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## Trust and economic growth in Russian society

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### Abstract:

Among the factors which influence the economic growth the author points out trust. The article presents the analysis of the level of trust to social institutions in modern Russia and studies the relation between the level of trust and the level of GDP per capita. For the research we used the empirical data of analytic center "Levada", World Values Survey (WVS) and The World Bank for the years 2010-2013 in 52 countries presented in publicly available sources. The calculations show that there is moderate relation between the level of trust and the level of GDP per capita.

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**Keywords:** trust, economic growth, regression analysis, correlation.

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### 1. Introduction

In the context of Russia economic life modernization one of the essential questions is the following: What is the basis of highly developed society? To our opinion trust is one significant basis of any modern society. Trust to government and social institutions, among the citizens is the fundamental factor for the civil society creation and support. Trust is the basis for social capital development.

According to most researchers trust acts to raise living standard in the society, which becomes apparent in some national measures. In this paper we aim to find out the extent of trust impact on economic growth by studying the relationship between the level of trust and the level of GDP per capita.

### 2. Literature review

There are many researches of the trust role and its influence on social relations. The subject is of many modern economists' concern.

Arrow (1972) states that trust plays a vital role in the operation of economic systems.

A distinguished representative of evolution theory in economics Geoffrey M. Hodgson (1989) believes trust to be a form of noncontractual relationship which exists independent of formal institutions and is necessary for effective functioning of complex economic relations. M. Hodgson (1989) emphasizes that "In any social order based on a degree of trust, the regime affects the preferences, goals and behavior of the individuals concerned. Trust is thus both a cause and a consequence of individual plans and purposes" (Hodgson, 1989).

Fukuyama F. (1995) considers trust as a basis for both virtue and wealth. In his opinion trust lets notably reduce transaction costs.

Sjoerd Beugelsdijk, Henri L.F. de Groot and Anton B.T.M. van Schaik (2002) prove that robustness of the relationship between trust and growth in both the size and the significance of the estimated effect depends on conditioning variables.

According to Paul J. Zak and Stephen Knack (1998) "Trust is found to be positively associated with investment rates and growth in per capita income, controlling for other standard determinants of economic performance. Investment as a share of GDP rises by about 1 percentage for every 7 percentage- point rise in trust. Average annual income rises by about 1 percentage point for each 15-point increment in trust" (Paul J. Zak and Stephen Knack, 1998)

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Roth Felix (2009) examined 41 countries in 1980-2004 and concluded that economic growth is negatively related to the growth of trust. He also states that the growth of trust is vital for countries with low level of trust but can be disregarded by countries with high level of trust and may even prevent economic results in countries with high level of trust.

A major contribution to studying the question was made by a Russian sociologist Lev Gudkov (2012). Examining the special features of trust in the Russian society he concludes that "in Russia low level of interpersonal trust correlates with low level of taking on individual responsibilities, civil solidarity, mistrust to politics or social activity, detachment".

### 3. Findings and discussion

During the latest decade in Russia the level of interpersonal trust is not high. According to the results of worldwide public opinion survey World Values Survey in 2011 27.8% of respondents think that they can trust most people. At that the level of trust among economically active population at the age of 29 to 49 is higher than among older people of 50 years old and more. This fact is a positive trend in Russian society.

Table 1. Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people? (World Values Survey Wave, Russia 2011)

	Total	Age		
		Up to 29	30-49	50 and more
Most people can be trusted	27.8%	30.1%	28.8%	25.6%
Need to be very careful	66.2%	62.9%	65.5%	68.8%
DE,SE: Inapplicable;RU: Inappropriate response;SG :Missing	0.6%	0.7%	0.6%	0.4%
No answer	0.4%	0.3%	0.4%	0.5%
Don't know	5.0%	5.9%	4.7%	4.6%
(N)	(2,500)	(629)	(865)	(1,006)

Notably that those Russians who don't trust much each other and think that they need to be very careful in dealing with people, display high level of trust to government institutions, especially the President, church and army. This is presented in Table 2.

Table 2. Trust to government institutions in Russia<sup>1</sup>.

	Fully trust		Not quite trust		Don't trust at all		Don't know	
	2013	2014	2013	2014	2013	2014	2013	2014
President	55	79	30	13	12	4	4	4
Church, Religious Organizations	48	54	25	20	10	7	17	19
Army	43	53	34	30	13	9	10	8
Government	30	46	39	35	25	10	6	8
Bodies of State Security	36	46	32	32	14	9	18	14
Federation Council	24	39	39	35	22	10	15	16
State Duma	25	37	44	42	26	14	5	8
Mass media	24	36	50	40	19	14	8	11
Regional Government Authorities	32	35	40	41	21	15	7	10
Public Prosecution	26	32	41	40	18	15	15	13
Trade Unions	18	28	34	27	26	20	23	25

<sup>1</sup> The survey was conducted in 2014, September, 19 to 22, among representative all-Russia sampled urban and rural population, 1600 people aged 18 and more in 134 settlements of 46 regions of the country. The answers are presented in percentage of total amount of the questioned together with the statistics of previous surveys. Statistical accuracy of the data is no more than 3.4%.

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