Specifically, we estimate Equation (1) adding dummies for living in countries with different levels of economic development using the 2019 World Bank classification[11] (Table 6) and for respondents with different socioeconomic characteristics, including gender, age, education, urban or rural residence, employment status, and income (Tables 7 and 8).

Table 6 demonstrates that respondents living in middle-income countries are more likely to trust in political institutions than respondents living in low-income

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[11] Appendix Table A3 details the country groupings. The classifications are available at: https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html.

countries. Inflation is negatively associated with trust in both political institutions in upper-middle- and high-income countries, while for unemployment, there is no statistical difference between respondents living in countries with different income levels. The fact that inflation erodes trust more sharply in upper-middle- and high-income countries may indicate that citizens in more developed economies hold their governments accountable for price changes. In contrast, the consequences of unemployment for institutional trust appear to be uniformly negative across country income levels, underscoring its salience as a political and economic issue regardless of development stage.

Furthermore, the relationship between macroeconomic conditions and political trust varies across social and economic groups (Tables 7 and 8). While there are no differences by age, women show a weaker negative association between unemployment and confidence in government, suggesting they are less likely than men to lose trust in government when unemployment rises. Conversely, individuals with higher education levels show stronger declines in trust when inflation rises, but there are no differences in unemployment experiences according to education. Similarly, urban residents are more inflation-sensitive than their rural counterparts, while reactions to unemployment do not vary significantly by location.

Income-based differences emerge most clearly in response to unemployment. Middle-income individuals show slightly more pronounced negative reactions to inflation, while higher-income individuals are less affected by unemployment. Trust responses to inflation among the highest income group do not differ significantly from those in the lowest. There are small differences whereby the unemployed respond slightly less strongly to inflation, but no further differences according to labour force status.

7. Discussion and Conclusion

This paper is the first global study to examine how inflation and unemployment influence trust in political institutions using information on 2 million individuals across 148 countries. We find that high unemployment is strongly and consistently associated with lower confidence in national governments and reduced approval of national leaders. In contrast, the association between inflation and trust is substantially smaller—typically four to eight times weaker—and less robust across specifications.

Our results dovetail with and complement a parallel literature on the global consequences of inflation and unemployment for subjective well-being (e.g., El-Jahel et al., 2023), which shows that inflation has relatively lower psychological costs than unemployment. However, this literature has not explored *why* individuals perceive the unemployment rate in their countries as a more serious issue. Our research documents and empirically tests some of the possible channels. Part of the explanation could be due to economic considerations at the national and individual levels. Our analysis reveals that perceptions of national economic performance, personal financial insecurity, and corruption are key channels linking macroeconomic conditions to political trust (Guiso et al., 2019; Sanz et al., 2022; Blendon et al., 1997). While better economic and financial outlooks slightly soften the negative effects of unemployment on trust, concerns about widespread corruption intensify them. These patterns highlight that it is not just objective economic conditions, but how people interpret and experience them, that shape confidence in political institutions.

Taken together, the results from our study and those from the subjective well-being literature (e.g., El-Jahel et al., 2023) suggest that globally, unemployment is a much more severe problem for individuals, the economy, and the political process than inflation. While inflation is linked to lower political trust mostly in upper-middle- and high-income countries, the negative association between unemployment and trust is widespread across all income levels. This highlights unemployment as a cross-cutting challenge that national governments should prioritize.

The consequences of unemployment appear more pronounced for lower-income individuals, while the effects of inflation are more salient among the higher-educated. We find no consistent differences by education in the unemployment-trust relationship, nor strong evidence that labour force status or age moderate these links. Identifying which population groups respond most strongly to macroeconomic fluctuations can inform communication strategies and public debates. If not carefully managed, economic shocks may erode institutional trust in ways that disproportionately affect certain groups and shape voting behaviour—potentially fueling support for populist or anti-establishment parties (Algan et al., 2017).

Our analysis leaves several open questions and avenues for future research. First, future studies can explore additional mechanisms underpinning the relationships we

document, possibly with the help of survey data, as in Shiller (1997), Binetti et al. (2024), or van der Crujsen et al. (2023). In addition, revealing additional heterogeneities in the relationships and understanding the peculiarities of particular contexts and places can be a welcome addition. Setting up causal research designs and moving beyond correlational analyses is another welcome extension.

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FIGURES

Figure 1: Percentage of respondents with confidence in the national government
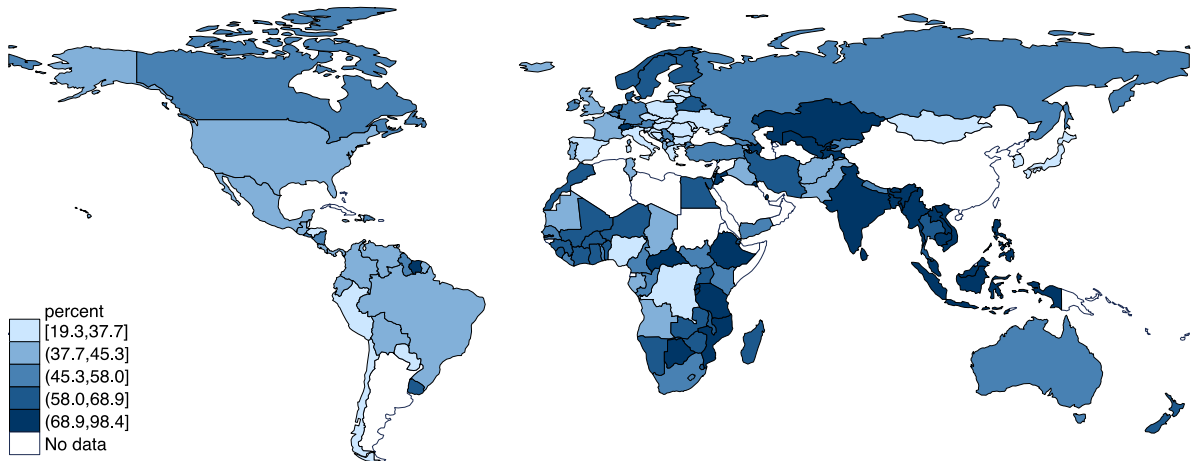
Source: Authors based on Gallup World Polls, 2006-2023

Notes: The map depicts the percentage of respondents in the analysis sample from column (1) in Table 2, Panel A, who have confidence in the national government. The percentages for each country are computed based on averaging all responses for all available years of data for each country between 2006 and 2023.

Figure 2: Percentage of respondents who approve of their country's leader
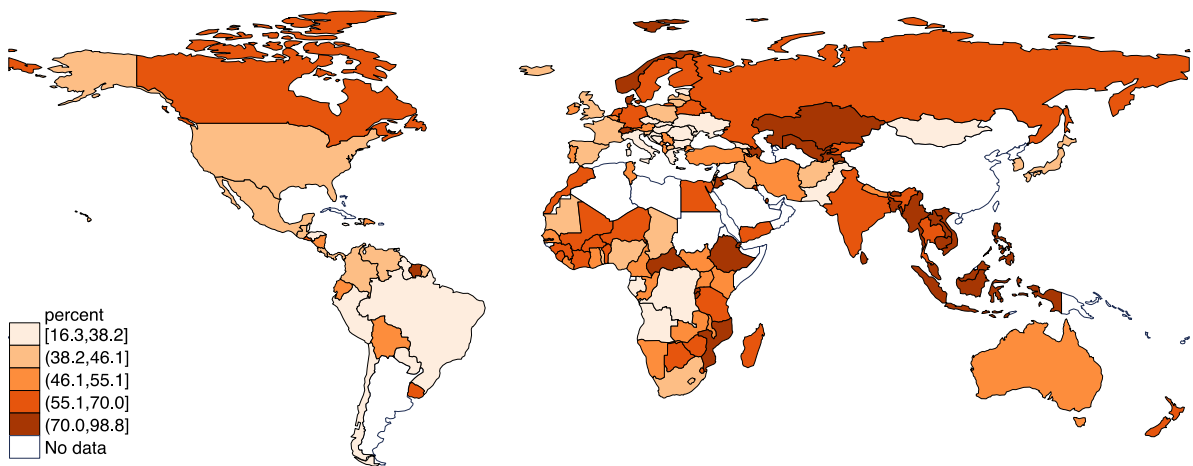
Source: Authors based on Gallup World Polls, 2006-2023

Notes: The map depicts the percentage of respondents in the analysis sample from column (2) in Table 2, Panel A, who reported approval of how the country's leadership handles the job. The percentages for each country are computed based on averaging all responses for all available years of data for each country between 2006 and 2023.

Figure 3: The rate of change in the Consumer Price Index (CPI)
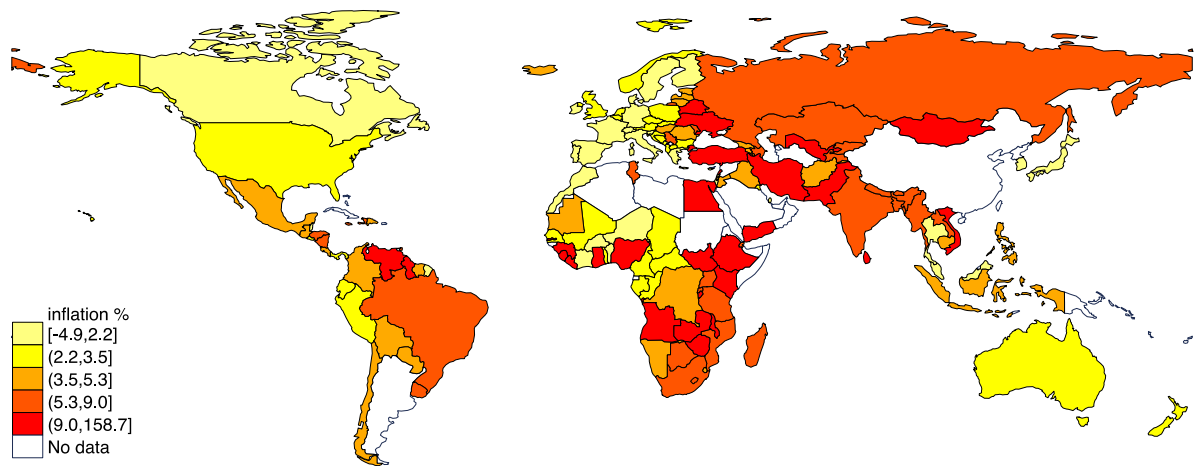
Source: Authors based on CPI data from the World Bank, merged with the Gallup World Poll, 2006-2023

Notes: Inflation is calculated as the rate of change in the CPI, annual %. The map depicts the inflation faced by the respondents in the analysis sample from column (1) in Table 2, Panel A. The average inflation is computed for all available years of data for each country between 2006 and 2023.

Figure 4: Unemployment rate
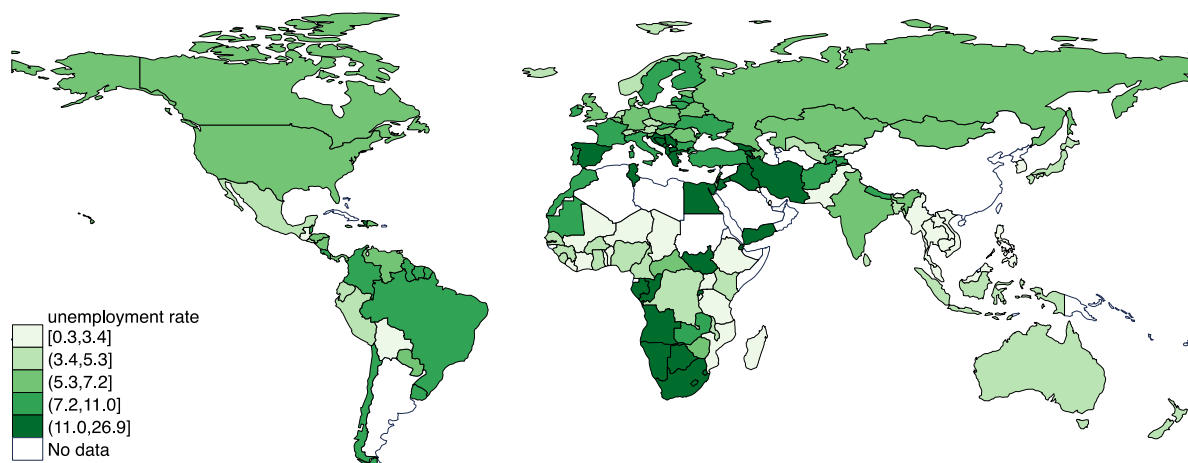
Source: Authors based on inflation data from the World Bank, merged with the Gallup World Poll, 2006-2023.

Notes: The map depicts the unemployment rate faced by the respondents in the analysis sample from column (1) in Table 2, Panel A. The average unemployment rate is computed for all available years of data for each country between 2006 and 2023.

TABLES

Table 1. Summary statistics, key variables

	Analysis Sample with Confidence in National Government				Analysis Sample with Approval of Country's Leadership			
	2006-2023, N=2,037,353		2010-2019, N=1,247,584		2006-2023, N=1,906,908		2010-2019, N=1,182,466	
	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
Confidence in the national government	0.528	0.499	0.525	0.499				
Approval of the country's leadership					0.519	0.500	0.519	0.500
Inflation rate	0.065	0.192	0.054	0.162	0.066	0.197	0.053	0.165
Unemployment rate	0.074	0.055	0.077	0.057	0.075	0.057	0.078	0.059
Age	39.793	17.635	39.713	17.657	39.731	17.611	39.535	17.603
Sex								
Male	0.491	0.500	0.491	0.500	0.492	0.500	0.492	0.500
Female	0.509	0.500	0.509	0.500	0.508	0.500	0.508	0.500
Immigrant Status								
Native	0.881	0.324	0.932	0.252	0.905	0.293	0.934	0.249
Foreign-born	0.045	0.207	0.043	0.204	0.045	0.208	0.042	0.201
Missing information	0.074	0.263	0.025	0.156	0.049	0.217	0.024	0.153
Urbanicity								
Urban	0.707	0.455	0.715	0.451	0.712	0.453	0.712	0.453
Rural	0.250	0.433	0.274	0.446	0.257	0.437	0.279	0.449
No information	0.043	0.203	0.011	0.104	0.031	0.174	0.009	0.095
Marital Status								
Married	0.565	0.496	0.570	0.495	0.563	0.496	0.569	0.495
Unmarried	0.429	0.495	0.424	0.494	0.431	0.495	0.426	0.494
Missing	0.009	0.094	0.006	0.077	0.006	0.080	0.006	0.076
Education								
No college	0.844	0.362	0.876	0.330	0.853	0.354	0.879	0.326
College	0.118	0.322	0.116	0.321	0.118	0.323	0.114	0.317
Missing information	0.038	0.190	0.008	0.089	0.029	0.169	0.007	0.086
Children below the age of 15								
Yes	0.525	0.499	0.546	0.498	0.534	0.499	0.554	0.497
No	0.444	0.497	0.448	0.497	0.442	0.497	0.440	0.496
Missing	0.031	0.175	0.006	0.078	0.025	0.155	0.006	0.077
Within-income tertile								
Bottom			0.397	0.489			0.395	0.489
Middle			0.324	0.468			0.325	0.468
Top			0.254	0.435			0.255	0.436
Missing information			0.025	0.156			0.025	0.155
Employment status								
Employed			0.541	0.498			0.544	0.498
Unemployed			0.070	0.256			0.070	0.256
Out of the labour force			0.377	0.485			0.375	0.484

Notes: The table shows summary statistics for the main variables used in the analysis, based on two analysis samples (one per dependent variable). All statistics are weighted using survey weights. For both variables, we also report the summary statistics for the period 2010 to 2019, which covers the years after the global financial crisis and before the Covid-19 pandemic.

Table 2. Inflation, unemployment, and confidence in institutions

	Confidence government (1)	Approval leadership (2)	Confidence government (3)	Approval leadership (4)
	Panel A: Contemporaneous Inflation and Unemployment			
	2006-2023		2010-2019	
Inflation	-0.008*	-0.008**	-0.013***	-0.012***
	(0.004)	(0.004)	(0.004)	(0.004)
Unemployment	-0.048***	-0.063***	-0.047***	-0.067***
	(0.008)	(0.008)	(0.010)	(0.011)
Trade-off between inflation and unemployment	6.0	7.9	3.6	5.6
N	2,037,353	1,906,908	1,247,584	1,182,466
R^2	0.127	0.113	0.135	0.124
	Panel B: Lagged Inflation and Unemployment			
	2006-2023		2010-2019	
Inflation$_{t-1}$	-0.003	-0.003	-0.009**	-0.008**
	(0.003)	(0.003)	(0.004)	(0.004)
Unemployment$_{t-1}$	-0.046***	-0.052***	-0.041***	-0.048***
	(0.007)	(0.008)	(0.010)	(0.011)
N	2,043,443	1,913,151	1,250,326	1,185,218
R^2	0.128	0.113	0.136	0.124
	Panel C: With and Without Additional Individual Controls, 2009-2023			
	No additional controls, 2009-2023		Additional controls, 2009-2023	
Inflation	-0.008*	-0.008**	-0.007	-0.009**
	(0.004)	(0.004)	(0.004)	(0.004)
Unemployment	-0.044***	-0.060***	-0.044***	-0.059***
	(0.008)	(0.008)	(0.008)	(0.008)
N	1,754,688	1,685,764	1,754,688	1,685,764
R^2	0.131	0.117	0.131	0.118

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. Inflation and unemployment are standardized (mean of 0 and a standard deviation of 1). All results are based on OLS regressions with robust standard errors, clustered by country and year. Regressions use survey weights and include country and year fixed effects, individual characteristics (age, age squared, gender, education, marital status, children, immigrant status, and rural or urban living), and controls for missing data. Panel A shows results with inflation and unemployment measured contemporaneously as the survey variables, for the full sample (2006–2023) and for 2010–2019, after the Great Recession and before Covid-19. Panel B displays results with lagged inflation and unemployment. Panel C shows the results for 2009-2023 with and without additional controls for personal employment status, which is only available starting in 2009, and household income. The trade-off between inflation and unemployment in Panel A is calculated by dividing the estimated coefficient of unemployment by that of inflation, indicating how much stronger the effect of unemployment is compared to inflation.

Table 3. Inflation, unemployment, and confidence in institutions, country-level regressions

	Confidence government	Approval leadership	Confidence government	Approval leadership
	(1)	(2)	(3)	(4)
Panel A: Contemporaneous Inflation and Unemployment				
	2006-2023		2010-2019	
Inflation	-0.009*	-0.009*	-0.013**	-0.012*
	(0.005)	(0.005)	(0.006)	(0.007)
Unemployment	-0.049***	-0.064***	-0.046***	-0.068***
	(0.014)	(0.015)	(0.017)	(0.018)
N	2,019	1,974	1,209	1,214
N countries	148	148	144	144
R^2	0.110	0.100	0.107	0.083
Panel B: Lagged Inflation and Unemployment				
	2006-2023		2010-2019	
Inflation$_{t-1}$	-0.002	-0.003	-0.005	-0.007
	(0.003)	(0.003)	(0.005)	(0.006)
Unemployment$_{t-1}$	-0.044***	-0.049***	-0.038**	-0.046***
	(0.012)	(0.013)	(0.016)	(0.016)
N	2,013	1,968	1,208	1,213
N countries	148	148	144	144
R^2	0.099	0.787	0.092	0.058

	Confidence government	Approval leadership	Confidence government	Approval leadership
	(1)	(2)	(3)	(4)
Panel C: First Differences				
	2006-2023		2010-2019	
ΔInflation	-0.118***	-0.103	0.001	-0.007
	(0.043)	(0.104)	(0.003)	(0.004)
ΔUnemployment	-0.035	-0.082	-0.084**	-0.094**
	(0.040)	(0.053)	(0.038)	(0.036)
N countries	89	43	90	95
R^2	0.158	0.209	0.149	0.187

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. See notes to Table 2. Panel A shows results using contemporaneous inflation and unemployment for the full sample (2006–2023) and the pre-Covid period (2010–2019). Panel B uses one-period lags for both variables over the same intervals. Panel C presents first-difference estimates, capturing changes between 2006 and 2023, and 2010 and 2019.

Table 4. Inflation, unemployment, and their interactions, and confidence in institutions

	Confidence government (1)	Approval leadership (2)	Confidence government (3)	Approval leadership (4)
	2006-2023		2010-2019	
High inflation	-0.015*	-0.003	-0.004	-0.006
	(0.009)	(0.010)	(0.011)	(0.012)
High unemployment	-0.045***	-0.043***	-0.029**	-0.043***
	(0.010)	(0.011)	(0.011)	(0.012)
High inflation x High unemployment	0.000	-0.013	-0.020	-0.022
	(0.012)	(0.013)	(0.015)	(0.017)
N	2,037,353	1,906,908	1,247,584	1,182,466
R^2	0.127	0.112	0.135	0.123

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$ See notes to Table 2. Inflation and unemployment are binary variables categorized as high or low relative to the median inflation and unemployment values for that year in the analysis sample (based on their unstandardized values). The F-tests for the interaction between high inflation and high unemployment are not statistically significant across all specifications: F = 0.000 (p = 0.989), F = 0.960 (p = 0.327), F = 1.700 (p = 0.193), and F = 1.720 (p = 0.190).

Table 5. Interactions with economic performance, own economic situation, and corruption perceptions

	Confidence Government			Approval Leadership		
	(1)	(2)	(3)	(4)	(5)	(6)
	Variable = Country Economic Performance	Variable = Own Economic Situation	Variable = Corruption Perceptions	Variable = Country Economic Performance	Variable = Own Economic Situation	Variable = Corruption Perceptions
Inflation	-0.008**	-0.005	-0.007*	-0.000	-0.005*	-0.008**
	(0.003)	(0.004)	(0.004)	(0.002)	(0.003)	(0.004)
Unemployment	-0.015	-0.035***	-0.032***	-0.001	-0.049***	-0.050***
	(0.014)	(0.008)	(0.007)	(0.014)	(0.008)	(0.007)
Variable	0.178***	0.073***	-0.126***	0.194***	0.079***	-0.124***
	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)
Inflation x Variable	-0.004	-0.000	0.001	0.002	0.000	-0.001
	(0.004)	(0.001)	(0.002)	(0.003)	(0.001)	(0.001)
Unemployment x Variable	0.005**	0.002*	-0.010***	0.006***	0.002**	-0.010***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
N	809,488	1,960,844	1,951,628	773,799	1,837,717	1,870,412
R^2	0.235	0.146	0.176	0.250	0.136	0.159

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. See notes to Table 2. Economic performance, personal economic situation, and corruption perceptions are standardized (mean = 0, standard deviation = 1). The F-statistics and p-values for the tests of the joint significance of the interaction terms between inflation, unemployment, and the mechanism variables are: (1) F=2.59 (p = 0.076), (2) F=1.98 (p = 0.138), (3) F=22.63 (p = 0.000), (4) F=4.23 (p = 0.015), (5) F=2.50 (p = 0.083), and (6) F=26.54 (p = 0.000).

Table 6. Inflation, unemployment, and confidence in institutions, by World Bank income groups, 2006-2023

	Confidence government (1)	Approval leadership (2)
Inflation	-0.004	-0.005
	(0.003)	(0.004)
Unemployment	-0.095*	-0.056
	(0.051)	(0.040)
Lower Middle Income	0.275***	0.366***
	(0.058)	(0.055)
Upper Middle Income	0.162***	0.270***
	(0.057)	(0.054)
High Income	-0.305***	-0.217***
	(0.060)	(0.056)
Inflation x Lower Middle Income	0.002	0.001
	(0.005)	(0.005)
Inflation x Upper Middle Income	-0.017***	-0.015***
	(0.005)	(0.005)
Inflation x High Income	-0.056**	-0.056*
	(0.027)	(0.032)
Unemployment x Lower Middle Income	0.020	-0.041
	(0.056)	(0.047)
Unemployment x Upper Middle Income	0.093*	0.029
	(0.052)	(0.041)
Unemployment x High Income	0.009	-0.041
	(0.052)	(0.041)

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. See notes to Table 2 and Table A3 for the list of countries in each income group. The omitted category is low income. The F-tests for the joint significance of the interaction terms are F = 5.890 (p = 0.000) for confidence in government and F = 8.880 (p = 0.000) for leadership approval.

Table 7. Heterogeneity by biological sex, education, and urbanicity

	Confidence Government			Approval leadership		
	(1)	(2)	(3)	(4)	(5)	(6)
	Variable= Female	Variable= College Education	Variable= Non-rural	Variable= Female	Variable= College Education	Variable= Non-rural
Inflation	-0.009*	-0.007*	-0.004	-0.009***	-0.008**	-0.004
	(0.004)	(0.004)	(0.003)	(0.004)	(0.004)	(0.003)
Unemployment	-0.046***	-0.043***	-0.044***	-0.058***	-0.060***	-0.060***
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Variable	0.012***	-0.015***	-0.033***	0.014***	-0.009***	-0.026***
	(0.001)	(0.003)	(0.003)	(0.001)	(0.003)	(0.003)
Inflation x Variable	0.002*	-0.016***	-0.006**	0.002	-0.010***	-0.007***
	(0.001)	(0.004)	(0.003)	(0.001)	(0.003)	(0.003)
Unemployment x Variable	0.002**	-0.001	-0.000	-0.002	0.004*	0.001
	(0.001)	(0.003)	(0.002)	(0.001)	(0.002)	(0.002)
N	1,949,691	1,891,142	1,949,691	1,847,431	1,803,144	1,847,431
R^2	0.130	0.130	0.130	0.115	0.117	0.115

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. See notes to Table 2. The F-statistics and p-values for the joint significance of the interaction terms are: for confidence in government, (1) F=3.550 (p=0.029), (2) F=7.020 (p=0.001), (3) F=2.430 (p=0.088); and for leadership approval, (3) F=2.170 (p=0.115), (4) F=6.540 (p=0.002), (5) F=4.060 (p=0.017).

Table 8. Heterogeneity by within-income tertile, age group, and respondent's labour force status

	Confidence government (1)	Approval leadership (2)		Confidence government (3)	Approval leadership (4)		Confidence government (5)	Approval leadership (6)
Inflation	-0.018***	-0.018***	Inflation	-0.007	-0.008*	Inflation	-0.008*	-0.008**
	(0.005)	(0.006)		(0.005)	(0.004)		(0.005)	(0.004)
Unemployment	-0.050***	-0.067***	Unemployment	-0.048***	-0.064***	Unemployment	-0.043***	-0.060***
	(0.008)	(0.008)		(0.008)	(0.008)		(0.008)	(0.008)
Middle Income Tertile	-0.004**	0.003*	Ages 36-60	0.036***	0.030***	Respondent unemployed	-0.038***	-0.042***
	(0.002)	(0.002)		(0.002)	(0.002)		(0.002)	(0.003)
Top Tertile	-0.007***	0.004*	Over 60	0.033***	0.029***	Respondent out of the labour force	0.002	0.002
	(0.002)	(0.002)		(0.003)	(0.003)		(0.002)	(0.002)
Inflation x Middle Income Tertile	-0.005**	-0.004*	Inflation x Ages 36-60	-0.002	-0.001	Inflation x Respondent unemployed	0.004**	0.004**
	(0.002)	(0.002)		(0.001)	(0.001)		(0.002)	(0.001)
Inflation x Top Tertile	-0.005	-0.001	Inflation x Over 60	-0.002	-0.003	Inflation x Respondent out of the labour force	0.001	-0.000
	(0.005)	(0.004)		(0.002)	(0.002)		(0.001)	(0.001)
Unemployment x Middle Income Tertile	0.004***	0.009***	Unemployment x Ages 36-60	0.001	0.000	Unemployment x Respondent unemployed	-0.003	-0.001
	(0.002)	(0.002)		(0.001)	(0.001)		(0.002)	(0.002)
Unemployment x Top Tertile	0.011***	0.015***	Unemployment x Over 60	0.001	0.003	Unemployment x Respondent out of the labour force	0.002	0.001
	(0.002)	(0.002)		(0.003)	(0.002)		(0.002)	(0.002)
N	1,709,095	1,641,332		2,037,353	1,906,908		1,722,999	1,649,994
R^2	0.133	0.119		0.128	0.114		0.131	0.117

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. See notes to Table 2. The F-statistics and p-values for the tests of the joint significance of the interaction terms between inflation, unemployment, and the moderator variables are: (1) F = 9.270 (p = 0.000), (2) F = 15.090 (p = 0.000), (3) F = 0.510 (p = 0.727), (4) F = 0.850 (p = 0.491), (5) F = 3.390 (p = 0.009), and (6) F = 2.210 (p = 0.066). The omitted category for income is lowest tertile, for age groups – 15-35, and for employment status – the employed.

Appendix

Table A1. Full econometric output for Table 2, Panel A, probit regressions, average marginal effects

	Confidence government, 2006-2023	Approval leadership, 2006-2023	Confidence government, 2010-2019	Approval leadership, 2010-2019
	(1)	(2)	(3)	(4)
Inflation	-0.008*	-0.008**	-0.012***	-0.011***
	(0.004)	(0.004)	(0.004)	(0.004)
Unemployment	-0.047***	-0.062***	-0.046***	-0.065***
	(0.008)	(0.008)	(0.010)	(0.011)
Age	-0.007***	-0.006***	-0.007***	-0.006***
	(0.000)	(0.000)	(0.000)	(0.000)
Age squared	0.008***	0.008***	0.008***	0.007***
	(0.000)	(0.000)	(0.000)	(0.000)
Female	0.013***	0.013***	0.012***	0.014***
	(0.001)	(0.001)	(0.002)	(0.002)
Foreign-born	0.061***	0.056***	0.062***	0.054***
	(0.004)	(0.004)	(0.004)	(0.004)
Foreign-born information missing	0.020	0.039**	0.018*	0.006
	(0.013)	(0.015)	(0.010)	(0.013)
Urban	-0.034***	-0.026***	-0.036***	-0.029***
	(0.003)	(0.003)	(0.003)	(0.003)
Urbanicity missing	-0.023	0.002	-0.013	-0.002
	(0.014)	(0.018)	(0.017)	(0.023)
Unmarried	-0.026***	-0.024***	-0.025***	-0.023***
	(0.001)	(0.001)	(0.002)	(0.002)
Marital status missing	-0.042**	-0.033***	-0.023**	-0.016
	(0.019)	(0.011)	(0.011)	(0.011)
College	-0.015***	-0.008***	-0.012***	-0.008**
	(0.003)	(0.003)	(0.003)	(0.003)
Education information missing	-0.004	-0.018	-0.036**	-0.029*
	(0.013)	(0.018)	(0.016)	(0.015)
No children below 15	-0.017***	-0.011***	-0.015***	-0.009***
	(0.001)	(0.001)	(0.002)	(0.002)
Information on children missing	-0.008	0.019	-0.000	0.015
	(0.017)	(0.020)	(0.009)	(0.010)
N	2,037,353	1,906,908	1,247,584	1,182,466
Pseudo R^2	0.100	0.089	0.089	0.098

Notes: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. Inflation and unemployment are standardized (mean of 0 and a standard deviation of 1). All results are based on probit regressions with robust standard errors, clustered by country and year and report average marginal effects. Regressions use survey weights and include country and year fixed effects, individual characteristics (age, age squared, gender, education, marital status, children, immigrant status, and rural or urban living), and controls for missing data.

Table A2. Full econometric output for Table 2, Panel A, OLS regressions

	Confidence government, 2006-2023	Approval leadership, 2006-2023	Confidence government, 2010-2019	Approval leadership, 2010-2019
	(1)	(2)	(3)	(4)
Inflation	-0.008*	-0.008**	-0.013***	-0.012***
	(0.004)	(0.004)	(0.004)	(0.004)
Unemployment	-0.048***	-0.063***	-0.047***	-0.067***
	(0.008)	(0.008)	(0.010)	(0.011)
Age	-0.007***	-0.006***	-0.007***	-0.006***
	(0.000)	(0.000)	(0.000)	(0.000)
Age squared	0.009***	0.008***	0.009***	0.007***
	(0.000)	(0.000)	(0.000)	(0.000)
Female	0.013***	0.013***	0.012***	0.014***
	(0.001)	(0.001)	(0.002)	(0.002)
Foreign-born	0.062***	0.056***	0.063***	0.055***
	(0.004)	(0.004)	(0.004)	(0.004)
Foreign-born information missing	0.018	0.039**	0.018*	0.005
	(0.013)	(0.016)	(0.010)	(0.014)
Urban	0.033***	0.026***	0.035***	0.029***
	(0.003)	(0.003)	(0.003)	(0.003)
Urbanicity missing	0.011	0.030	0.024	0.028
	(0.014)	(0.019)	(0.018)	(0.024)
Unmarried	-0.026***	-0.024***	-0.026***	-0.024***
	(0.001)	(0.001)	(0.002)	(0.002)
Marital status missing	-0.044**	-0.034***	-0.024**	-0.017
	(0.020)	(0.011)	(0.011)	(0.012)
College	-0.015***	-0.008***	-0.012***	-0.008**
	(0.003)	(0.003)	(0.003)	(0.003)
Education information missing	-0.004	-0.017	-0.037**	-0.029*
	(0.014)	(0.019)	(0.017)	(0.016)
No children below 15	-0.017***	-0.011***	-0.015***	-0.009***
	(0.001)	(0.001)	(0.002)	(0.002)
Information on children missing	-0.008	0.020	-0.000	0.014
	(0.017)	(0.021)	(0.008)	(0.010)
N	2,037,353	1,906,908	1,247,584	1,182,466
R^2	0.127	0.113	0.135	0.124

Notes: *** p<0.01, ** p<0.05, * p<0.1. Inflation and unemployment are standardized (mean of 0 and a standard deviation of 1). All results are based on OLS regressions with robust standard errors, clustered by country and year. Regressions use survey weights and include country and year fixed effects, individual characteristics (age, age squared, gender, education, marital status, children, immigrant status, and rural or urban living), and controls for missing data.

Table A3. Sample country groups by income level, based on 2019

Country groups

Low income

Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, Congo Kinshasa, Ethiopia, Guinea, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, South Sudan, Tajikistan, The Gambia, Togo, Uganda, Yemen

Lower-middle income

Angola, Bangladesh, Benin, Bhutan, Bolivia, Cambodia, Cameroon, Comoros, Congo Brazzaville, Djibouti, Egypt, El Salvador, Eswatini, Ghana, Honduras, India, Ivory Coast, Kenya, Kyrgyzstan, Laos, Lesotho, Mauritania, Moldova, Mongolia, Morocco, Myanmar, Nepal, Nicaragua, Nigeria, Pakistan, Palestinian Territories, Philippines, Senegal, Sri Lanka, Tanzania, Tunisia, Ukraine, Uzbekistan, Vietnam, Zambia, Zimbabwe

Upper-middle income

Albania, Armenia, Azerbaijan, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Colombia, Costa Rica, Dominican Republic, Ecuador, Gabon, Georgia, Guatemala, Guyana, Indonesia, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Lebanon, Malaysia, Mexico, Montenegro, Namibia, North Macedonia, Paraguay, Peru, Russia, Serbia, South Africa, Suriname, Thailand, Turkey, Venezuela

High income

Australia, Austria, Belgium, Canada, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Mauritius, Netherlands, New Zealand, Norway, Panama, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Trinidad & Tobago, United Kingdom, United States, Uruguay

Source: Authors' elaboration based on classifications from the World Bank (https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html). The table reports country groups used for estimations in Table 6. We assign the Palestinian territories to the lower-middle-income group.

Table A4. Correlations between inflation and unemployment across different sub-samples

Subsample	Correlation (Pearson's r)
Period 2006-2023	0.006***
Period 2010-2019	-0.003***
Period 2009-2023	0.009***
Europe	-0.170***
Former Soviet Union (Commonwealth of Independent States)	-0.196***
Australia-New Zealand	-0.630***
Southeast Asia	-0.040***
South Asia	-0.196***
East Asia	0.383***
Latin America and the Caribbean	0.007***
North America	-0.541***
Middle East and North Africa	-0.046***
Sub-Saharan Africa	0.021***
Low Income (World Bank Classification)	0.267***
Lower Middle Income (World Bank Classification)	0.071***
Upper Middle Income (World Bank Classification)	-0.085***
High Income (World Bank Classification)	-0.609***
Year 2006	0.061***
Year 2007	0.063***
Year 2008	-0.089***
Year 2009	-0.090***
Year 2010	0.004
Year 2011	-0.062***
Year 2012	-0.057***
Year 2013	-0.105***
Year 2014	-0.122***
Year 2015	-0.055***
Year 2016	0.034***
Year 2017	0.066***
Year 2018	-0.045***
Year 2019	0.006**
Year 2020	0.028***
Year 2021	0.098***
Year 2022	0.082***
Year 2023	0.072***

Notes: The table shows the pairwise correlations between inflation and unemployment across different subsamples. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.