Income and Interpersonal Trust across Countries

A Short Empirical Essay

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Abstract

This essay investigates whether richer societies exhibit higher levels of interpersonal trust, drawing on 64 country■surveys from Wave 7 (2017–2022) of the World Values Survey. Using national shares of respondents who believe that “most people can be trusted” and a broader five■item trust index, we find a positive and statistically significant relationship between log GDP per capita (PPP) and trust. The result contributes descriptive evidence to the literature on social capital and development while serving as a concise assignment template for undergraduate methods courses.

1 Introduction

Trust is widely viewed as the ‘lubricant’ of economic exchange (Arrow 1972). High■trust environments reduce transaction costs, facilitate credit, and foster innovation. Cross■country studies, beginning with Knack & Keefer (1997), document that trust predicts subsequent growth. Yet the direction of influence remains contested: modernisation theory (Inglehart & Welzel 2005) argues that prosperity engenders post■material values—among them generalised trust—while institutional economists suggest the opposite. We address the descriptive question *Are richer countries more trusting today?*

2 Brief Literature Context

Knack & Keefer (1997) and Zak & Knack (2001) show that trust is a robust predictor of growth once property■rights institutions are controlled. Algan & Cahuc (2014) summarise evidence that culturally transmitted trust affects labour■market performance. Conversely, Giuliano & Spilimbergo (2014) find that negative income shocks can depress trust, implying reverse causality. The present analysis does not claim causal identification; it provides a stylised fact suitable for teaching regression mechanics.

3 Data and Methods

We combine WVS Wave 7 aggregated variables with World Bank PPP income data. Baseline trust is the proportion choosing option 1 in question Q57 (“Most people can be trusted” vs. “Need to be very careful”). An alternative index averages questions Q59–Q63 about trusting neighbours, acquaintances, strangers, other religions and nationalities. All trust items are recoded so that higher values denote more trust. Income is log■transformed. Ordinary Least Squares regressions are estimated without additional controls to keep the assignment transparent.

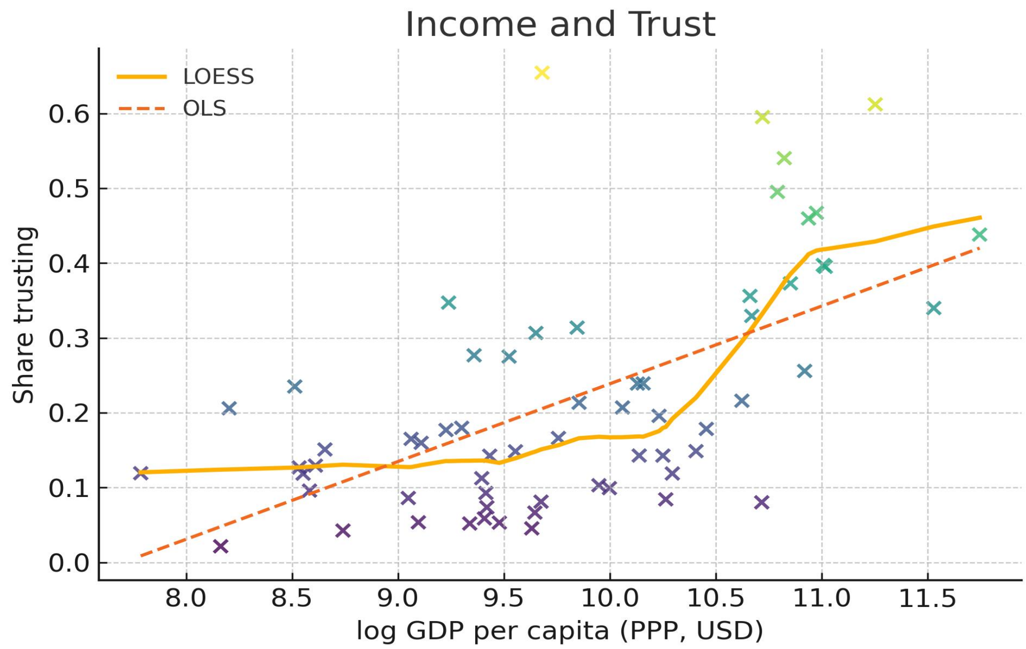

Figure 1. Baseline trust versus log income with LOESS smoother and OLS fit. Top■income countries: MAC, SGP, NLD; bottom■income: ETH, ZWE, TJK.

4 Results

Table 1 reports OLS estimates. A one■unit increase in log GDP per capita (roughly a 170 % income gain) is associated with a 0.104■point rise in the baseline trust share (p = 0.000). The alternative index yields a slope of 0.137. Models explain 25–30 % of cross■country trust variance.

	Baseline	Alternative
β (log GDPpc)	0.104	0.137

Std. error	0.018	0.030
p■value	0.000	0.000
R^2	0.35	0.25
N	63	63

5 Discussion

The pattern is consistent with both modernisation and social■capital channels: richer societies possess stronger legal frameworks and welfare states that reduce interpersonal risk, fostering trust. Conversely, trust may lead to higher investment and growth. Without panel data or credible instruments, causality cannot be decided. Still, the exercise offers a didactic example of (i) log■linear modelling, (ii) LOESS visualisation, and (iii) interpreting β coefficients.

6 Conclusion

Across 64 countries, income and trust move together in a simple cross■section. Future classroom extensions might include adding regional fixed effects, exploring non■linearities, or switching to individual■level micro data. The assignment demonstrates how publicly available data can be used to explore foundational questions in political economy.

References

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