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DIRECT ELECTIONS AND TRUST IN STATE AND POLITICAL INSTITUTIONS: EVIDENCE FROM INDONESIA'S ELECTION REFORM

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Abstract

People's trust in state and political institutions is a key foundation of a well-functioning economy. We estimate the impact of direct elections on people's trust in state and political institutions, using a major political reform in Indonesia as the source of exogenous variation. Prior to 2005, regents, mayors, and governors were elected by the local legislative assembly. Since 2005, however, they have had to compete in an open election where voters directly choose their preferred leader. The historically and institutionally driven staggered implementation of these local direct elections allow us to identify the causal impact of the reform. We find that district direct elections increase trust in all state and political institutions, except for the police. However, our finding does not hold in districts that experienced moderate or high hostility during the elections, implying that trust is strongly influenced by the political situation. We also empirically show that the increase in trust took place simultaneously with improvements in economic outcomes.

Keywords: democracy, direct election, trust, institution, Indonesia

JEL Classification: D72, H10, K16, P51, Z13

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1. INTRODUCTION

People's trust in their state and political institutions is a key foundation of an effective government and a well-functioning economy (Algan 2018). The relationship between trust in state and political institutions and how these institutions perform is reciprocal and mutually reinforcing (Mishler and Rose 2001; Zmerli and Newton 2008). On the one hand, the level of trust in state and political institutions depends on the setup of the political system and the performance of elected officials (Lühiste 2006; Sangnier and Zylberberg 2017; Frye and Borisova 2019). On the other hand, the level of trust in these institutions also determines political participation (Levi and Stoker 2000; Hooghe and Marien 2013). Moreover, extremely low levels of trust in political institutions could result in citizens proactively striving to change the political system (Morlino and Tarchi 1996).

In a democracy, different setups could influence trust in state and political institutions. In the United States, Dyck (2009) finds that direct democracy, where citizens can directly vote on programs or choose laws to enact through referendums, encourages citizens to distrust their government. In Switzerland, Bauer and Fatke (2014) show that direct democracy has both positive and negative effects on political trust, depending on whether the actions of political authorities are aligned with the public's interest. Olken (2010) finds that in Indonesia, allowing villagers to directly vote on development projects increases their satisfaction and willingness to contribute relative to the situation where development projects were selected through representative-based meetings.

We study the impact of direct elections of the head of government on trust in state and political institutions. In direct elections, voters directly choose from a list of candidates. This contrasts with the arrangement where voters choose representatives, who then vote or unanimously appoint the head of government. The former implies that electoral competition is much higher, potentially entrenching patronage (Sjahrir, Kis-Katos, and Schulze 2014; Pierskalla and Sacks 2020) and increasing the risk of political violence (Lewis 2023). Clientelism could also worsen (Aspinall and Berenschot 2019). However, higher electoral competition could also lead to heads of government who are more attuned to the citizens' needs, resulting in more effective social policies and/or lower taxes (Lewis 2022). All these potential outcomes would in turn affect the levels of trust in state and political institutions. In the long term, they may determine whether the direct election system is sustained.

The empirical difficulty in estimating the causal impact of direct elections on trust is that the choice to implement direct elections is endogenous. It could be a direct result of low trust in state and political institutions. Also, there may be unobserved factors that are correlated with both trust and the choice to implement direct elections. In this paper, we take advantage of a natural experiment in Indonesia to overcome these empirical challenges, allowing us to estimate the causal impact of direct elections on trust in institutions. In 2005, the Indonesian national parliament and central government abruptly decided to implement direct elections of heads of subnational government.[1]

Given historical legacies, these direct elections are staggered following the end of the office term of the incumbent heads. As we show in the next section, the timing of the direct election is as-if random, allowing us to compare trust levels between residents

[1] Indonesia has two tiers of subnational government: provinces and districts/municipalities. During the period that we study, Indonesia had 32 provinces and 463 districts/municipalities.

who have participated in direct elections and those who have not.[2] In addition, although the decision to adopt direct elections may still be endogenous, the implementation at the subnational level is exogenous as the subnational election authorities, legislatures, and government apparatus did not make the decision. They were required to follow the central government's decision and implement the direct elections. In the literature, we only find two other studies that use a natural experiment to address a similar question. Frye and Borisova (2019) exploit political protests in the Russian Federation, and Rainer and Siedler (2009) use the German reunification.

We focus specifically on the second-tier subnational government, which we call "districts."[3] We merge the information on the first election date of each district with the 2006 World Values Survey, which measures trust in state and political institutions. Specifically, we consider trust in the military, police, court, central government, political parties, parliament, and the civil service. Direct elections may affect trust in these different state and political institutions differently depending on their role in the direct elections. At the time of the WVS survey, 273 out of 463 districts had already implemented direct elections.

We find that direct elections increase trust in all state and political institutions, except the police. The highest increase in trust is gained by the court and central government. The next largest effects are with regard to trust in civil services and the military. Political parties and the parliament made the smallest gains in trust, but they were still positive. Our results are robust to spillover or bias from migration. Interestingly, we find these positive effects only in districts where the direct elections took place with a low level of hostility. We find suggestive evidence that direct elections improve economic conditions, and this could be another main channel for the higher trust in institutions.

We organize the rest of the paper as follows. The next section elaborates the election reforms in Indonesia. Section III discusses the data sources and presents the empirical strategy. Section IV shows the results, and Section V concludes.

2. DEMOCRATIZATION AND DIRECT ELECTIONS IN INDONESIA

Indonesia has experienced periods of progress and regress in democratization since its independence in 1945. The Constitution enshrines the ideals of democracy and freedom, and Indonesia has experienced 12 elections since independence. The first democratic parliamentary election was in 1955. However, President Sukarno's leadership introduced the concept of "guided democracy," which combined elements of democracy with centralized authority. This era was short-lived, as President Suharto's New Order regime took hold in 1968, characterized by an authoritarian rule, suppression of dissent, and centralized control (Ananta, Arifin, and Suryadinata 2004; Drakeley 2005). During this era, Indonesia experienced six parliamentary elections, in 1971, 1977, 1982, 1987, 1992, and 1997, with only three parties participating in the last five general elections and President Suharto continuing to be elected.

[2] The exogenous phasing of Indonesia's direct elections has also been documented by, among others, Kis-Katos and Sjahrir (2017), Lewis (2022, 2023), Pierskalla and Sacks (2018, 2020), and Pierskalla et al. (2021).

[3] Formally, districts refer to the second-tier governments in rural areas, while municipalities refer to the units in urban areas. In this paper, we use the term to cover both rural and urban second-tier government units.

The turning point came in 1998 when Suharto's authoritarian rule ended, marking a significant leap in democratization. Indonesia entered a period of political reform and decentralization known as the "Reformation Era" (Suryadinata 2002). The key foundations of the Era include the amendments to the Constitution, free and fair elections, political decentralization, and direct local elections. The amendments to the Constitution enshrined civil liberties, political rights, and the establishment of a multiparty system. Indonesia's democratization has been marked by successive free and fair elections since 1999, allowing for competitive political dynamics and the peaceful transition of power. A robust civil society, active media, and growing civic engagement have since shaped public discourse and advocated for democratic values (Fischer 1993; Booth and Richard 1998; Norris 2006).

In addition to the direct presidential elections that began in 2004, Law No. 32/2004 introduced direct regional elections to select governors to lead provinces, and mayors and regents to lead municipalities and districts, respectively. Prior to the local direct elections, local executives were elected by a vote of the members of the local legislative body. According to Sulistiyanto and Erb (2009), local leader elections through representatives gave disproportionate power to political parties and elites, often resulting in local leaders who were not accountable to the people. Therefore, the implementation of direct local elections was aimed at promoting grassroots democracy, enhancing accountability, and reducing centralized control over local governance.

The implementation of direct elections in Indonesia could be considered a surprise (Horiuchi, Suryadarma, and Susamto 2014). The decision represented a sudden decision by national policymakers to reform the political landscape at the regional level, empowering local communities and reshaping the dynamics of governance. The first direct election dates were determined based on a combination of historical factors and the end of the office term of the incumbent regents, resulting in a staggered implementation of the first direct election.

Historically, out of 495 regional government units (comprising 32 provinces and 463 districts), approximately 52% were established prior to 1960, 6% between 1964 and 1998, and the remaining 42% after the end of Suharto's rule in 1998. Combined with the five-year office term of regents, this means the start and end dates of a regent's office term vary between districts.

Another source of variation stems from Law No. 32/2004's rules related to the timing of district elections. Firstly, regents whose term was set to finish between January 2004 and June 2005 were mandated to implement the first direct elections in June 2005. Secondly, in provinces where the regents' term concluded within a month of each other, elections were scheduled on the same day. Thirdly, regents whose terms concluded between January 2009 and July 2009 were required to hold the first direct elections in December 2008 (Horiuchi, Suryadarma, and Susamto 2014). The historical context of district formation, the fixed office terms of regents, and the law's stipulations resulted in a staggered first district direct elections spanning from 2005 to 2008. Horiuchi, Suryadarma, and Susamto (2014) reported that local direct elections in the first batch, which took place in 2005, accounted for 46.7% of total districts, in 2006 for 15.4%, in 2007 for 8.8%, and in 2008 for 29.1%. Based on these facts, we argue that the timing of these first direct elections is exogenous.

Since 2015, instead of conducting separate local elections, the government has implemented *Pilkada Serentak*, which organizes regional direct elections concurrently across multiple provinces, regencies, and cities in Indonesia. By 2024, all general election activities, including the presidential election, and elections for the DPR (central

and regional parliaments), DPD, and regional leaders (governors, regents, and city mayors), are to be held simultaneously within a single year.

Evidence indicates that the direct election system has led to improvements in the quality of local governance. Local leaders are now more accountable to the people, and they are more likely to be responsive to their needs (Wagschal 1997; Eckardt 2008; Skoufias et al. 2011). However, challenges remain, including corruption (Mietzner 2015), vote buying (Muhtadi 2019), clientelism (Aspinall 2014; Aspinall and Berenschot 2019), political dynasty (Aspinall and As'ad 2016; Wardani and Subekti 2021), and oligarchy (Hadiz and Robison 2013; Winters 2013).

The empirical evidence on the effect of local direct elections on socioeconomic development in Indonesia is less conclusive. Kis-Katos and Sjahrir (2017) find no effect on public investment targeting but an increase in administrative spending. Pierskalla and Sacks (2020) document that districts that have experienced direct elections tend to hire more teachers. Lewis (2022) shows that direct elections cause districts to tax less. Fossati (2016) finds improvement in healthcare services for the poor and Singhania (2022) notes an increase in public good provision, but Moricz and Sjöholm (2014) do not find any effect on economic growth and only a slight effect on governance. Finally, Sujarwoto and Tampubolon (2014) do not observe any significant influence on citizens' happiness.

3. DATA AND EMPIRICAL STRATEGY

Data

We use the World Value Survey (WVS) 2006 to measure trust in state and political institutions (Inglehart et al. 2014). The WVS sample is nationally representative of adult populations. The first WVS survey took place in 1981. A total of seven cross-sectional waves have been implemented, with 2022 being the latest. The WVS 2006 in Indonesia was conducted from June to November 2006 in 36 districts. The sample was selected through a multistage random sampling strategy. The survey team began by randomly selecting the provinces before subsequently randomly sampling districts, subdistricts, villages, and finally households. The survey has a total sample of 2,015 adults aged 15 or above. We use the district codes to merge WVS 2006 with other datasets.

As outcome variables, we use indicators of trust in the military, police, court, central government, political parties, parliament, and civil services. We also use the individual characteristics collected in WVS 2006. The question used to measure the outcome is the following:

> *Q: "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?"*
>
> *A: "(1) A great deal; (2) Quite a lot; (3) Not very much; (4) None at all."*

We define trust as a binary variable, taking the value of one if the respondent answered (1) or (2), and zero if he/she answered (3) and (4).

For the direct local elections, we use publicly available administrative data on the month and year of the first direct district elections. As we describe in the previous section, districts began their first direct elections in a staggered manner starting from June 2005. By 2008, all districts had implemented their first direct elections. As our

outcome variables were measured in 2006, we define the treatment group as the districts that implemented their first direct election in 2005 and 2006 (prior to WVS 2006). The districts that implemented their first direct election in 2007 and 2008 (after WVS 2006) become the control group.

In addition to the time of the first direct elections, we also collect administrative information on whether the incumbent regents/mayors participated in the first direct elections, the election winners, and the political parties that supported the winners. We also use a measure of election hostility, which we take from Tadjoeddin (2012). Election hostility is a categorization created from the frequency of violent election-related incidents that took place one month before until one month after the direct elections.

We also use several datasets for the balance test, to empirically show that we could consider the timing of the first direct elections to be as-if random. The first is the Village Census (*Podes*), which is a census of all villages in Indonesia. Podes is implemented three times every decade by the Indonesian Statistics Agency. It records information on infrastructure availability and quality, economic characteristics, and social situation. We use Podes 2003, which was collected before the first direct election happened. We aggregate this information to the district level.

Second, we use administrative records collected by the central government on the allocation of public spending to different sectors, such as education and health, and the type of public spending, whether routine (usually means to pay for salary) or development (akin to capital spending). Similarly, we use official government statistics on district gross domestic product. We also use the official 2004 general election result to calculate the votes received by each political party at the district level. We use the same information to calculate political diversity.[4] Third, we use the 2000 Indonesian population census to calculate the ethnolinguistic fractionalization at the district level.[5] Fourth, we use the 2004 Indonesian household socioeconomic survey (*Susenas*) to calculate school net enrollment rates, adult education attainment, unemployment rate, poverty rate, and demographic characteristics. Susenas is an annual repeated cross-sectional survey by the Indonesian Statistics Agency that is representative at the district level.

Empirical Strategy

To estimate the effect of direct election on trust in state and political institutions, our base reduced form specification is as follows:

$$Trust_{id} = \alpha + \beta DE_d + \varepsilon_{id}, \quad (1)$$

where the dependent variable is the trust of individual *i* living in district *d* in different state and political institutions: the army, the police, the court, the central government, political parties, the parliament, and the civil services. As described above, the dependent variable is a binary variable where one is equal to yes and zero is equal to no.[6]

[4] Political diversity is measured using the same formula as ethnolinguistic fractionalization, below.

[5] The formula for measuring ethnolinguistic fractionalization is based on the Herfindahl-Hirschman index: $ELF = 1 - \sum_{i=1}^{N} S_i$, where *N* is the number of ethnic groups and S_i is the share of ethnic group *i* to the total population.

[6] For the parliament, the survey did not specify local or national parliament.

We regress the outcomes on the main independent variable DE_d, which takes the value of one if the district implemented the first direct elections in 2005 or 2006 (prior to WVS 2006) and zero if the district implemented the first direct elections in 2007 or 2008 (after WVS 2006). Note that the first direct election variable is measured at the district level, rather than whether individual i participated in the first direct election or not. Meanwhile, ε_i is an idiosyncratic error. With this setup, we can also consider individuals living in districts where $DE_d = 1$ as the treatment group, and the others as the control group. We specify the standard errors to be robust to heteroskedasticity using the HC3 estimator, based on MacKinnon and White (1985).

Since DE_d is measured at the district level, there are no individual-level sources of bias – for example, individual *i*'s decision to vote. A potential channel through which unobserved heterogeneity at the individual level would bias the results is if individual *i*, upon gaining information on the timing of the first direct elections in all districts, chooses to live in a district that is different from the counterfactual district of residence had there been no direct elections. This is unlikely to be the case, as we do not see any media reports of a significant population movement after the election timing was made public knowledge. To formally test for population movement, we estimate the in-migration rates in districts by the distance to election dates. As shown in Figure A1 in the Appendix, we do not see any differences in the in-migration rates before and after the first direct elections.

As we mention in the previous section, the direct election was a decision of the national parliament and the central government. The district governments must implement the elections in the month and year that are exogenously driven by historical reasons (Horiuchi, Suryadarma, and Susamto 2014). Therefore, it is impossible for a district government, for example, to move direct election dates based on their residents' level of trust in political or state institutions, or other latent characteristics. The predetermined schedule is already used by various studies to estimate the causal effect of direct elections on various social and economic outcomes in Indonesia (Horiuchi, Suryadarma, and Susamto 2014; Sjahrir, Kis-Katos, and Schulze 2014; Skoufias et al. 2011; Kis-Katos and Sjahrir 2017; Martinez-Bravo, Mukherjee, and Stegmann 2017; Pierskalla and Sacks 2018, 2020; Abeberese et al. 2023).

In addition to relying on existing studies to claim the exogenous nature of the first district direct elections, we empirically show that the timing of the first district direct elections is as-if random by conducting a balance test using various district-level characteristics. Table A1 in the Appendix shows that out of 38 district characteristics that we compare, only four are statistically significantly different. These are characteristics that are either fixed (like urban or rural status), slow-changing over a long period of time (share of 15- to 29-year-olds), or determined before the decision to switch from indirect to direct elections took place (incumbents cannot participate in direct elections – note that the incumbent regents in the 2005/2006 direct elections were appointed in 2000/2001). Therefore, we argue that the coefficient b estimates the causal impact of living in a district that implemented a direct election on an individual's trust in state and political institutions.

The WVS explicitly states that the sampling was done randomly, and districts were not excluded or included based on the timing of their direct elections. However, we find statistically significant differences in several respondents' characteristics by election timing (Columns 1 and 2 in Table A2 in the Appendix). Therefore, we use inverse-probability weighting to ensure that these characteristics are balanced between districts that implemented direct elections in 2005 and 2006 or later. As we show in the next section, the unconditional and weighted results give similar findings.

Another source of bias is spillover. The success or failure of the direct elections in 2005 and 2006 could affect the level of trust of individuals living in the districts that were scheduled to implement the first direct elections in 2007 or 2008. If successful, then trust in institutions would also increase in the latter districts. Similarly, a failed direct election in 2005 may also erode trust in the latter districts. In both cases, the estimated effects would be underestimated. To check for robustness to this risk of bias, we estimate the effects only using the districts that implemented the first direct elections in 2005 as the treatment group, and those implementing the first direct elections in 2008 as the control group. We argue that respondents living in the 2008 districts are the least likely to be affected by spillovers from the experience of the 2005 direct elections, given the three-year difference.

In addition to estimating Equation 1, we also estimate a model with the main independent variable not as binary but as the distance (in months) between the time of the WVS 2006 survey in a district and the first direct election in the district. The range of the value is -21 to +12 months. Defining the independent variable this way provides us with a time series of before and after the first direct elections. A parallel pre-trend would increase our confidence that our estimation is picking up the causal effect of direct elections on trust. Additionally, the estimates of post-direct elections enable us to differentiate immediate versus long-term effects.

To ensure tractability, we bin the months into equal-sized bins, as follows:

$$Trust_{id} = \alpha + \sum_{k=1,k\neq 3}^{6} \beta_k(DE = 1) + \varepsilon_{id}, \quad (2)$$

where $k = 1$ consists of districts that were more than 21 months away from implementing the first direct election at the time of the WVS 2006, $k = 2$ is districts 16–21 months away, and $k = 3$ is districts 10–15 months away (also used as the reference group). Meanwhile, $k = 4$ is made up of districts that implemented the first direct election one to six months before the survey, $k = 5$ is districts surveyed seven to 12 months after the first direct election, and $k = 6$ consists of districts that experienced the first direct election more than 13 months before the survey.

4. DESCRIPTIVE STATISTICS AND ESTIMATION RESULTS

Trust in State and Political Institutions

The WVS 2006 asked the respondents about their trust in several state and political institutions. Figure 1 shows the share of respondents that responded yes. The military was the most trusted state institution with 74.3% of Indonesians trusting it. Muhtadi (2022) finds that the continuing high public trust in the military is due mainly to the professionalism of the military, which is indicated by their strict discipline in resisting being embroiled in domestic politics. Furthermore, as part of its commitment to undertake further internal reform, the military is determined to avoid human rights violations in carrying out its duties.

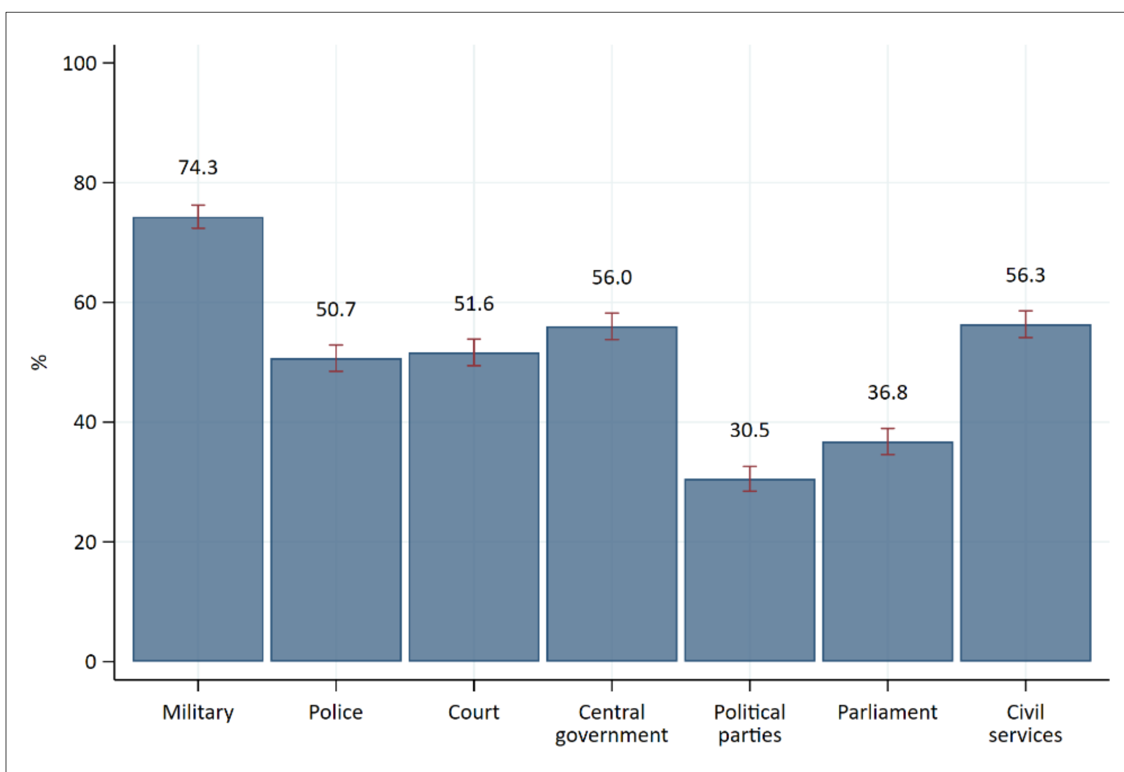
After the military, the second most trusted institutions were the civil service and the central government. At 56%, only slightly more than half of Indonesians had trust in both institutions. The two institutions are strongly related as the civil service is the government's front line and policy implementer. One reason for the relatively low trust, according to Tjiptoherijanto (2008), is that the characteristics of the Indonesian civil

service at that time were that they were slow; lacked transparency, accountability, and initiative; and were sometimes corrupt. More than a decade later, ADB (2021) found that a large part of the civil service was still of low quality, and in terms of skills and competency, the average education attainment of civil servants was still too low given their duties and responsibilities.

On the trust in government, Tjiptoherijanto and Rowen (2013) find that following the democratization and decentralization reforms in the late 1990s, Indonesia embarked on constitutional reform, political reform, administrative reform, improved regional autonomy, and anti-corruption initiatives. In general, these reforms resulted in a positive but complex impact on restoring trust in the government. They point out that Indonesia was one of the few countries in the world where trust in the national government had held steady in the new millennium.

The court was trusted by about half of Indonesians. The early 2000s period coincided with the start of Indonesia's judiciary reforms. However, two decades later the judiciary still faces significant challenges, and the reform agenda is still far from fulfilling expectations. According to a survey conducted by Transparency International Indonesia (2022), most Indonesians still trust courts as being capable of making decisions fairly. However, there are several court personnel who have stumbled on corruption cases, and requests for money by court officials are mostly perceived as corruption. The survey also found that third parties are the most reliable people to expedite court services, and decision-making is believed to be the stage with the greatest chance of corruption.

Figure 1: Trust in State and Political Institutions in Indonesia, 2006



Source: World Value Survey Wave 5.

Similarly to the court, the police were trusted by about half of Indonesians. In the early 2000s, the police force was seen as lacking accountability and transparency (UNODC 2010) and was perceived as ineffectual and often unnecessarily coercive (Davis, Triwahyuono, and Alexander 2009). This perception, combined with the accusations of corruption by some high-ranking officers, had eroded public trust in the integrity of the police. Furthermore, using data from the period 2005–2014, Baker and Nasrudin (2023) find that police officers had a significant monopoly on firearm-related violence, although they were operating in environments with generally low perceived threat. Moreover, they find no causal relationship between police shootings and police perceptions of threat.

Political parties were the least trusted institution at 30.5%. Ideally, political parties should bridge the people's ideas and aspirations with public policy formulation. However, in Indonesia, political parties are dominated by people who possess wealth and power and tend to influence political outcomes, including as leaders or prominent power holders in certain political parties (Rapha and Amedi 2022). Furthermore, the public's low trust in political parties is correlated with the perception that political party members have little intention to defend the public interest.

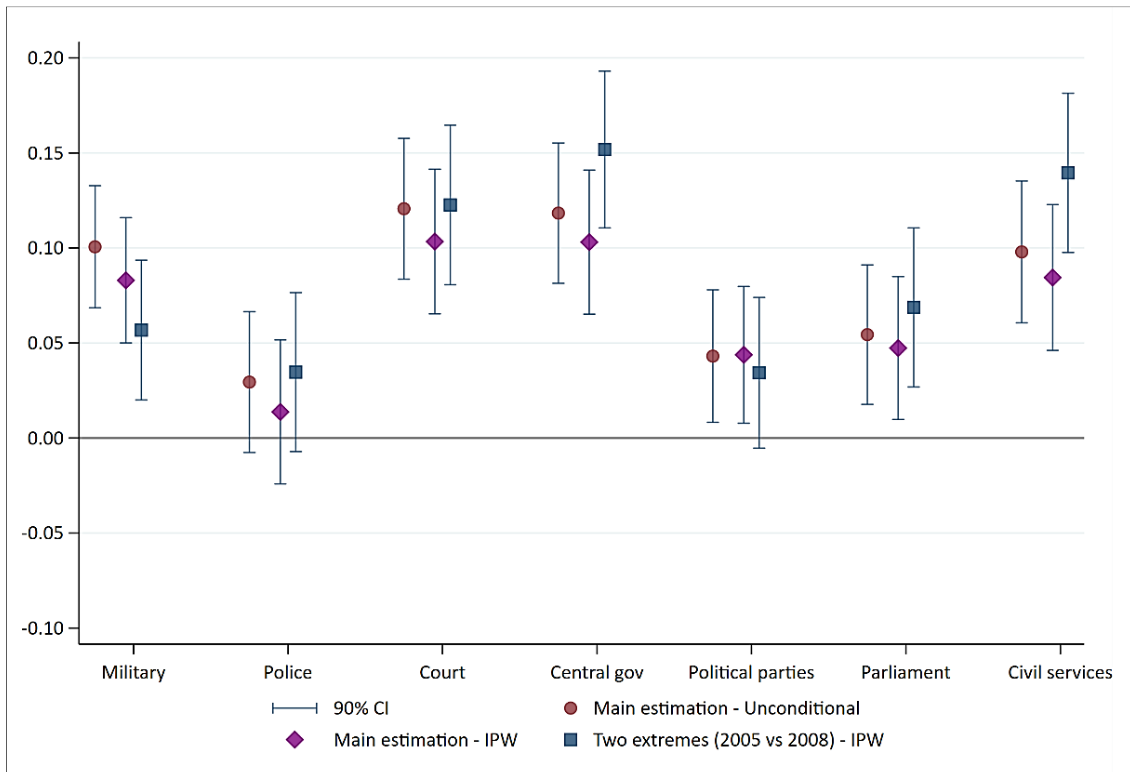
Parliament had the second lowest trust from the public after political parties. This reflects the persistent public distrust towards the parliament (Westminster Foundation for Democracy 2020). Although an overwhelming majority of Indonesians agreed that public participation is very important in supporting parliament's work, almost half had never participated through any of the various means available. On the other hand, there is a tendency within the parliament to evade public criticism and dissent during the policymaking process by rushing through the passage of bills into law. This indicates that there is a disconnect and a wide gap between the parliament and the citizens they are expected to represent. Furthermore, the public's low trust in parliament was made worse by corruption cases involving parliamentary members.

The Effect of Direct Elections on Trust in Institutions

Figure 2 shows the results from Equation 1's estimations using unweighted and IPW samples. It also shows the estimates using only the 2005 and 2008 election districts. The hands indicate 90% confidence intervals. Our preferred results are the IPW, although the conclusions from the unweighted regression are almost identical. Also, using the two extremes results in qualitatively the same estimates, implying that the main estimates are likely to be robust to spillovers.

We find that direct elections significantly increase trust in all state and political institutions, except for the police. The highest increase in trust is gained by the court and central government, with 10.3 percentage points (more than 25% proportional gains). The next largest effects are with regard to trust in civil services and the military, both with around 8.4 percentage points, although the proportional increase for the military is relatively small at only slightly more than 10%. Political parties gain an increase in trust of around 4.4 percentage points, with the two extremes estimation not being statistically significant. Finally, trust in the parliament is higher by 4.7 percentage points. Relative to the mean, these are also substantial effects.

Figure 2: The Effect of Direct Election on Trust in State and Political Institutions

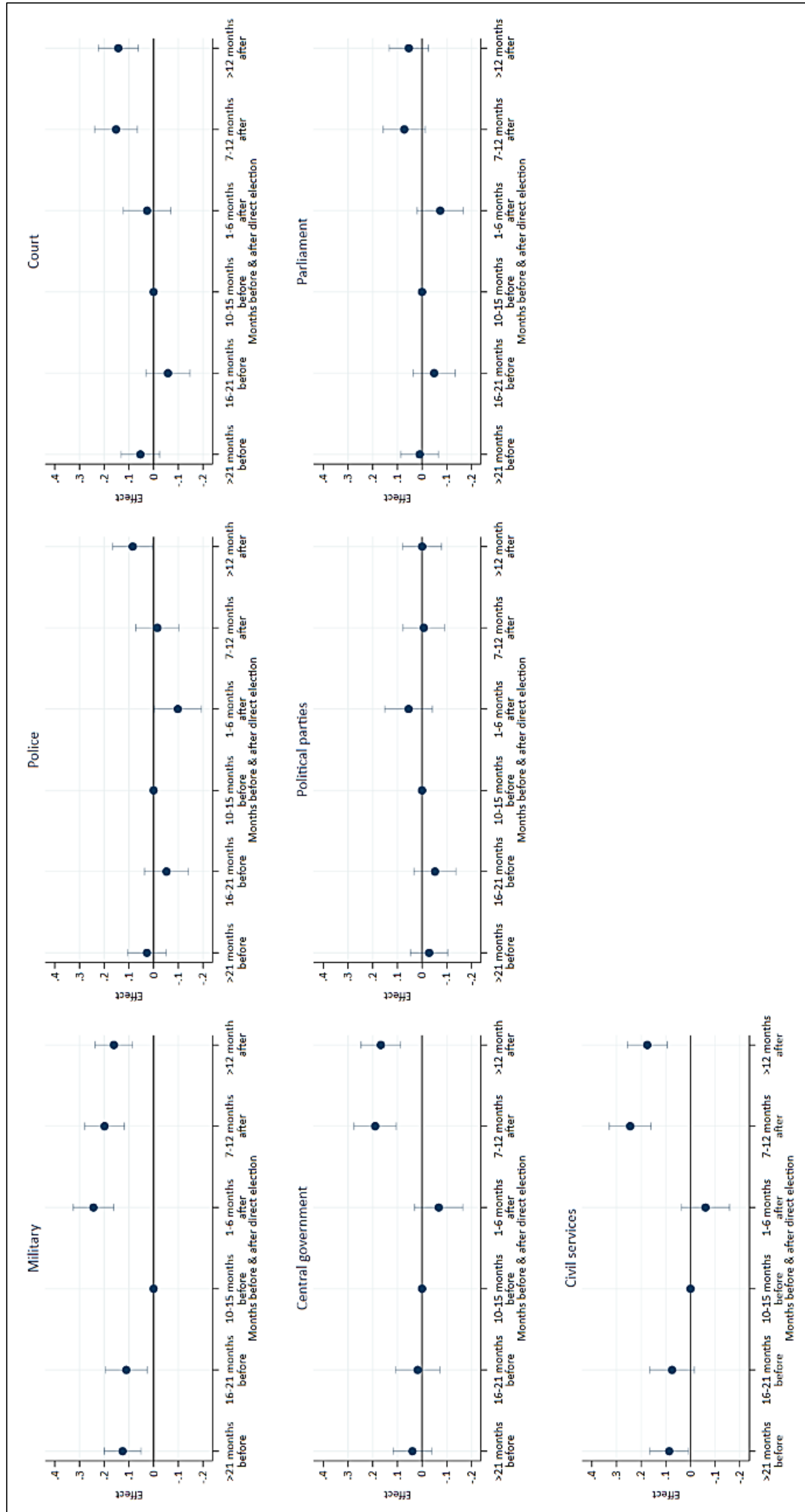


Note: The complete point estimates and notes are in Table A3 in the Appendix.

Figure 3 shows the estimates of Equation 2. The first point to note is that for six out of seven outcome variables, with trust in the military being the exception, we do not observe any statistically significant difference in trust for the comparison group (i.e., those living in districts that had not yet implemented direct elections at the time of the WVS) regardless of the distance between the survey date and the future election date. This increases our confidence that our estimates are picking up the causal effect of direct elections.

Second, the estimates show that trust in the military increased almost immediately after the direct elections. For the police, the effect is still null, although it seems to be on an increasing trajectory the longer the distance to the survey post-election. This is not the case for trust in political parties or the parliament. For the courts, central government, and civil service, trust in these institutions was only higher in districts where the survey was implemented more than seven months after the direct elections. This indicates that the trust could be affected by how the elections happened and the policies of the elected leaders, rather than any immediate outcomes after the elections.

Figure 3: The Effect of Direct Election on Trust in Political Institutions by Timing of Election



Note: The complete point estimates and notes are in Table A4 in the Appendix.

Mechanisms

The people's higher trust in institutions could reflect their respective roles in the elections and how the direct elections went. The court gained the highest increase in trust due to its role as the ultimate decider if there was a dispute in an election result. This reflects people's satisfaction with how the court undertook its duties. The central government and the parliament also gained a high increase in trust due to their role in facilitating the elections, making it possible for the elections to run relatively smoothly. The gain in trust enjoyed by the civil service could have been due to their ability to remain politically neutral during the direct elections. The military also gained a relatively high increase in trust because they were viewed as neutral and did not take sides in the elections.

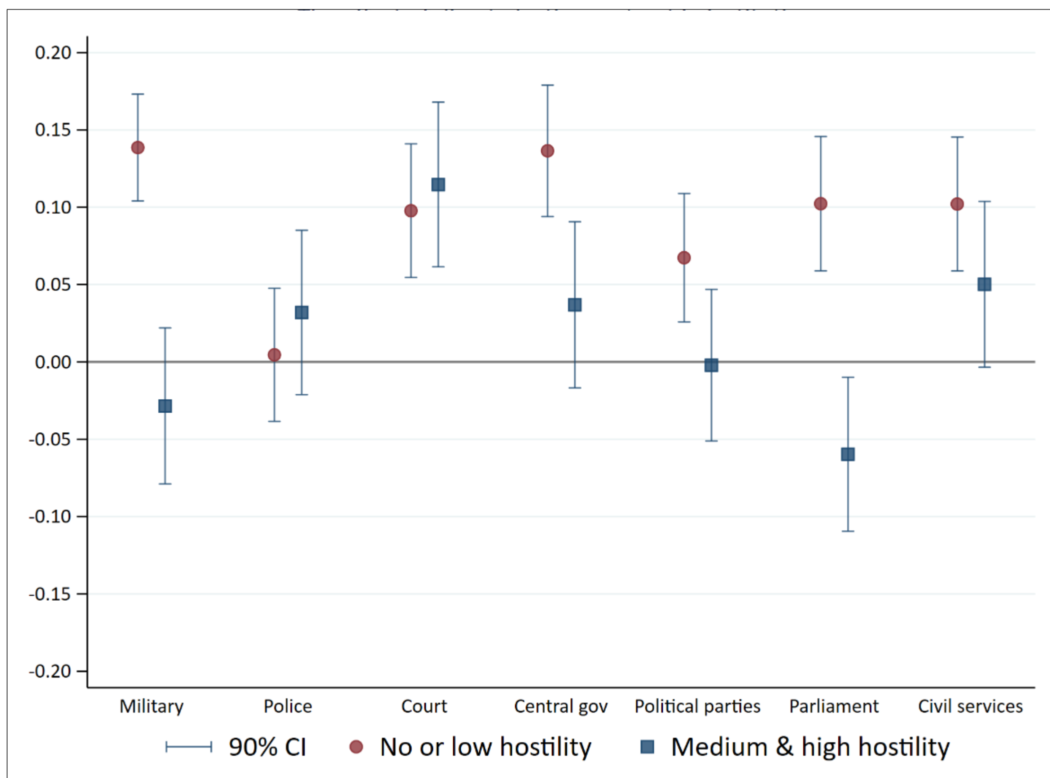
The political parties gained a relatively small increase in trust due to the difficulties for the people in identifying the roles of specific political parties in advancing people's interests as a relatively large number of political parties participated in the elections. Meanwhile, the police did not gain an increase in trust as they were the ones who had to ensure the security during the elections and often had to deal directly with problems that emerged at election sites. It is also possible that the first district direct elections coincided with a period when public trust in the police was declining (UNODC 2010; Davis, Triwahyuono, and Alexander 2009).

To empirically test our explanation that the higher trust is related to how smoothly the direct elections went, we compare the effects between elections that went smoothly and those that did not. Figure 4 confirms that the higher trust in the central government, political parties, civil service, and the military only occurs in districts where the elections took place with no or low hostility. In districts with high hostility, we find a large negative effect on the trust in the parliament, and null effects on the rest of these institutions. Trust in the court is unaffected by election hostility, indicating that the court may have been successful in solving the high hostility of the elections.

Another reason why direct elections could increase trust in institutions is if direct elections installed leaders who improved the social and economic conditions. In Section II, we summarize the inconclusive findings on the effects of direct elections in Indonesia. To tease out the mechanisms that explain higher trust in institutions, we estimate the impact of direct elections on the labor market outcomes, health, and subjective well-being reported by the respondents in the WVS. We use the model in Equation 1, but with a different set of dependent variables.

Table 1 shows that the first direct election had a large and positive impact on the subjective economic ladder. Those living in districts that implemented direct elections are 10.9 percentage points more likely to state that they are in the top 50% of income distribution in Indonesia (Column 1). While they are not more likely to report higher life satisfaction (Column 2), they are slightly more likely to consider themselves in the top 50% of financial satisfaction (Column 3). Finally, those living in districts that implemented direct elections have a higher chance of being employed by 5.6 percentage points (Column 4). However, it does not appear that they are happier or healthier. Therefore, it appears that increased trust due to the direct elections may also be mediated by better economic conditions.

Figure 4: The Effect of Direct Election on Trust in Political Institutions by Election Hostility



Note: The complete point estimates and notes are in Table A5 in the Appendix.

Table 1: The Effect of Direct Election on Employment and Subjective Well-being

	(1)	(2)	(3)	(4)	(5)	(6)
	Subjective Economic Ladder (Above Median=1)	**Life Satisfaction (Above Median=1)**	**Financial Satisfaction (Above Median=1)**	**Employed (Yes=1)**	**Happiness (Happy=1)**	**Health (Good=1)**
Experienced direct election (Yes=1)	0.109***	0.005	0.073**	0.056***	0.002	0.025
	(0.024)	(0.021)	(0.022)	(0.017)	(0.012)	(0.019)
Observations	1,793	1,906	1,895	1,337	1,988	2,001
Mean of control group	0.449	0.744	0.647	0.895	0.933	0.767

Notes: *** p<0.001, ** p<0.05, * p<0.1; standard errors in parentheses are robust to heteroskedasticity. The coefficients are estimated using a linear probability model. The sample is reweighted to be balanced on the individual characteristics.

Heterogeneity by Respondent Characteristics

The effect of direct election on trust in state and political institutions may differ across population groups. Table A6 in the Appendix shows the heterogeneity effects of direct elections on trust in state and political institutions by individual characteristics, which include gender, education level, and ethnicity. The main motivation is that direct elections could better reach some groups, or have differential effects on different groups, such that their level of trust is differentially affected. While the literature on this aspect of direct election is relatively smaller, Kim (2019) finds that direct

democracy in Sweden has a positive effect on women's political inclusion compared to representative democracy.

Comparing across genders, Panel A shows that direct elections significantly increased the trust of male respondents in the military, the court, the central government, and the civil services. The effect sizes are relatively substantial. Meanwhile, Panel B shows that direct elections significantly increased the trust of female respondents only in the court and the parliament. This indicates that the effects of direct elections on trust in state and political institutions are positive for both genders, but stronger among males than females.

Direct elections could also affect trust differently between education levels. While there is no a priori reason for individuals with different education levels to participate in direct elections differently, more highly and less highly educated individuals could be affected differently given how the direct elections took place, or due to the policies enacted by the subsequently elected regents. Panel C shows that direct elections significantly increased the trust of less highly educated respondents only in the court and the civil services. This may be a reflection of better public service. Meanwhile, Panel D shows that direct elections significantly increased the trust of highly educated respondents in all state and political institutions except the police, mimicking the results of the main estimation. These highly educated respondents have a greater chance of benefiting economically from the policies of the elected regents. Another explanation is that they may have a better appreciation of direct elections.

Different ethnic groups could be affected differently by direct elections. Assuming that the candidates are more likely to come from the majority ethnic group, it is possible that the minority ethnic group are more likely to be negatively affected in the event of high election hostility. Also, once the regent takes office, she or he may enact policies that benefit the majority ethnic group, as these are likely to be the median voters. Panel E shows that direct elections significantly increased the trust of respondents from the largest ethnic group in the military, court, and central government. Meanwhile, Panel F shows that direct elections significantly increased the trust of respondents from other ethnic groups in all state and political institutions, including the police. The effect sizes are also all proportionally much larger than the increase in trust from the ethnic majority. This indicates that the minority ethnic groups feel empowered by direct election, possibly because now they have a greater influence on politics and policies through direct elections. This is similar to the findings in Sweden for women (Kim 2019).

5. CONCLUSION

The effectiveness of government policies is greatly influenced by people's trust in state and political institutions. We investigate whether a change from indirect (representative) election of regents to a direct election increases people's trust in state and political institutions. In 2005, the country changed the way it selected its governors, mayors, and regents from being elected by the members of parliament to being directly elected by the people. The implementation of the first elections at the province and district levels was staggered over four years.

We find that district direct elections significantly increased trust in all state and political institutions, except for the police. The highest increase in trust was gained by the court, followed by the central government, the civil services, the military, the parliament, and the political parties.

We find that our main finding only holds in the districts that experienced no or low hostility. We see evidence of immediate effects on trust in some institutions, while the trust in other institutions only increased in the longer run. We find evidence that direct election increases people's trust in the state and political institutions because of improvements in economic conditions. Given our finding that higher trust only occurs after peaceful elections, it is imperative that elections continue to be held in a free, fair, and peaceful manner.

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APPENDIX

Table A1: Balance Test of Characteristics between Districts that Implemented the First Direct Election Before or After WVS 2006 Survey

District Characteristics	District Implemented the First Direct Election in 2007 or 2008 (After WVS 2006)	District Implemented the First Direct Election in 2005 or 2006 (Before WVS 2006)	p-value of the Mean Difference
Share of development spending spent on education	0.12	0.12	0.92
Share of routine spending spent on education	0.45	0.47	0.21
Share of development spending spent on health	0.09	0.09	0.89
Share of development spending to total spending	0.39	0.32	0.23
Share of routine spending to total spending	0.74	0.65	0.48
Share of education to total spending	0.34	0.36	0.17
Share of health to total spending	0.07	0.07	0.30
Share of residents 0–14 years old	0.31	0.31	0.45
Share of residents 15–29 years old	0.27	0.27	0.00
Share of residents 30–44 years old	0.22	0.22	0.73
Share of residents 45+ years old	0.19	0.20	0.17
Share of adults that graduated from high school	0.26	0.25	0.35
Share of adult males that graduated from high school	0.30	0.28	0.33
Share of adult females that graduated from high school	0.22	0.21	0.36
Net primary school enrollment rate	0.93	0.92	0.47
Net junior secondary school enrollment rate	0.65	0.64	0.18
Net senior secondary school enrollment rate	0.44	0.43	0.48
Share of villages in district with access to phone	0.43	0.40	0.30
Share of villages in district with access to TV	0.92	0.87	0.02
Share of villages in district with access to newspaper	0.51	0.50	0.74
Share of villages in district with access to Internet	0.05	0.05	0.58
Share of villages in district with asphalt roads	0.58	0.57	0.80
Share of villages in district with year-round roads	0.84	0.84	0.98
District population (in millions)	0.51	0.57	0.24
Political diversity	0.85	0.85	0.30
Unemployment rate	0.09	0.09	0.48
Poverty rate	0.18	0.19	0.48
Urban district (municipality) = 1	0.23	0.15	0.05
GDP (in trillion Rp)	10.41	9.28	0.46
Share of urban population 2004	0.37	0.33	0.13
Share of Golkar's votes in 2004 general election	0.24	0.25	0.40
Share of Demokrat's votes in 2004 general election	0.06	0.06	0.30
Share of PDIP's votes in 2004 general election	0.15	0.16	0.33
Share of PPP's votes in 2004 general election	0.08	0.07	0.29
Share of PKS' votes in 2004 general election	0.06	0.06	0.17
Distance to capital (in 1000 km)	1.05	0.97	0.29
Ethnolinguistic fractionalization	0.46	0.43	0.46
The incumbent cannot contest the first direct election	0.11	0.04	0.01

Table A2: Balance Test of Individual Characteristics

	Unconditional			Weighted (IPW)		
Individual characteristics	Control	Treatment	p-value	Control	Treatment	p-value
Male (Yes=1)	0.54	0.50	0.06	0.53	0.53	0.99
Urban (Yes=1)	0.51	0.46	0.01	0.48	0.48	0.96
Higher education (Yes=1)	0.66	0.64	0.25	0.66	0.66	0.94
Young, <30 years old (Yes=1)	0.43	0.37	0.01	0.40	0.40	0.96
Married (Yes=1)	0.58	0.63	0.03	0.60	0.60	0.95
Ethnicity is Javanese (Yes=1)	0.54	0.72	0.00	0.63	0.62	0.98

Table A3: Main Estimations (Average Effect of Direct Election on Trust in Institutions)

	Military	Police	Court	Central Government	Political Parties	Parliament	Civil Services
	Unconditional (Whole sample)						
Experienced direct election (Yes=1)	0.101***	0.029	0.121***	0.118***	0.043**	0.054**	0.098***
	(0.020)	(0.023)	(0.023)	(0.022)	(0.021)	(0.022)	(0.023)
Observations	1,965	1,981	1,950	1,934	1,900	1,880	1,899
Mean of control group	0.743	0.507	0.516	0.560	0.305	0.368	0.563
	Reweighting (Whole sample)						
Experienced direct election (Yes=1)	0.083***	0.014	0.103***	0.103***	0.044**	0.047**	0.084***
	(0.020)	(0.023)	(0.023)	(0.023)	(0.022)	(0.023)	(0.023)
Observations	1,965	1,981	1,950	1,934	1,900	1,880	1,899
Mean of control group	0.746	0.514	0.514	0.563	0.310	0.370	0.562
	Reweighting – two extremes (Early direct election in 2005 vs. later election in 2008)						
Experienced direct election (Yes=1)	0.057**	0.035	0.123***	0.152***	0.034	0.069**	0.140***
	(0.022)	(0.025)	(0.026)	(0.025)	(0.024)	(0.025)	(0.025)
Observations	1,594	1,611	1,588	1,583	1,553	1,537	1,548
Mean of control group	0.746	0.536	0.531	0.583	0.307	0.383	0.584

Notes: *** p<0.001, ** p<0.05, * p<0.1; standard errors in parentheses are robust to heteroskedasticity. The coefficients are estimated using a linear probability model.

Table A4: Estimations of Number of Months after Experienced First Direct Election

	Military	Police	Court	Central Government	Political Parties	Parliament	Civil Services
>=22 months before direct election	0.126**	0.031	0.050	0.038	-0.030	0.008	0.082*
	(0.045)	(0.047)	(0.047)	(0.048)	(0.045)	(0.046)	(0.047)
16–21 months before direct election	0.118**	-0.041	-0.052	0.026	-0.043	-0.042	0.080
	(0.051)	(0.054)	(0.054)	(0.054)	(0.051)	(0.052)	(0.055)
10–15 months before direct election (Base)	–	–	–	–	–	–	–
Experienced direct election 1–6 months	0.242***	–0.105*	0.013	–0.063	0.052	–0.071	–0.061
	(0.050)	(0.057)	(0.058)	(0.059)	(0.057)	(0.056)	(0.058)
Experienced direct election 7–12 months	0.202***	–0.015	0.149**	0.191***	–0.004	0.073	0.246***
	(0.049)	(0.053)	(0.052)	(0.052)	(0.050)	(0.051)	(0.051)
Experienced direct election >=13 months	0.164***	0.091*	0.147**	0.168***	0.012	0.062	0.178***
	(0.046)	(0.049)	(0.048)	(0.049)	(0.047)	(0.048)	(0.049)
Observations	1,965	1,981	1,950	1,934	1,900	1,880	1,899
Mean of control group	0.704	0.507	0.462	0.512	0.289	0.346	0.519

Notes: *** p<0.001, ** p<0.05, * p<0.1; standard errors in parentheses are robust to heteroskedasticity. The coefficients are estimated using a linear probability model. The sample is reweighted to be balanced on the individual characteristics.

Table A5: The Effect of Direct Election on Trust in Political Institutions by Election Hostility

	Military	Police	Court	Central Government	Political Parties	Parliament	Civil Services
No or low hostility	0.139***	0.005	0.098***	0.136***	0.067**	0.102***	0.102***
	(0.021)	(0.026)	(0.026)	(0.026)	(0.025)	(0.026)	(0.026)
Medium and high hostility	–0.028	0.032	0.115***	0.037	–0.002	–0.060**	0.050
	(0.031)	(0.032)	(0.032)	(0.033)	(0.030)	(0.030)	(0.033)
Observations	1,965	1,981	1,950	1,934	1,900	1,880	1,899
Mean of control group	0.704	0.507	0.462	0.512	0.289	0.346	0.519

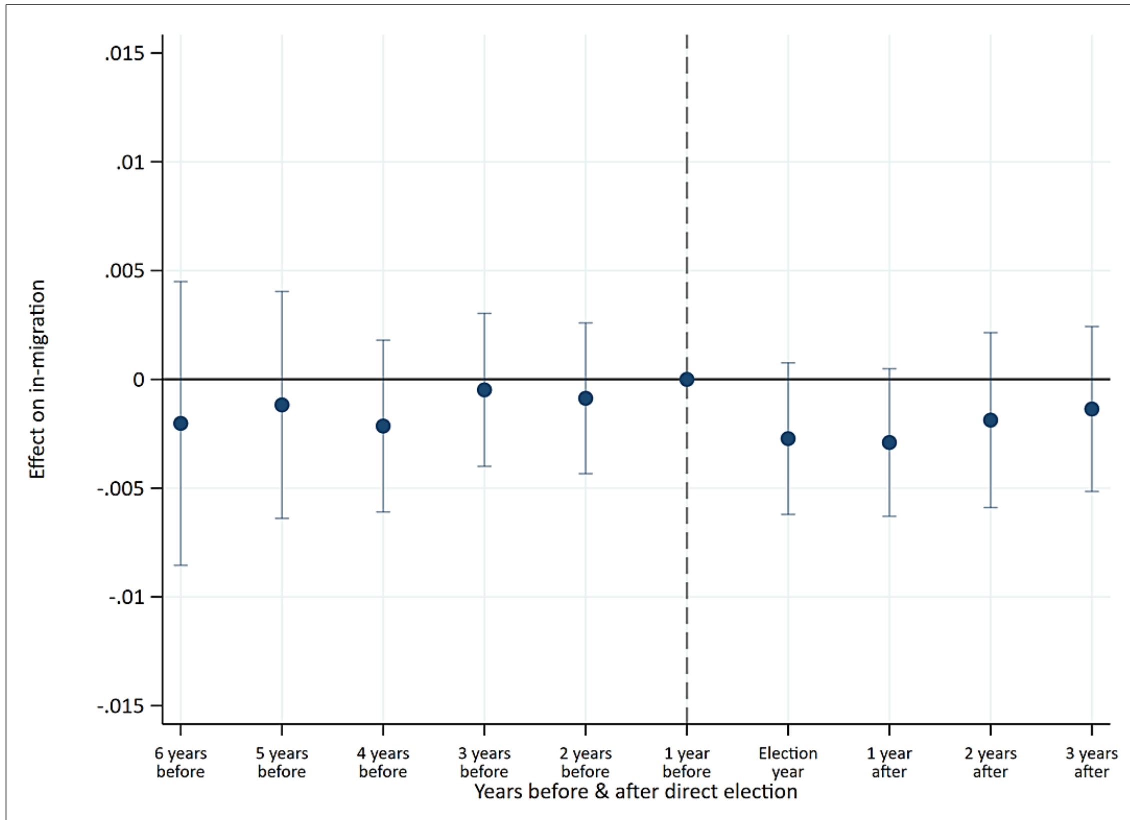
Notes: *** p<0.001, ** p<0.05, * p<0.1; standard errors in parentheses are robust to heteroskedasticity. The coefficients are estimated using a linear probability model. The excluded category is the control group. The sample is reweighted to be balanced on the individual characteristics.

Table A6: Heterogeneity at the Individual Level

	Military	Police	Court	Central Government	Political Parties	Parliament	Civil Services
				A. Male			
Experienced direct election (Yes=1)	0.117***	0.037	0.135***	0.138***	0.045	0.025	0.124***
	(0.027)	(0.032)	(0.032)	(0.032)	(0.030)	(0.031)	(0.032)
Observations	1,041	1,042	1,028	1,015	1,012	999	1,001
Mean of control group	0.747	0.490	0.481	0.548	0.299	0.355	0.544
				B. Female			
Experienced direct election (Yes=1)	0.044	–0.012	0.068**	0.064*	0.042	0.073**	0.040
	(0.029)	(0.033)	(0.034)	(0.033)	(0.032)	(0.034)	(0.034)
Observations	924	939	922	919	888	881	898
Mean of control group	0.745	0.542	0.551	0.579	0.324	0.386	0.582
				C. Below senior high school			
Experienced direct election (Yes=1)	0.036	0.011	0.109**	0.074*	–0.053	0.006	0.093**
	(0.035)	(0.039)	(0.039)	(0.040)	(0.038)	(0.040)	(0.040)
Observations	661	676	656	645	626	612	622
Mean of control group	0.735	0.544	0.561	0.581	0.325	0.370	0.576
				D. Senior high school and higher			
Experienced direct election (Yes=1)	0.107***	0.016	0.102***	0.117***	0.089***	0.065**	0.081**
	(0.024)	(0.028)	(0.028)	(0.028)	(0.027)	(0.028)	(0.029)
Observations	1,303	1,304	1,293	1,288	1,273	1,267	1,276
Mean of control group	0.752	0.500	0.491	0.554	0.303	0.369	0.556
				E. Part of the largest ethnic group in the district			
Experienced direct election (Yes=1)	0.062**	–0.026	0.070**	0.066**	0.018	–0.011	0.021
	(0.022)	(0.026)	(0.026)	(0.026)	(0.024)	(0.025)	(0.026)
Observations	1,557	1,572	1,544	1,533	1,513	1,493	1,504
Mean of control group	0.772	0.529	0.524	0.559	0.305	0.363	0.560
				F. Not part of the largest ethnic group in the district			
Experienced direct election (Yes=1)	0.121**	0.140**	0.214***	0.253***	0.154**	0.277***	0.325***
	(0.050)	(0.053)	(0.053)	(0.051)	(0.053)	(0.053)	(0.049)
Observations	408	409	406	401	387	387	395
Mean of control group	0.653	0.459	0.477	0.578	0.331	0.394	0.570

Notes: *** p<0.001, ** p<0.05, * p<0.1; standard errors in parentheses are robust to heteroskedasticity. The coefficients are estimated using a linear probability model. The sample is reweighted to be balanced on the individual characteristics (excluding the one used as basis in the heterogeneity).

Figure A1: In-migration Before and After the First Direct Elections



The figure comes from an event-study model:

$$Migration_{it} = \sum_{k=2,k\neq 1}^{6} \gamma_k(DE = 1) + \sum_{k=0}^{3} \delta_k(DE = 1) + \mu_i + \tau_t + \varepsilon_{it},$$

where $Migration_{it}$ is the migration status of an individual *i* at time *t*. DE is a dummy of direct election district as defined in Section 3. The symbol γ_k estimates the difference in migration rate between a district that had experienced a direct election and a control district that had not experienced a direct election before the direct election took place (2 to 6 years before). We define the period one year before the election as the base. These estimates show the pre-parallel trend test. Meanwhile, δ_k measures the effect of the direct election on the migration rate from the election year until three years after the election. We control the estimation by including individual fixed-effect μ_i and year fixed-effect τ_t.

We use data from the Indonesian Family Life Survey (IFLS) Wave 4, conducted from 2007 until early 2008 (Strauss, Witoelar, and Sikoki 2016). We use the migration history from Book MG to create the individual-year migration dataset for the year 2000 until 2008. The treatment district is the district that experienced direct election from 2005 until 2007, while the control district is the district that implemented direct election later in 2008 (we reduce the sample by 4% from the district that was interviewed in 2008 and had also already experienced direct election in early 2008, while the control district implemented direct election later in 2008). We estimate the model using 17,951 panel individuals (143,608 individual-year observations).