

Bo Rothstein

Corruption and Social Trust: Why the Fish Rots from the Head Down

SOCIAL TRUST AND THE STATE

With the publication of Robert Putnam's "modern classic" *Making Democracy Work* in 1993 and his subsequent book, *Bowling Alone*, in 2000, the issue of social capital has become a huge research industry. Defined as a combination of interpersonal generalized (a.k.a. social) trust and networks based on reciprocity, social capital is seen as a major asset for individuals as well as groups and societies (Castiglione, van Deth, and Wolleb 2008; Svendsen and Svendsen 2009). Although, as he readily admits, Putnam was not the first to put forward the importance of social capital, it was clearly he who showed how it could be used in important (and very ingeniously designed) empirical research (1993). Putnam's work came largely to be interpreted as putting the importance of civil society and voluntary associations on the agenda. By being active in voluntary associations, citizens would learn to develop social trust and understand the importance of positive reciprocity (Rothstein 2011). For many, this provided arguments for a political agenda in which the responsibilities of the state for social welfare should be scaled back and replaced with an emphasis on the importance of voluntary associations. It was argued that one had reason to expect that with "big government" we should see a "crowding out" effect. The expansion of the responsibilities of the state should, it was argued, be detrimental to the development of a vibrant civil society (Ostrom 2000). Moreover, it was argued that in a society where the government takes on the

responsibility for a large number of social needs, people do not have to develop and maintain trusting relations and invest in social networks (Cohen and Arato 1993). Social capital research has to a large extent been used by several governments and policy organizations to send a message to people that the bad things in their society are caused by too little volunteering (Putnam and Feldstein 2003; Winter 2002; Woolcock and Narayan 2000).

However, when the social capital and social trust research agenda went comparative, it came as a surprise to many that when this concept was being empirically researched, the Nordic countries came out on top irrespective of what measures were being used (Rothstein 2002). Much can be said about the Nordic countries, but not that they are countries with small and noninterventionist governments. In fact, available empirical studies show that interpersonal generalized trust is highest in the Nordic countries. Moreover, citizens in these countries are among the most active in voluntary associations (Uslaner 2002). In addition, according to available measures of corruption and other indices of “quality of government,” the Nordic countries are among the “cleanest” in the world (Holmberg and Rothstein 2012).

WHY SOCIAL TRUST IS IMPORTANT

One reason for the strong interest in social trust is that, as measured in surveys, it correlates with a number of other variables that for most people are normatively highly desirable. At the individual level, people who believe that most other people in their society in general can be trusted are also more inclined to have a positive view of their democratic institutions, participate more in politics, and be more active in civic organizations. They are also more tolerant of minorities and people who are not like themselves. Trusting people also have a more optimistic view of their possibilities for having an influence over their own life chances and, not least important, being more happy with how their life is going (Leung et al. 2011; Helliwell 2006; Dinesen 2013; Delhey and Newton 2005; Uslaner 2002).

The same positive pattern exists at the societal level. Cities, regions, and countries with more trusting people are likely to have better working democratic institutions, more open economies, greater economic growth, and less crime and corruption (Bjørnskov 2009, Keefer, and Knack 2005, Richey 2010; Uslaner 2008). Both at the individual and societal level, many things that are normatively desirable seem connected to social trust and social capital.

As stated above, social trust varies widely across nations. In Norway, Denmark, and the Netherlands, around 60 percent of people state in surveys that they believe most other people can be trusted, while in Brazil, the Philippines, and Turkey, around 10 percent state that they think people in general can be trusted (Rothstein and Uslaner 2005). As for the interpretation of what the standard survey question about social trust measures, I have come to support the idea launched by Uslaner (2002) as well as by Delhey and Newton (2004), who argue that when people say whether or not they think that “most other people can be trusted,” this can be understood as their evaluation of the moral standard of the society in which they live. This implies that trust can be seen as an informal institution, as argued by North, and therefore as a source of social solidarity, creating a belief system according to which the various groups in society have a shared responsibility to provide public goods as well as possibilities for those who happen to be endowed with fewer resources (Uslaner 2002, chap. 7).

The theoretical reason trust is important comes from “the problem with many names” in the social sciences. Among these names are social dilemmas, the problem of collective action, the provision of public goods, the tragedy of the commons, and the prisoners’ dilemma (cf. Ostrom 1998). Behind all these metaphors lies a problem that can be described as follows: a group of agents know that if they can collaborate they will all gain. However, this collaboration is not costless but carries economic burdens or other effort for all involved. Without the contribution of (almost) all agents, the good will not be produced because it makes no sense for the individual agent to contribute if she or he does not trust that (almost) everyone else will contribute. Moreover,

what is going to be produced is by definition a public good and can thereby be consumed by everyone regardless of whether or not any given individual has contributed. There is thus always a risk that agents will act opportunistically (a.k.a. free-ride), hoping that they can reap the benefits of the good without contributing. Without trust that most agents will refrain from such treacherous behavior, most agents will not contribute to the good in question. The end result of this lack of trust is that everyone in the group stands to lose, although all know that if they could trust each other they would all be better off.

Examples of this problem are endless. It makes no sense to be the only one who recycles the garbage, pays what is to be paid in taxes, does not abuse the social insurance system, follows the rule of law, abstains from participating in corruption, does not overuse the group's common natural resources, or shows up well prepared to the academic department's research seminar. Since trust is a psychologically delicate thing that is hard to repair once it has become truly damaged, I prefer the metaphor "social traps," since agents in a group that have lost trust in one another cannot easily mimic or fabricate the level of trust needed to ensure collaboration even if they all know that they would benefit if they could (Ostrom 1998; Rothstein 2005).

IF THAT IMPORTANT, HOW CAN SOCIAL TRUST BE CREATED?

The problem with this research approach is that in the abundance of positive associations between generalized trust, social capital, and various desired social and political outcomes, the *sources* of social trust have remained somewhat of a mystery. Simply put, if social trust/capital is such an important societal resource, we need to know more about how it is generated and maintained (Hooghe and Stolle 2003).

The social capital literature is strongly divided on the question of the causes and origins of social trust. On one side are scholars who argue that variations in the amount of social trust can be explained primarily by society-centered approaches (Hooghe and Stolle 2003). In this Tocquevillian approach, the capacity of a society to produce social

capital among its citizens is determined by its long-term experience of social organization, anchored in historical and cultural experiences that can be traced back over very long periods. The society-centered approach views regular social interaction, preferably through activity in voluntary associations, as the most important mechanism for the generation of social capital. Following the Tocquevillian tradition, formal and informal associations and networks are seen as creators of social capital because of their socializing effects on democratic and cooperative values and norms.

A number of studies carried out in different democratic countries over the last decade have called into question the effect that participation in voluntary associations with benevolent purposes has on social trust and the willingness to cooperate outside of the specific group. While it is true that people who are “joiners” also generally trust others more, this seems to be an effect of self-selection. People who for some other reason score high on the social ability to trust and cooperate with others disproportionately join voluntary associations. However, activity in such organizations does not add much to these desired traits, at least not in adults. Members become more trusting purely of their fellow members and they cooperate more for group purposes only (Stolle 2003; Uslaner 2002). Thus the evidence that associational membership of adults *creates* social capital that can be used in the wider society has not survived empirical testing (Armony 2004; Delhey and Newton 2003; Dinesen 2013, Claiborn and Martin 2000; Herreros 2004; Robbins 2011; Wollebæk and Selle 2003). To take one example: one large-scale empirical study aiming at explaining variations in social trust based on the World Values Study Surveys and covering no less than 60 countries concludes that “perhaps most important and most surprising, none of the four measures of voluntary activity stood up to statistical tests, in spite of the importance attached to them in a large body of writing, from de Tocqueville onwards” (Delhey and Newton 2004, 27).

Other types of social interactions might do the job, yet a second problem arises. Even if we accept the importance of voluntary engagement, not all associations serve a normatively desirable purpose. In

fact, many associations are established to create distrust. Berman (1997) has shown that the Nazis in Weimar Germany used existing voluntary associations as vehicles for their *Machtübername* in 1932. A recent study using quantitative measures shows that the more dense the networks of civic associations in German towns between 1919 and 1933, the stronger was the support for the Nazi party (Satyanath, Voigtlaender, and Voth 2013).

As a response to the failure of the society-centered approach to produce good empirical indicators for its claims about how the causal mechanisms generating social trust operate, the institution-centered accounts of social capital theory claim that for social trust to flourish it needs to be embedded in and linked to the political context as well as formal political and legal institutions (Berman 1997; Encarnación 2003; Robbins 2011; Rothstein and Uslaner 2005; Rothstein and Eek 2000; Kumlin and Rothstein 2010; You 2012; Villoria, Van Ryan, and Lavena 2013; Richey 2010). According to this group of scholars, who base their research on historical case studies, experiments, or large-n survey data (or all three), it is trustworthy, uncorrupt, honest, impartial government institutions that exercise public power and implement policies in a fair manner that create social trust and social capital. For example, Delhey and Newton concluded from their above mentioned study that “government, especially corruption-free and democratic government, seems to set a structure in which individuals are able to act in a trustworthy manner and not suffer, and in which they can reasonably expect that most others will generally do the same” (2004, 28). Using survey data from 29 European countries, Bjørnskov (2004) concluded that a high level of social trust is strongly correlated with a low level of corruption. Another study, also based on comparative survey data, concludes that “the central contention . . . is that political institutions that support norms of fairness, universality, and the division of power contribute to the formation of inter-personal trust” (Freitag and Buhlmann 2005).

Using scenario experiments in low trust/high corruption Romania and in high trust/low corruption Sweden, Rothstein and Eek (2009) found that people in both these countries who experience

corruption among public health-care workers or the local police when travelling in an “unknown city in an unfamiliar country” do not only lose trust in these authorities but also in other people in general in that “unknown” society. Another example is based on survey data from the European Social Survey carried out in 2008 that covers 29 countries in both Western and Eastern Europe (Svallfors 2013). This survey asked questions related to corruption, such as whether respondents perceived that the tax authorities or public health care gave “special advantages to certain people or deal with everyone equally.” The results are the following: citizens who state in the survey that they have a preference for more economic equality but live in a country where they perceive that the quality of government institutions is low will in the same survey indicate that they prefer lower taxes and less social spending. However, the same “ideological type” of respondent who happens to live in a European country where he or she believes that the government authorities are guided by norms such as impartiality and fairness will answer that he or she is willing to pay higher taxes for more social spending. This result is supported in a study using aggregate data about welfare state spending and quality of government for Western liberal democracies (Rothstein, Samanni, and Teorell 2012). When controlling for variables that measure political mobilization and electoral success from left parties, the higher the quality of government, the more countries will spend on social services and benefits. To summarize our interpretation of these studies, citizens who live in a country where they perceive that corruption or other forms of unfairness in the public administration is common are likely to be less supportive of the idea that the state should take responsibility for policies even if they ideologically support the goals such policies have. One likely reason is that they lack trust in other citizens to (a) pay their taxes and (b) not overuse or abuse the social insurances.

Another recent large-scale survey consisting of 84,000 citizens/respondents in 212 regions within 25 European countries gives strong support to the theory that high levels of corruption/low levels of quality of government is a causal factor behind low social trust. In addition to

the standard question about social trust, this survey contains detailed questions about both perceptions and experiences of the extent to which three regional public services (policy, health care, education) are seen as impartial, high quality, and clean from corruption, all of which is compiled into a measure of Quality of Government (henceforth QoG) (Charron, Lapuente, and Rothstein 2013). Taking advantage of the extreme variation among European countries and regions in both levels of social trust and QoG, this study shows evidence for the impact of QoG on variations in social trust in European regions also when controlling for wealth. The effects of civic engagement, income inequality, and ethnic diversity (measured as the percent of citizens in each region born outside the European Union) are negligible, while the effects of QoG are robust and strong (Charron and Rothstein 2013).

It should be underlined that these scholars find that social trust is related not to what takes place on the “input” side of the representational democratic system but to what goes on at the “output” side in the public administration: the police, the courts, and public services. The theoretical reason people’s confidence in these two types of political institutions differs is as follows. On the representational side, one of the main roles for political institutions is to be partisan. A political party that holds government power or a majority in the parliament is supposed to try to implement its ideology in a partisan way. Thus, people who support the ideology of the ruling party (or parties) are likely to have confidence in them, while citizens who oppose their ideology are likely to report a lack of confidence. However, it is less likely that this type of partisan trust or distrust should influence one’s generalized trust in other people. There is to my knowledge no plausible causal mechanism linking these two phenomena, and empirically the statistical correlations that come from surveys on these measures are insignificant (Rothstein and Stolle 2008).

What comes out of this research is that the major source of variations in generalized trust is to be found at the other side of the state machinery, namely the legal and administrative branches of the state responsible for the implementation of public policies. In several stud-

ies, the strongest correlations with social trust are trust in the rule of law institutions, that is, the police and the courts (Rothstein and Stolle 2008; Holmberg and Weibull 2009). A theoretical reason for this is that, compared to other political institutions that exercise public policy, the courts, the police, and the other legal institutions of the state have a special task: to detect and punish people who, in game theory parlance, use *opportunistic* strategies (I prefer the term *treacherous*). In other words, rule of law institutions are in the business of taking care of people who are better not trusted. Results from factor analyses of World Values Survey data as well as Swedish survey data largely confirm that people distinguish between trust in different government institutions and that this creates different dimensions of institutional trust (Rothstein and Stolle 2008).

THE CORRUPTION-TRUST THEORY

Social trust can be seen as an example of what North has defined as the informal institutions in a society, which are established systems of beliefs about the behavior of others (North 1998a). The effects of an informal institution such as social trust can be the following: in a group (or society) where most agents' default position is that most people can generally be trusted, transaction costs will be lower and many forms of mutually beneficial cooperation will therefore take place that would not have been possible if social trust was lacking (Svendsen and Svendsen 2003). For example, in economic relations, lack of social trust will limit transactions between economic agents to people of the same ethnic clan or tribe while excluding members of disfavored or unknown groups, thus hindering economic efficiency (Rose-Ackerman and Kornai 2004, cf. Rose-Ackerman 2004).

Social trust as an informal institution is essential if groups or societies will succeed in establishing socially efficient formal institutions such as the rule of law, impartial civil services, and uncorrupt public administrations. The reason is that such formal institutions are "second order" public goods and thereby prone to the standard problems of free-riding as well as opportunistic and treacherous behavior.

It is in these ways that social trust can be seen as a collective asset, a social capital (Coleman 1990, 99). This implies that the outcome of social and economic interactions depends on how the real-life context has constructed the agents' mutual expectations about what kind of reciprocity to expect and whether the other agents can be trusted or not (Fehr and Fischbacher 2005). As has been argued from the perspective of evolutionary game theory, people cannot be expected to base their decisions about "how to play" in social dilemmas on perfect information about others because such information is impossible to get. Instead, they will try to make inferences from "the history of play" of other people (Young 1998, 5). Moreover, it is not the case that economic competition between rational agents will weed out agents with low trust and replace them with high trust agents, not even over the long run. On the contrary, as Douglass North has argued:

The rational choice paradigm assumes that people know what is in their self-interest and act accordingly, or at the very least that competition will weed out those who make incorrect choices and reward those who make correct choices. But it is impossible to reconcile this argument with the historical and contemporary record (North 1998b, 493; cf. Frohlich and Oppenheimer 2006).

I thus agree with Miller that the major lesson we should take from noncooperative game theory for this discussion is not about choice, strategy, or individual rationality but that we have good reasons to expect "dysfunctional results from individual rationality" (Miller 2000, 540). However, as the huge variation in the level of social trust and levels of corruption between countries shows, the type of theory we need is not a general (more or less structural-functionalist) one starting from some universal notion of human behavior. The reason for this is simple, namely that such a theory cannot explain the huge variation that exists (unless one argues that there are genetic variations in the ability to make rational choices or develop social trust). Similarly, the type of theories we

need are not the ones that explain why all societies end up with socially efficient (or dysfunctional) institutions. Rather, the sort of theory we need is one that can explain the huge variation in social trust and levels of corruption and the quality of government that exists in the world today. Or in plain language, why, for instance, is corruption in Denmark lower than in Nigeria, social trust in Finland so much higher than in Romania, and why are the informal social institutions that embed market relations in Mexico different from those in Canada?

The epistemological approach known as scientific realism puts great weight on the construction of theories for how the causal mechanisms between variables operate (MacDonald 2003; Shapiro 2005). A great deal of research in social psychology has shown the importance of social trust for achieving a socially efficient outcome in “social traps” situations (Dawes and Messick 2000; Sally 1995). There is also a lot of research in social psychology showing that procedural fairness has a positive impact on the willingness of individuals to accept outcomes that are substantially negative for them (Tyler 2003). However, as De Cremer et al. have argued, “although behavioral consequences as a function of procedural fairness . . . seem logical from a theoretical point of view—amazingly little effort has been done to understand why such an effect could occur” (De Cremer, Tyler, and den Ouden 2005, 395). The results they present in their study (based also on scenario experiments) show that “fair procedures” increase cooperation. This seems to be based on the following causality: institutions that are perceived to be fair increase group identity and affiliation so that the goal of the group merges with the goal of the individuals. “Being treated fairly and respectfully will install among group members a feeling of inclusiveness” from which also follows increased social trust (De Cremer et al. 2005, 402). This is in line with the experimental results from the “horizontal trust game,” which shows that individuals who sense a higher affiliation to the group also trust that others in the group will reciprocate (Ostrom 2005, 74).

It is not self-evident that people who live in highly corrupt societies should have low social trust. One could make the opposite

argument, that in order to make life bearable in a very corrupt or clientelistic society, ordinary citizens have to develop a lot of informal social contacts that they can trust. However, this does not seem to be the case. Instead, they seem to develop mistrust, envy, pessimism, and cynicism toward “people in general” (Csepeli et al. 2004). The type of trust they may develop is what Uslaner (2002) calls “particularized” trust, which implies that one only trusts very close friends and relatives but is distrustful of people outside one’s close circle. As Uslaner shows, this type of trust is actually the opposite of social trust, which entails giving people you do not know the benefit of the doubt and having an optimistic outlook for your future interactions with “other people in general.”

The theory I will present starts from the presumption that when it comes to establishing beliefs about social trust, people make inferences from the behavior they encounter from public officials. Because it is impossible to know the trustworthiness of “most people” in a society, people must rely on “imperfect information” when they form their beliefs about social trust. Since, as stated above, social trust can be interpreted as people’s moral evaluation of the society in which they live, it makes sense that the behavior of public officials is one very important device that people use when forming beliefs about to what extent people in general can be trusted. In experimental noncooperative game theory, this is known as “heuristics,” which can be understood as the kind of clues people who lack perfect information use when they have to decide if they should or should not trust other people they have to deal with (cf. Ostrom 2005, 98). This *corruption-trust theory* consists of three interrelated causal mechanisms (from Rothstein 2011, ch. 7):

- ▶ *The inference from public officials.* If public officials in a society are known for being corrupt, partial, or untrustworthy, citizens will believe that even people whom the law requires to act in the service of the public cannot be trusted. From this, *they will make an inference that most other people cannot be trusted either.*
- ▶ *The inference from people in general.* Citizens will be able to see that most people in a society with corrupt officials must take part in

corruption and similar practices in order to obtain what they feel their rightful due. *They will therefore make an inference that most other people cannot be trusted.*

- ▶ *The inference from oneself.* The individual will realize that to get by in such a society, he will himself have to take part in corrupt or clientelistic practices. Thus, being oneself an untrustworthy person leads to the same inference as in 1 and 2, namely that *most people cannot be trusted.*

The causal mechanisms specified here imply that individuals make inferences from the type of information they have about how society works, which they to a considerable extent get from how they perceive the action of public officials. This information does not need to be correct, of course, and does not have to be related to personal experiences. Hearsay, rumors, collective memories, and the like are for sure part of this story. Simply put, individuals have no other choice than to form their system of beliefs from the imperfect information that is available to them.

The first mechanism implies that individuals reason something like this: “If it proves that I cannot trust the local policemen, judges, teachers, and doctors, then whom in this society can I trust?” The ethics of public officials become central here, not only with respect to how they do their jobs but also to the signals they send to citizens about what kind of “game” is being played in the society. The following mechanisms are a logical outcome of the first. People draw personal conclusions from the actions they observe in others—and they also draw conclusions in the other direction. As the saying goes: “To know oneself is to know others.”

RECIPROCITY, CORRUPTION, AND SOCIAL TRUST

When striving for a society with low corruption and high social trust, it is important to start from a correct understanding of “human nature.” Ideas about “basic human nature” have had a long history in the social sciences. I believe the matter has finally been resolved, mostly by

experimental research (Henrich 2010; Bicchieri and Xiao 2009; Fehr and Gintis 2007; Henrich 2004; Gintis et al. 2005). To make a long story short, the idea of man as a “homo economicus” has simply been refuted by this type of research. The results from laboratory-, fieldwork-, and survey-based research that speak against man as a utility-maximizing rational agent are by now overwhelming. Self-interest is for sure an important ingredient when people decide how to act, but it is far from as dominating as has been portrayed in neoclassic economics. Moreover, it would be impossible to solve the problem of corruption if individual utility-maximizing self-interest were the only game in town. The reason is that such individuals would always fall for the temptation to “free-ride.” If a majority do this, such uncorrupt institutions would never be established, and if by some chance uncorrupt institutions did exist they would soon be destroyed. If all agents acted according to the template prescribed in neoclassic economic theory, they would sooner or later outsmart themselves into a suboptimal equilibrium. This is a “social trap” type of situation, where all agents would be worse off because even if they know they would all gain from cooperation, lacking trust in the others’ cooperation, they would themselves abstain from cooperating (Rothstein 2005).

However, this new experimental (and to some extent, field) research does not present humans as benevolent altruists prepared to trust other individuals no matter what. Trust as such can certainly not be a virtue (as trustworthiness is) since trusting opportunistic, corrupt, and treacherous individuals or organizations is not only stupid but often also quite dangerous. Such “blind trusting” altruistic individuals are luckily also quite rare. What comes out from the experimental research mentioned above is instead that reciprocity is the basic human orientation. The central idea here is that people are not so much motivated by utility-based calculations or culturally induced norms. Instead, human behavior is to a large extent determined by forward-looking strategic thinking in the sense that what agents do depends on what they think the other agents are going to do. Thus, the idea of reciprocity recasts fundamentally how we should understand and explain human behav-

ior. Instead of looking backward to what causes variation in utility-based interests or culturally-induced norms, the important thing is to understand how people's forward-looking perceptions about "other people" and especially their trustworthiness are constructed. Historical experiences and "collective memories" certainly play a role here, but research also shows that people update their perceptions based on new information (Boyd, Gintis, and Bowles 2010).

Regarding the prospect for social trust and cooperation for public goods, results from research show that most people are willing to engage in cooperation for common goals even if they will not personally benefit from this materially (Levi 1998). However, for this to happen, three specific conditions must be in place. First, people have to be convinced that the policy is morally justified (substantial justice). Second, people have to be convinced that most other agents can also be trusted to cooperate—that is, that other agents are likely to abstain from "free-riding." Third, people have to be convinced that the policy can be implemented in a fair and evenhanded manner (Levi 1998; Rothstein 1998). The first issue is for the political philosophers to solve. However, contrary to what most philosophers think—that a common goal is normatively justified—is not enough to motivate people to cooperate. They need to be convinced that there are institutions that will act so as to make free-riding the exception. For example, a tax administration that allows for massive tax evasion or a social insurance system that cannot control overuse or abuse will be detrimental not only for achieving what is considered normatively just but also for social trust. In addition, the requirement for procedural justice demands that public institutions must be able to deliver goods, services, and the handling of "opportunistic" behavior in a manner that is acceptable, fair, and respectful. This has been formulated in the following words by the most remarkable philosopher of our time, John Rawls:

A just system must generate its own support. This means that it must be arranged so as to bring about in its members the corresponding sense of justice, an effective desire to act

in accordance with its rules for reasons and justice. Thus, the requirements of stability and the criterion of discouraging desires that conflict with the principles of justice put further constraints on institutions. They must not only be just but framed so as to encourage the virtue of justice in those who take part in them (Rawls 1971, 261).

The central idea in this quote is how Rawls specifies that in order to make a cooperative system sustainable, we have to be aware of the existence of a feedback mechanism between people's support for just principles and their perceptions of the quality of the institutions that are set up to implement these principles (Kumlin 2004). As shown above, recent empirical research strongly supports Rawls argument in the sense that individuals' perceptions of forms of unfairness (or inefficiency) in the public institutions strongly influences their views about whether "other people in general" in their society can be trusted. My interpretation of these studies is that citizens that live in a country where they perceive that corruption or other forms of unfairness in the public administration is common are likely to be less supportive of the idea that there should be a collective responsibility for policies for increased social justice even if they ideologically support the goals of these policies. The most likely reason is not that they are against increased social justice or more public goods but that they will believe that their social trust will not be reciprocated.

THE RECIPROCAL NATURE OF TRUST AND CORRUPTION

It is important to realize that reciprocity also has a dark side. History and many contemporary events as well as experimental evidence show that "ordinary people" are willing to engage in the most horrible atrocities to other people (again, also if they do not personally benefit from their actions) if they are convinced that those "other people" would otherwise harm them. However, bad reciprocity also exists in less dramatic (and horrible) circumstances. As described by Fehr and Fishbacher (2005, 167), "If people believe that cheating on taxes, corruption and abuses of the welfare state are wide-spread, they themselves are more

likely to cheat on taxes, take bribes or abuse welfare state institutions.” Distrust in other agents or in the institutions may lead to a vicious circle that can break any system or policy set up to increase solidarity. Again, Rawls did clearly see this problem between institutional design and support for justice (which has sadly been neglected by most of his followers in political philosophy):

For although men know that they share a common sense of justice and that each wants to adhere to existing arrangements, they may nevertheless lack full confidence in one another. They may suspect that some are not doing their part, and so they may be tempted not to do theirs. The general awareness of these temptations may eventually cause the scheme to break down. The suspicion that others are not honoring their duties and obligations is increased by the fact that, in absence of the authoritative interpretation and enforcement of the rules, it is particularly easy to find excuses for breaking them (Rawls 1971, 240).

It is clear that Rawls pointed to the problem of reciprocity in the form of trust in others (“confidence”) and that he argues that it is the existence of institutional arrangements that can handle “free-riding” and other forms of antisocial and opportunistic behavior that are needed to avoid the breakdown of systems based on principles of justice.

Thus, we arrive at the conclusion that the basic nature of human behavior—reciprocity—can go both ways. On the one hand, the idea of reciprocity stands against the cynicism about human nature central to the interest-based theories that have dominated most economic approaches in the social sciences (Ostrom 1998, 2000). On the other hand, reciprocity is also in conflict with a naïve idea about human nature as genuinely benevolent and trusting. Instead, reciprocity tells us that if through the design of institutions we can make people trust that most other agents in their society will behave in a trustworthy and cooperative manner, they themselves will do likewise. If not, they will

defect, even if the outcome will be a social trap type of situation and thereby detrimental to their interests.

That reciprocity can go in different directions is also what we see if we take just a simple look at most of the rankings of a country's performance that have now become abundant. The level of corruption, to take just one example, shows staggering differences between countries. This particular "social bad" also serves as a good example of why reciprocity is a better starting point for understanding human behavior than its rivals. If we relied on cultural explanations, we would have to say to our sisters and brothers in, for example, Nigeria that the extremely high level of corruption in their country is caused by their corrupt culture. Or if we started from interest-based explanations, we would be unable to explain why the huge variation of corruption exists without relying on either genetic or cultural explanations. However, if we base our explanations on the idea of reciprocity, the explanation for the high level of corruption in, for example, Pakistan is that the institutions in place make it reasonable for most people to believe that most other agents will be engaged in corrupt practices, and thus they have no reason to believe that "in general, most people can be trusted" (Rothstein 2010). Simply put, it makes no sense to be the only honest policeman in a thoroughly corrupt police force.

It is important to underline that, contrary to what is taken for granted in neoclassical economics, we have absolutely no reason to believe that societies (or any group of agents) are able to produce the type of noncorrupt, impartial, and fair institutions that they as a society would prosper from. A quick look at available measures shows that a vast majority of the world's population lives under either deeply or fairly corrupt public authorities (Holmberg and Rothstein 2012). History has turned out not to be efficient. The generally high levels of corruption and low levels of QoG that we find in most contemporary countries turn out to have devastating effects on prosperity, social well-being, health, satisfaction with life and, of course, social trust. The lives of most people living under these conditions are, as another famous philosopher stated it, likely to be "solitary, poor, brutish, nasty, and short."

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