



A Recipe for Fiscal Trust

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September 7, 2016



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Today

1. About Trust
 - Is trust in decline?
 - What is trust, anyway?
 - The trust continuum
2. The 5 Ingredients of Fiscal Trust
3. Hard Realities

About Trust: Is trust in decline?

- Globally yes, in Canada not so much.
 - Canadians trust their local governments more than provincial or federal governments – 57% vs. provincial (41%) or federal (43%)
 - But when it comes to money municipal governments fare only marginally better than provincial governments, and were seen as guiltier of wasteful spending than the federal government

About Trust: What is trust anyway?

- What is trust anyway?
 - No consistent definition of trust in the literature
 - Competence and trust differ

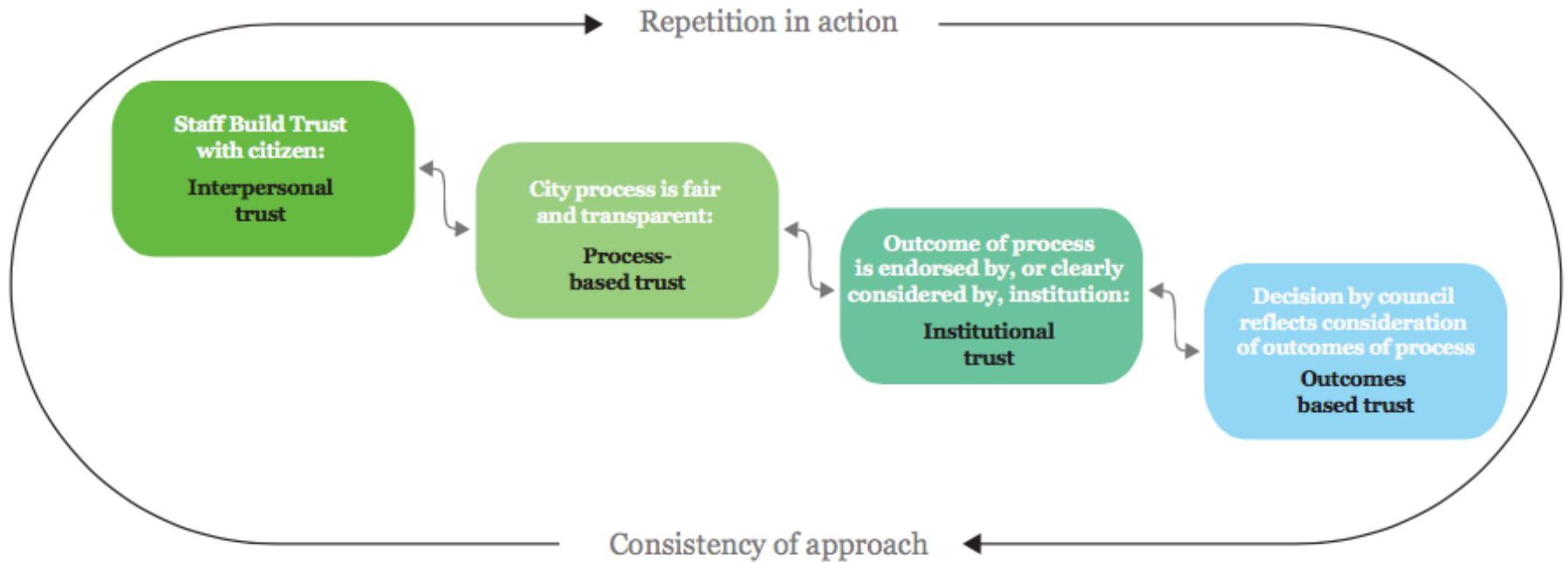


About Trust: Many dimensions

- We can identify different dimensions:
 - Interpersonal trust
 - Process-based trust
 - Institutional trust
 - Outcomes-based trust

Trust acts as a continuum

The trust continuum



About trust

- The *level* of trust differs depending on the subject matter
- People trust their governments to do some things more than others
- And lack of trust is connected to uncertainty about outcomes

Our focus: Fiscal trust

- Central question: *why is the public reluctant to pay short-term costs for long-term benefits?*
 - “Cognitive myopia” (Jacobs & Matthews): people don’t believe long-delayed policy rewards will be delivered – because they know elected officials and future governments will face pressure to divert the funds to other resources – and this pressure grows over time
 - The more transparent governments are in the short term about how the money is being held before it is spent, the longer the public is willing to wait for returns

Recipe for trust: 5 Ingredients

1) Good information

- The importance, and limits, of transparency



Open Data will save us!

or will it?

but these things are still not enough ...

Image via <https://toywiz.com/crazy-bones-gogos-series-1-bigu-41-loose/>

Recipe for trust: 5 Ingredients

2) Good communications

- Research: the clearer the information about the tradeoff and its long run value, the less sensitive people are to timing
- The need to tell a story
- Charismatic leadership helps
- So does a great marketing campaign

but these things are still not enough ...

Recipe for trust: 5 Ingredients

3) Real engagement

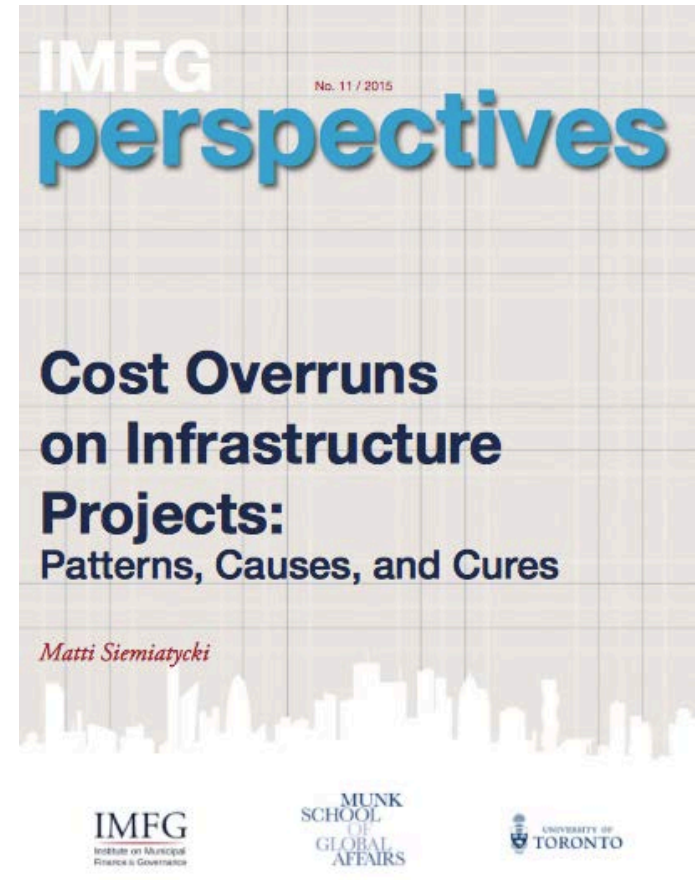
- Engagement remains necessity
- Trust is developed through repetition – not a one-off
- Engagement is labour-intensive and requires resources, people, and skillsets

... but the need for engagement never stops

Recipe for trust: 5 Ingredients

4) Building credibility

- A track record of delivering projects on time and on budget
- Transparent and measurable tracking systems



Recipe for trust: 5 Ingredients

5) Earmarking funds

- The Wicksellian connection: Linking expenditures and revenues
- Dedicated funds help increase support for investments
- Earmarking can be resisted by governments because it limits financial flexibility ... but the public likes the accountability of knowing where their tax dollars go

Recipe for trust: 5 Ingredients

- 1) Good information
- 2) Good communications
- 3) Good engagement
- 4) Building credibility
- 5) Earmarking funds

None of these work in isolation. They **all** have to be present.

Building trust: Hard realities

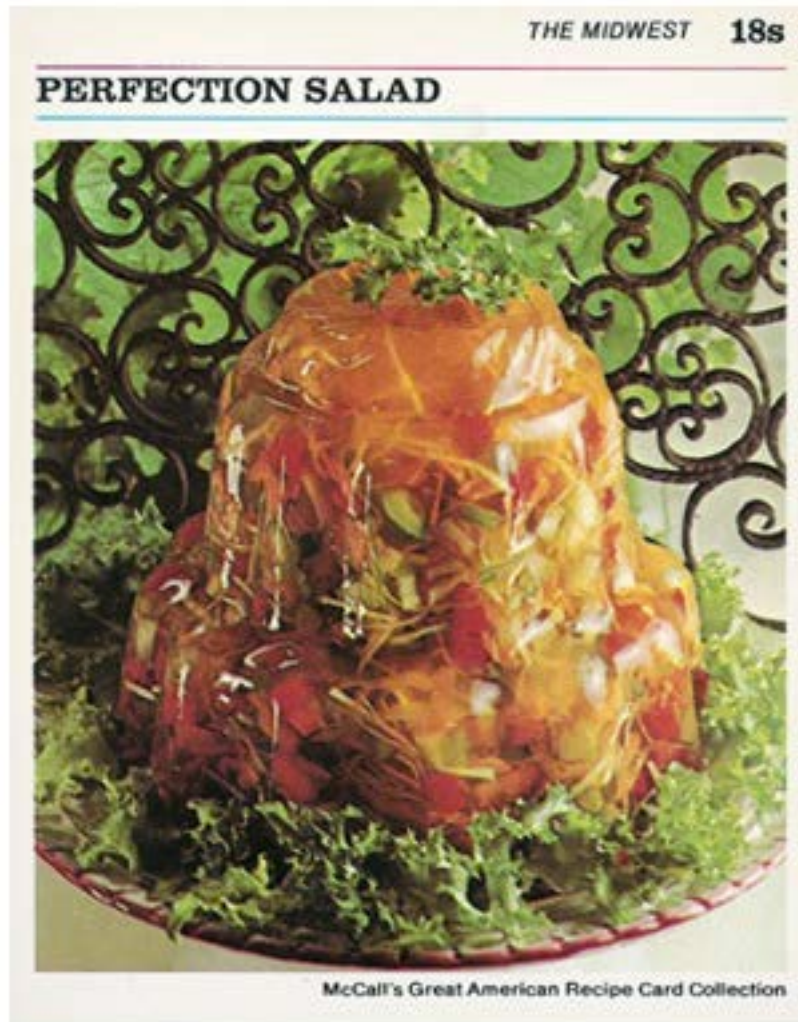


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*We have a
recipe but will
we use it?*

Building trust: Hard realities



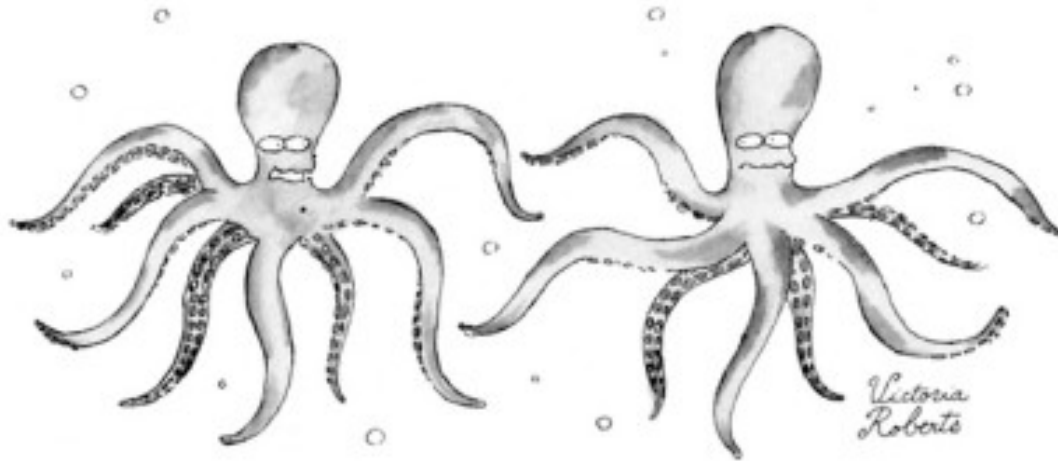
*We have a
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Elephant in the room



“The only thing worse than not having the money to build transit is having the money and using it to build vanity projects, thereby undercutting trust, an issue not addressed by earmarking.”

Is trust building the Holy Grail?



"I don't trust the Atlantic and I don't trust the Pacific."

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