

“Trust and Economic Growth in the Knowledge Society”

Eric M. Uslaner

Professor of Government and Politics

University of Maryland

College Park, MD 20742

<http://www.bsos.umd.edu/gvpt/uslaner>

- **Trust has many different meanings:**
- **Strategic trust: trust we gain from daily experience.**
- **Particularistic trust: trust in people like ourselves. May stem from direct experience or from stereotypes.**
- **Generalized (moralistic) trust: Trust in strangers, especially people who are different from ourselves. Cannot come from interaction with people we know.**

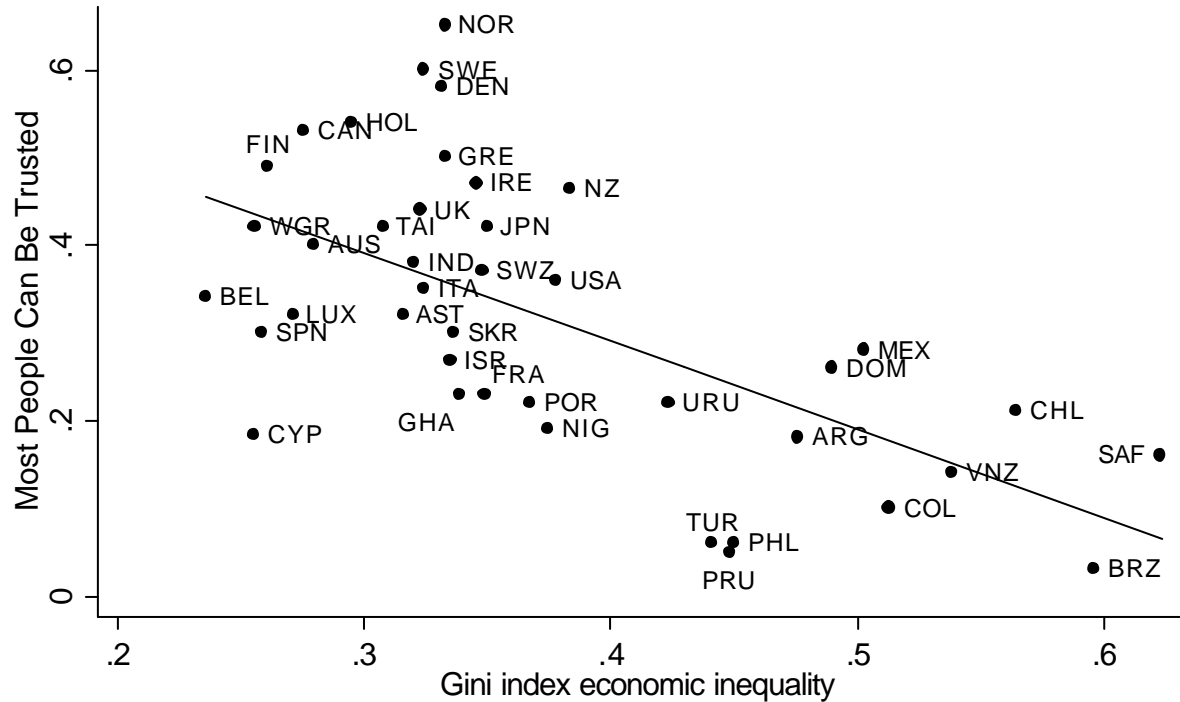
Trust as a key component of social capital, helping us to find ways of cooperating with others. The other key part of social capital is our social connections, both formal – membership in voluntary organizations – and informal – our social connections.

- **Generalized trust rather than strategic or particularistic trust is the cornerstone of the benefits of trust. We gain when we see strangers as offering opportunities rather than risks.**

Generalized trust depends upon a foundation of equality (Figure 1). In an unequal world, it is difficult to establish bonds between those at the top and those at the bottom. Trust also depends upon a foundation of optimism and control. People are optimistic and feel that they have control over their environment when the gap between the rich and the poor is small.

Trust in People and Economic Inequality

Former and Current Communist Nations Excluded

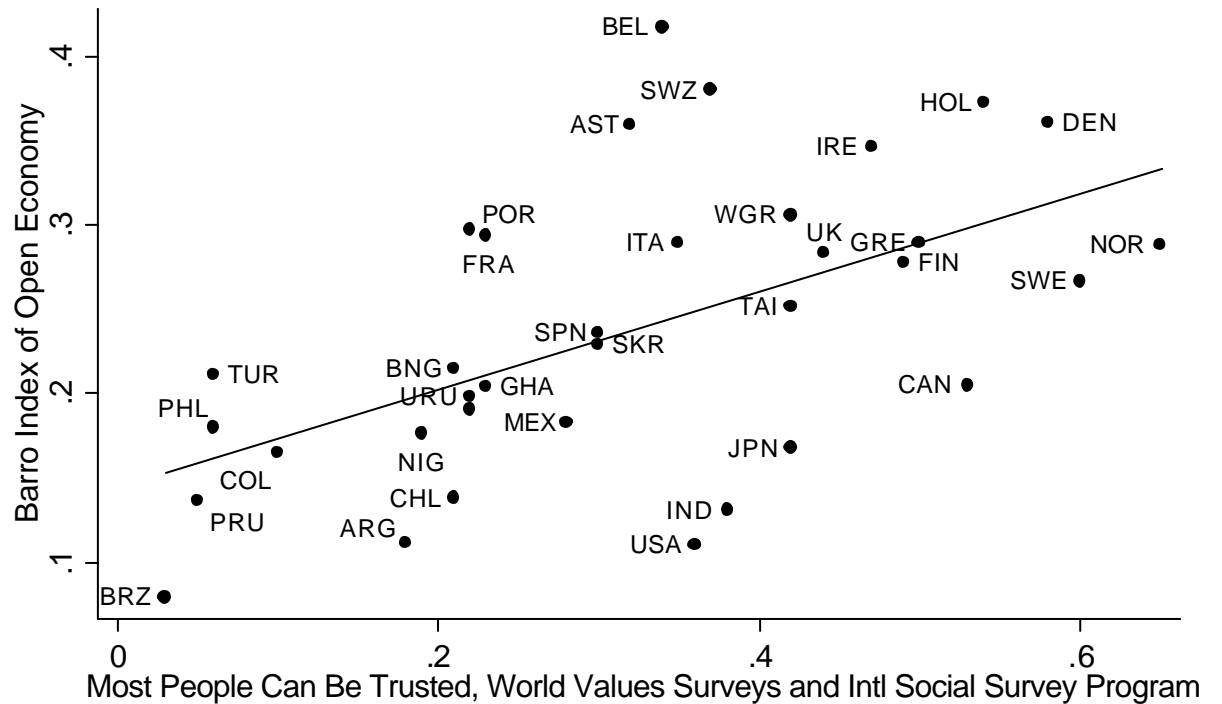


$r^2 = .391$

When people trust strangers, they will take risks such as opening markets.

Open Markets and Trust in People

Former and Current Communist Nations Excluded

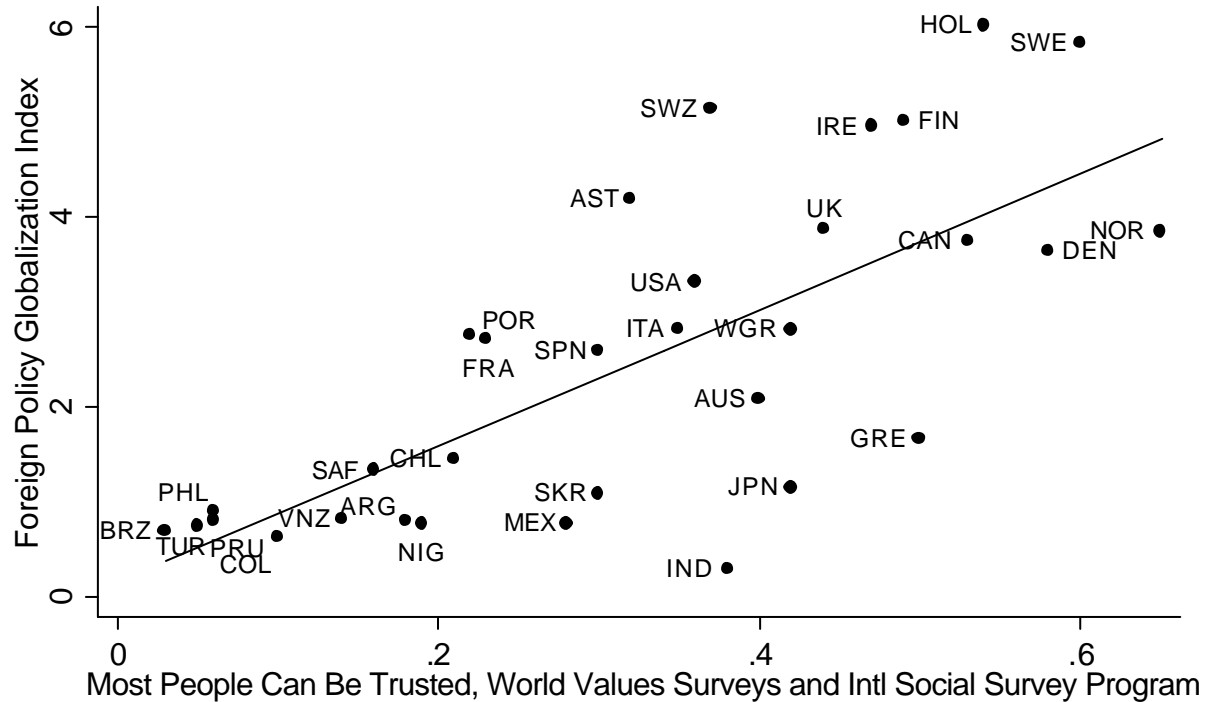


Source: Barro and Lee, 'Data Set for a Panel of 138 Countries,' Harvard University, $r^2 = .315$

- **Societies with high levels of trust have more open markets. They will also have higher levels of globalization, more broadly defined.**

Globalization and Trust in People

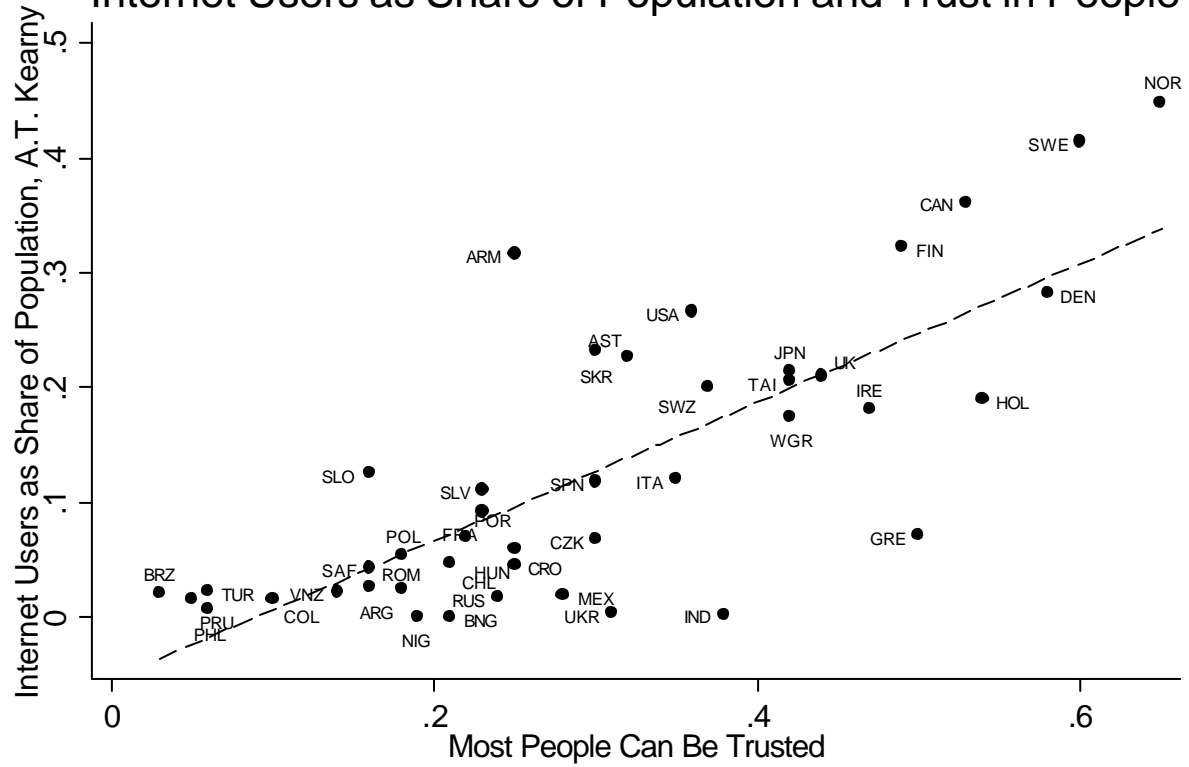
Former and Current Communist Nations Excluded



Source: Foreign Policy index of globalization $r^2 = .531$

They are more likely to use new technologies of communication such as the Internet. Individuals in the United States who trust others are more likely to use the Internet for commerce; they do not fear that their Internet transactions will violate their own privacy.

Internet Users as Share of Population and Trust in People

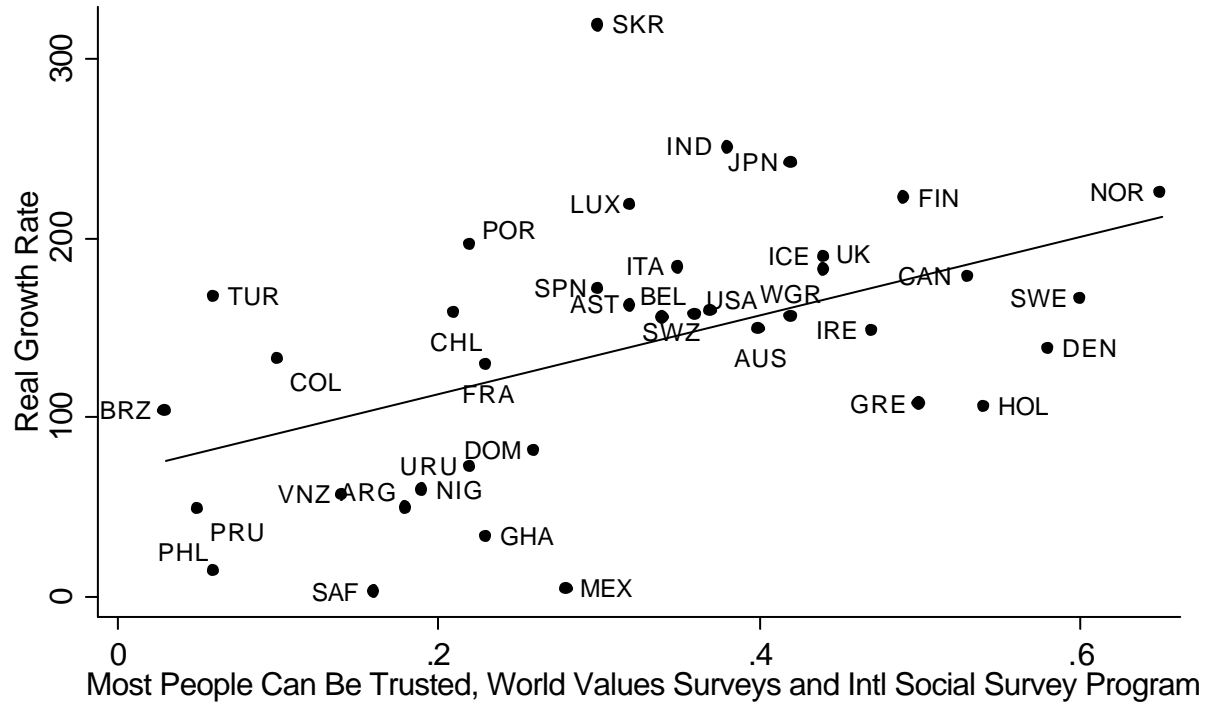


A.T. Kearney, Foreign Policy, $r^2 = .599$

Societies with higher levels of trust will have better performance: They have higher levels of economic growth.

Real Growth Rate 1980s and Trust in People

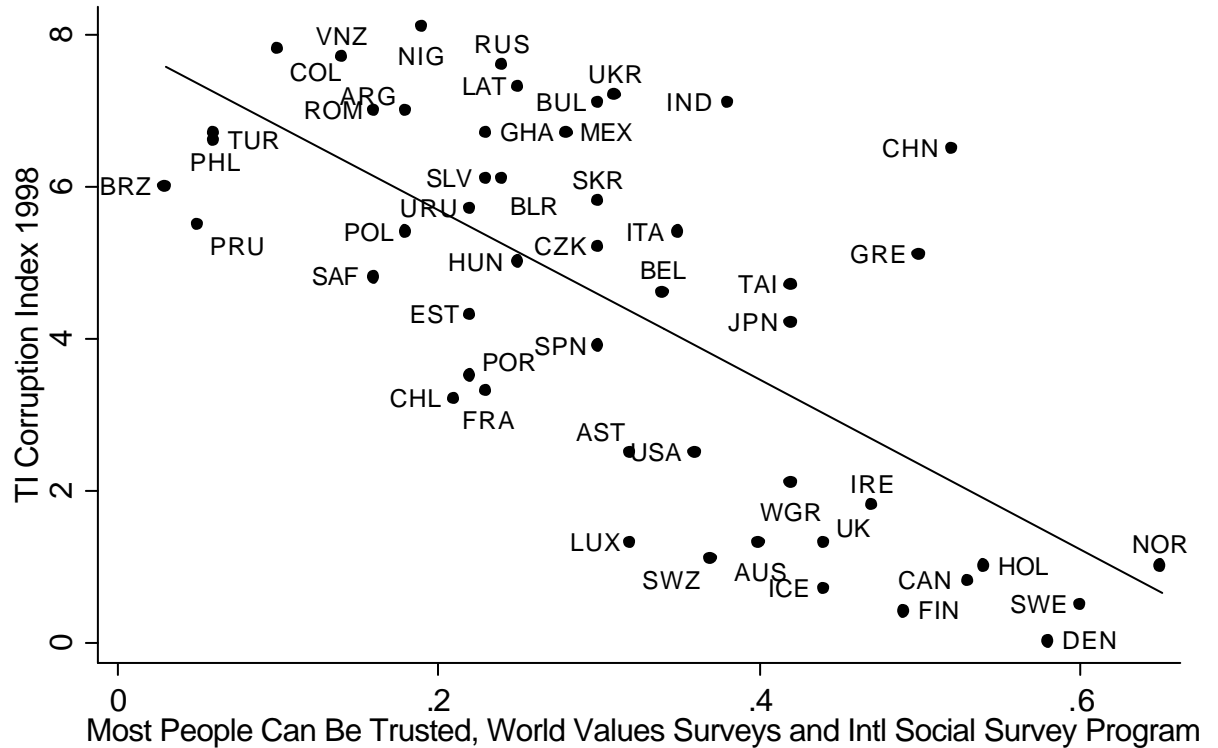
Former and Current Communist Nations Excluded



Source: Penn World Tables, $r^2 = .300$

**More trusting nations also have less
corruption.**

Level of Corruption and Trust in People

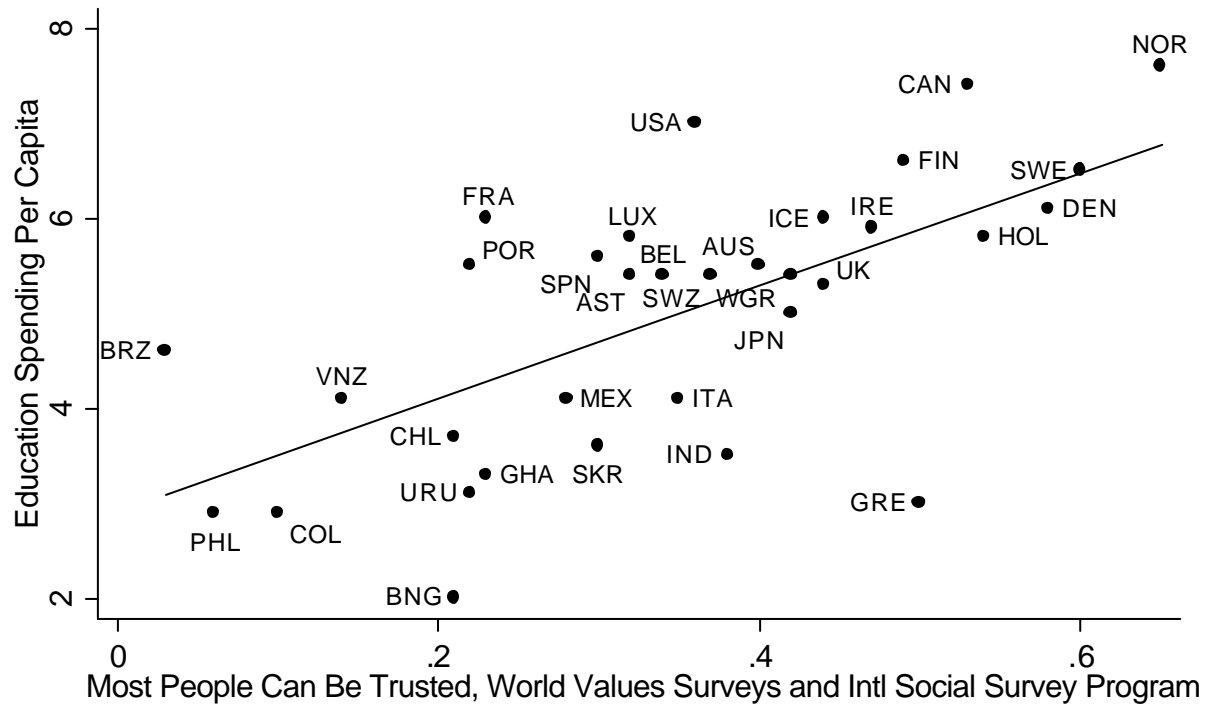


Source: Transparency International Corruption Perceptions Index, 1998, $r^2 = .469$

More trusting societies spend more on education per capita and transfer more of their resources from the rich to the poor. Trust forges bonds across groups and social classes and leads those who are well off to care about the fate of those less well off.

Education Spending and Trust in People

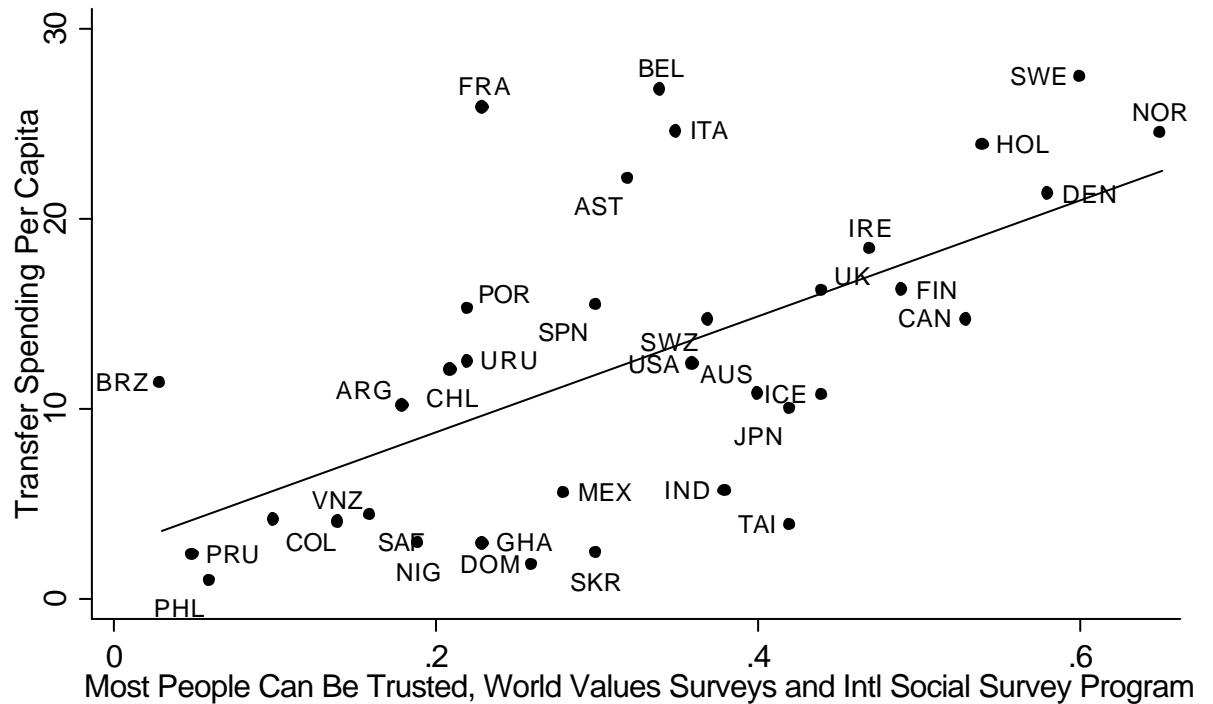
Former and Current Communist Nations Excluded



Source: Rafael LaPorta, Harvard University, $r^2 = .419$

Transfer Spending from Rich to Poor and Trust in People

Former and Current Communist Nations Excluded

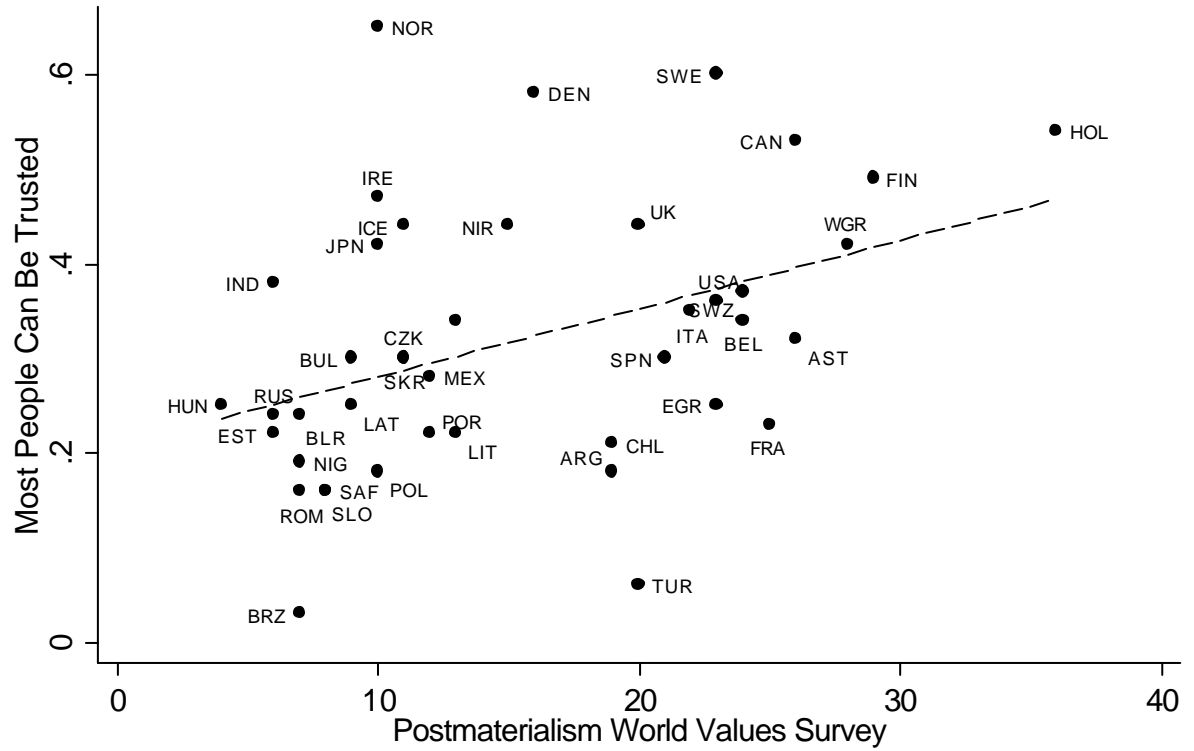


Source: Rafael LaPorta, Harvard University, $r^2 = .357$

Authoritarian societies destroy trust. But democratic societies do not create trust. Democracy is consistent with high and low levels of generalized trust. Democratizing a regime will not automatically lead to higher levels of trust.

Trust is a moral value. We learn it early in life and it is stable over the years for most people. But it is *not* the same as postmaterialism. Postmaterial values and trust both downplay the importance of materialism. But trust is more concerned with cooperation across individuals and groups. Postmaterialism is more concerned with individual autonomy.

Trust in People and Postmaterial Values

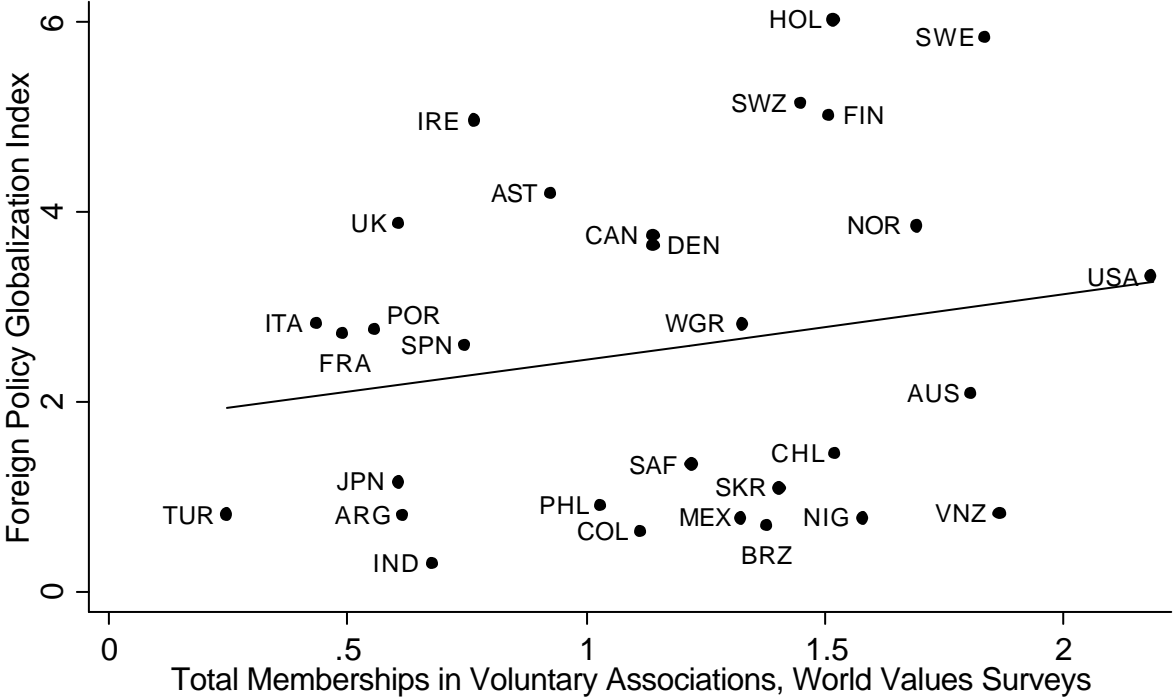


$r^2 = .164$

Trust is more important than voluntary association membership in creating wealth. Globalization and economic growth do *not* depend upon this “other” component of social capital. But they do depend upon trust.

Globalization and Voluntary Association Membership

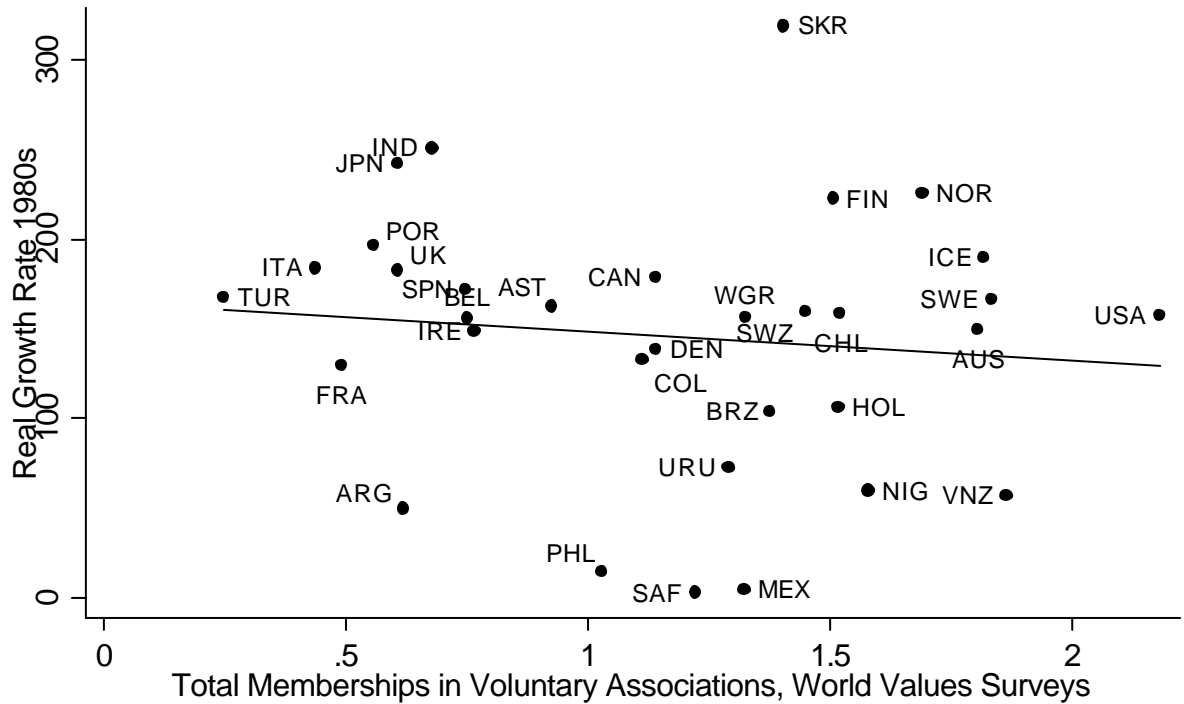
Former and Current Communist Nations Excluded



Source: Foreign Policy index of globalization $r^2 = .038$

Real Growth Rate 1980s & Voluntary Association Membership

Former and Current Communist Nations Excluded



Source: Penn World Tables, $r^2 = .027$

Trust is a key component of the cooperative spirit that “makes democracy work.”