

# Trust and Corruption

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- ▶ Three types of trust, both are connected to corruption.
  - ▶ (1) Trust in other people, who are different from yourself. Also called “generalized trust,” “moralistic trust,” “social trust,” and “out-group trust”
  - ▶ (2) Trust in people like yourself. If you only trust people like yourself, this is “particularized trust” (Yamigisihi and Yamigishi)
  - ▶ (3) Trust in institutions, also called “political trust.”

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- ▶ Trust in other people.
  - ▶ Gambetta argued that the Mafia thrives in Southern Italy because people there have:
    - ▶ High in-group trust
    - ▶ Low out-group (generalized) trust


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- ▶ If you are engaged in corruption, you must keep your activities secret. So you can only trust your closest associates.
  - ▶ Tony Soprano, a Mafia leader on the TV show “The Sopranos”: Keep your friends close and your enemies closer.
  - ▶ When there are strong divisions in a society, particularized trust is the norm. In most countries, people are far more likely to trust their in-groups than strangers.
  - ▶ When we see people who are different from ourselves as trying to hurt us, we only trust our own group—and our corrupt leaders. These leaders defend us against those who would hurt us. Mafia members would not trust outsiders!

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- ▶ People are more likely to trust in-groups when inequality is high in a society.
  - ▶ When inequality is high, people don't see each other as having a shared fate.
  - ▶ High inequality – less optimism for the future, less of a sense of control over one's own life.
  - ▶ Trust in strangers depends upon optimism for the future and a sense of control.
  - ▶ High inequality – low trust in strangers, only trust in people like yourself. Low inequality – less risk in trusting strangers.



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- ▶ Generalized trust is not common. Across more than 100 countries, only 5-6 have majorities trusting strangers: Denmark, Sweden, Norway, Finland, the Netherlands, Canada, and Australia.
  - ▶ Countries with a Communist legacy (or present) and other authoritarian countries have low levels of trust. But so do many democracies (Brazil, Turkey, Nigeria). Trust has not increased as countries have become democratic.



# The Inequality trap

- ▶ My argument on the causes of corruption is the “inequality trap.”
- ▶ High levels of inequality lead to low levels of trust.
- ▶ Low levels of trust lead to high levels of corruption.
- ▶ And high levels of corruption will lead to more inequality.

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- ▶ From *Corruption, Inequality, and the Rule of Law* (Cambridge University Press, 2008):
  - ▶ inequality → low generalized trust & high in-group trust → corruption → inequality
  - ▶ High inequality first leads to low trust in people who are different from yourself and high trust in people who are like yourself.
  - ▶ When inequality is low and trust is high, we want people to treat us as part of their “moral community.” So we do not tolerate corruption. But high inequality and low out-group trust means that we accept some corruption as the price of protecting our interests.

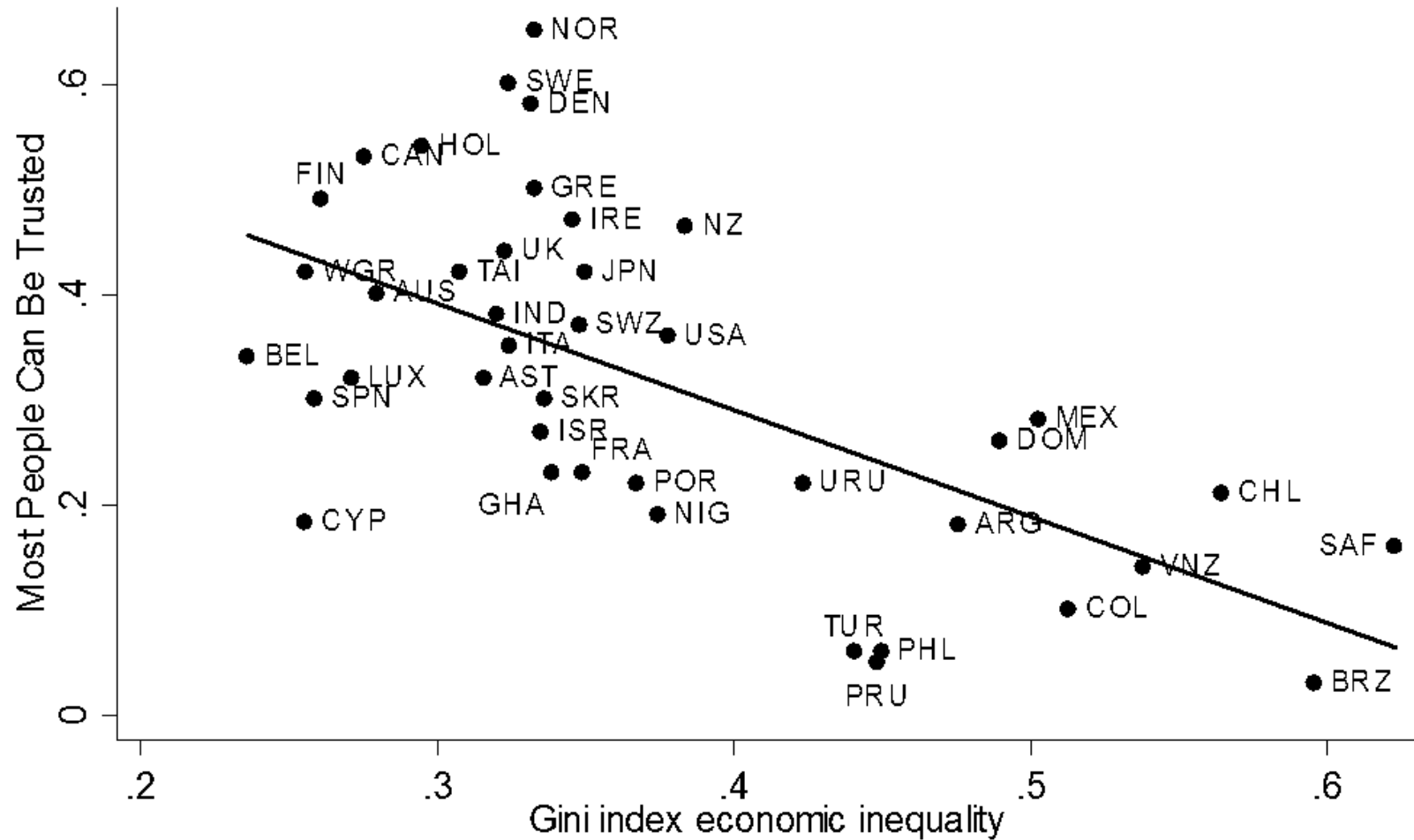


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- ▶ There is no clear connection between inequality and corruption across countries.
  - ▶ Survey data show that people in different cultures do see a clear connection between inequality and corruption.
  - ▶ But there is also a clear connection between inequality and trust—and between trust and corruption.

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- ▶ The connection between inequality and corruption goes through trust.
  - ▶ High inequality – low trust
  - ▶ Across many countries (and over time in the United States and across the American states), there is one “real-life” factor that shapes trust: the level of economic inequality in a country. The more inequality, the less trust. Equality promotes the vision of a shared fate.”

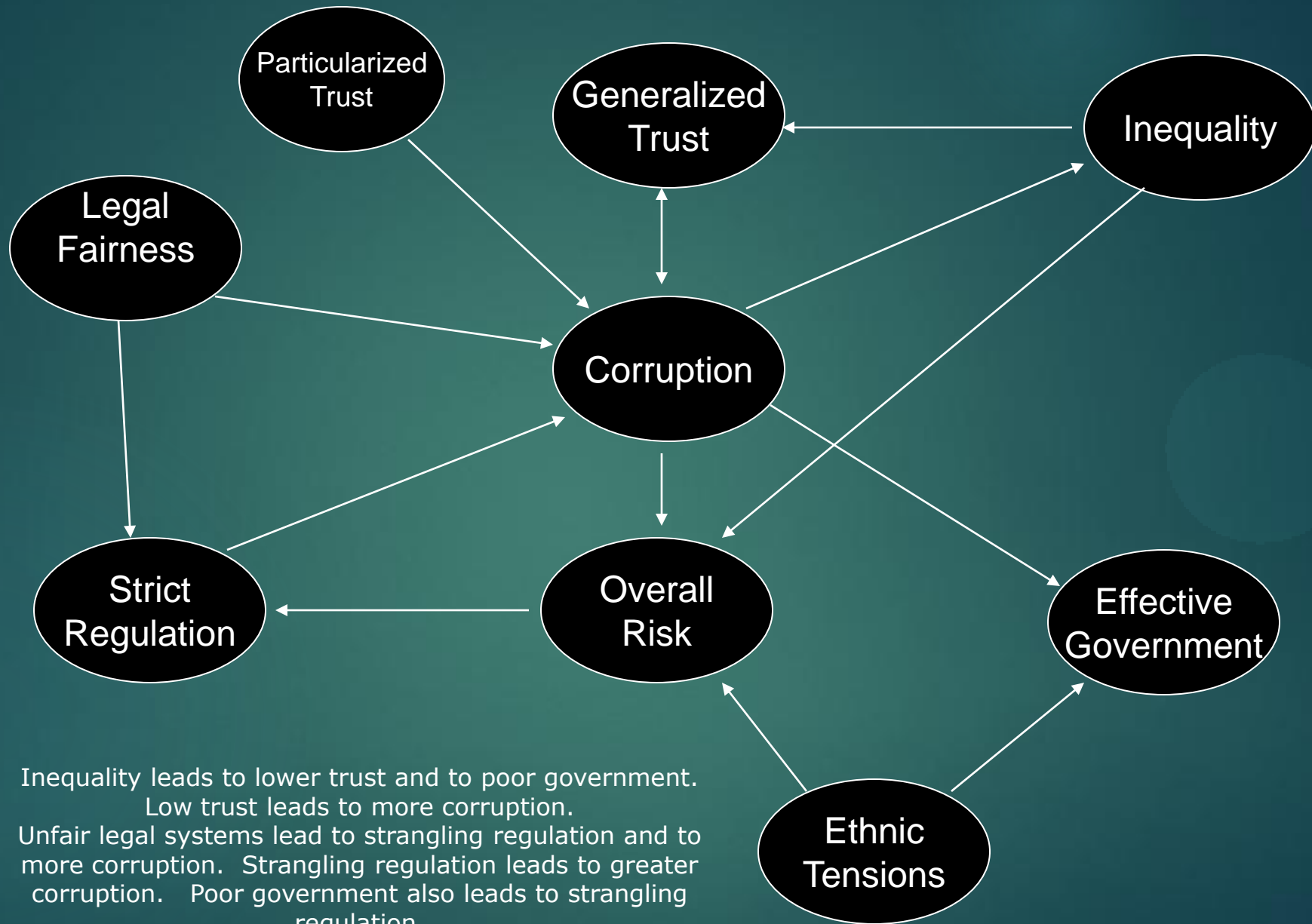
# Trust in People and Economic Inequality

Former and Current Communist Nations Excluded



$r^2 = .391$








Inequality leads to lower trust and to poor government.  
 Low trust leads to more corruption.  
 Unfair legal systems lead to strangling regulation and to more corruption. Strangling regulation leads to greater corruption. Poor government also leads to strangling regulation.  
 Corruption leads to poor government and to more inequality.


# How Corruption Matters


- ▶ Low trust leads to much corruption. And corruption leads to even lower trust because:
- ▶ Corruption leads to more inequality.
- ▶ But not all corruption is harmful to trust and inequality.


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- ▶ Grand corruption leads to less trust in strangers. Petty corruption has no effect on trust.
  - ▶ This finding comes from surveys in diverse places such as Romania and Nigeria (as well as other countries in Africa).
  - ▶ Why does grand corruption matter and petty corruption not matter?



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- ▶ Grand corruption leads to inequality. The rich get richer.
  - ▶ Petty corruption does not lead to inequality. The “gift payments” to doctors, the police, and bureaucrats may let them take their spouses out to dinner. But they won’t let them buy big mansions or have big accounts in Swiss banks.
  - ▶ Grand corruption is seen as evil (greed). People see petty corruption as wrong. But it is more seen as inevitable than as evil. People often see some forms of petty corruption as useful: It’s not worth waiting at the doctor’s office all day. And it is often cheaper to pay a bribe to a police officer than to pay a fine.





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  - ▶ And many people don't need to make "gift payments." If you don't have children, you don't need to pay to get them into school. If you don't get sick, you may not visit the doctor often. And if you don't have a car, you won't get a speeding ticket.

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- ▶ Money stolen from the public treasury can't be spent on public services. So corruption may lead to poor service delivery and less trust in government.
  - ▶ When people believe that corruption is high and they have poor schools and hospitals, they will be less likely to trust the government.
  - ▶ Since corruption lowers economic growth, a poor economy will lead to lower trust in government.

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- ▶ Corruption also matters for trust in government.
  - ▶ Corruption generally goes hand-in-hand with favors for the party or ethnic group in power. Groups out of power will get fewer resources and thus be resentful of the leaders of the government.
  - ▶ People are more likely to trust government if they believe that the leaders in office are both strong, honest, and competent.
  - ▶ Major disasters and even “minor” disasters such as floods and snowstorms can lead to a loss of trust in government.

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  - ▶ The earthquakes in China and the tsunami in Japan led to major crises of trust in government. People did not believe that public officials handled these crises well. They also did not believe that public officials’ explanations and promises were sincere.
  - ▶ People in Japan believed that public officials were too closely tied to the nuclear industry. People in China believed that local officials spent too little on the safety of buildings. In both cases, people saw officials as corrupt.

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- ▶ Inequality matters more for how trust in people shapes corruption than it does for the effect of trust in government.
  - ▶ But fairness is important for both types of trust.
  - ▶ Corruption is rooted in unfairness and inequality so it constitutes a threat to both types of trust—and to the legitimacy of the government.