

Distrust of Public Institutions, Interpersonal Trust and Corruption (new project)

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Introduction-1

- Trust between people is an extremely popular topic in sociology, economics, political economy, psychology, criminology...
- Various definitions
- In most general words, *trust is a positive expectation that another man will behave as we want*
- Various dimensions
- Very important in sociology and economics: generalized vs. particularized *trust*
- *PT*: trust in a well-known or familiar person and in a certain situation
- *GT*: trust in some unknown person and in some unspecified situation

Introduction-2

- Trust between people promotes cooperation, helps to solve collective action problems and reduce transaction costs (K.Arrow)
- These effects are attributed mostly to GT
- Most empirical literature focuses on GT
- Knack&Keefer, 1997: GT is positively correlated with (macro)economic outcomes across countries (for literature review see Algan&Cahuc, 2013)
- GT is positively associated with “lots of good things” (Uslaner, 2004)
- Establishing casality is a big challenge (e.g., Bjornskov, 2007)

Trust and corruption-1

In this project, we are going to examine how and why trust is associated with corruption.

We feel that this issue is not enough researched at present.

Existing literature:

- At the macro-level: pronounced negative relationship between GT and (perception of) corruption (e.g., Uslaner, 2004, 2008)
- But why? Direct or indirect linkage?
- At the micro-level: ambiguous results
 - EVS data: no correlation (Dong et al., 2012)
 - ESS data: from negative to even positive (Lee&Güven, 2013)

Interpersonal trust or institutional trust?

Q1: Why lower (higher) trust in people should lead to more (less) corruption?

Q2: Why more (less) corruption should lead to lower (higher) trust in people?

We propose that the linkage between GT and corruption goes through insitutional trust (IT)

- While GT is people's trust in other people, IT is people's confidence in public institutions (e.g., Newton, 2007). IT seems to be more related to corruption than interpersonal GT. Why?

1) if public institutions are "clean", then, by definition, there is no corruption, irrespective of trust between people.

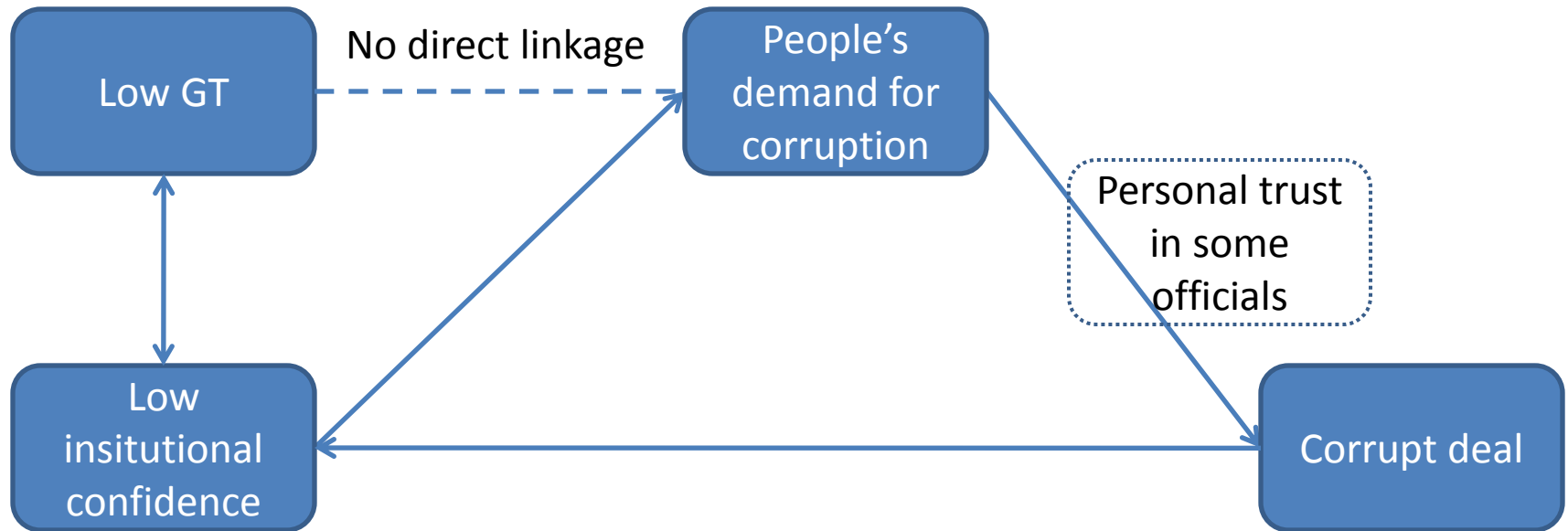
2) linkage with corruption is more straightforward, in both ways:

less IT - higher demand for corruption OR more corruption - less IT

- GT is strongly associated with IT (GT=IT?! Beugelsdijk, 2006).

from higher GT to better governance (Putnam, 1993; Boix&Posner, 1998; Bjornskov, 2010) or from good institutions to higher GT (Rothstein&Stolle, 2008)

Our general scheme



- low confidence in public institutions (especially in order and law institutions) drives demand for corruption
- corruption cannot exist without high enough rational (inter)personal trust to some officials. Thus, high particularized interpersonal trust may compensate for low institutional trust.
- after the corrupt transaction is closed, the confidence in the corresponding public institution decreases further.
- a vicious circle in which low confidence in public institutions persists

Data and general methodology

- Life in Transition Survey, 2010 (best data for us?)
- 17 countries of Central, Eastern and South-Eastern Europe and 13 CIS countries + 5 Western European countries (France, Germany, Italy, Sweden and the UK).
- Each country sample is representative, $\approx 38\,000$ in total.
- Allows to measure GT, PT, confidence in different public institutions, both people's justification of corruption and actual engagement in it.

- HLM techniques (Bryk&Raudenbush, 2002; Snijders&Bosker, 2012).
- 2 levels: individual and country

Key variables

- **Dependent:** actual engagement in corruption

“Did you or any member of your household make an unofficial payment or gift when using public services over the past 12 months?”

- **Independent:**

- **Generalized Trust:**

- 1) *Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?*
- 2) Out group trust (strangers, other nationality or religion, Delhey et al., 2011) .

- **Particularized Trust:** in-group trust (family, friends, neighbors)

- **Institutional Trust:** *To what extent do you trust the following 14 institutions?* We distinguish between **law and order institutions (police and courts)** vs. **representative institutions (parliament)**(Rothstein&Stolle, 2008)

First empirical results -1

Pobit model. Dependent variables: engagement in corruption

	1	2	3	4
Trust to most people (ref. group: complete distrust)				
Some distrust	-0.095***	-0.070*		
	(0.035)	(0.037)		
Neither trust nor distrust	-0.152***	-0.119***		
	(0.035)	(0.037)		
Some trust	-0.098***	-0.062*		
	(0.035)	(0.037)		
Complete trust	-0.153***	-0.110*		
	(0.055)	(0.059)		
Out-group trust			-0.014***	-0.012***
			(0.004)	(0.004)
Trust to police and courts		-0.048***		-0.048***
		(0.005)		(0.005)
In-group trust	-0.032***	-0.025***	-0.026***	-0.019***
	(0.006)	(0.006)	(0.006)	(0.006)

Control variables: age, gender, education, marital status, income level, urban settlement, risk attitude, country dummies

First empirical results -2

- The same probit model within each country
 - only in 5 of 35 countries GT is negatively correlated with paying bribes.
 - positive correlation in 11 countries (significant only in Uzbekistan)
 - after controlling for IT: in some countries this correlation weakens, in other becomes even stronger
 - IT itself is negatively and significantly associated with engagement in corruption in 14 of 35 countries. Yet in other 14 countries this correlation is also negative, but insignificant

Preliminary summary and future steps

- At the micro-level, GT seems to be not associated with corruption.

Relationship between GT and corruption is a pure macro-level phenomenon?

What contextual country-level factors matter?

- At the micro-level, low trust in institutions is a much better predictor of bribery than low trust in other people

What is at the macro-level?

- Higher in-group trust leads to less corruption

Need to distinguish non-monetary corruption (blat)?