



## **Trust and social cohesion**

By Cielito F. Habito – January 21, 2020

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“Much of the economic backwardness in the world can be explained by the lack of mutual confidence,” once wrote the late Nobel laureate economist Kenneth Arrow. This would imply that countries where the level of trust is low are likely to have low economic performance. This is in fact upheld by data for 100 countries compiled by the World Values Survey (WVS), a global network of social scientists studying changing values and their impact on social and political life. Among the values the group examines is trust, which they have found to be correlated with cultural, social and economic dimensions of human well-being.

In a WVS graph showing how level of trust (i.e., the percentage of people agreeing with the statement “most people can be trusted”) related with average income (GDP per capita) in 2014, the Philippines, embarrassingly, stood out with the lowest level of trust. It also had among the lowest average incomes. The WVS survey found that only 3 in every 100 Filipinos surveyed agreed with the statement. Trinidad and Tobago, Colombia and Ghana were the only other countries with trust levels no higher than 5 percent. At the other extreme is Norway, where 74 percent agreed with the statement; it also had the second highest average income in the group. The Netherlands and Sweden were also among those with highest levels of trust, while enjoying high average incomes.

“Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time,” Arrow pointed out. Any economy runs on transactions — between producers, between producer and consumer, between consumers, or either of them with the government — and such transactions stand on the belief that each party will abide by the terms of the agreement in good faith. Take away that trust and confidence, and no one would wish to enter into any transaction or contract. Trust in the sanctity of contracts is a basic prerequisite for a well-functioning society and economy, without which social cohesion breaks down, and social and economic stability are compromised. Economics students are taught that enforcing sanctity of contracts is among the fundamental and essential roles of government to maintain social and economic stability. It should thus be a matter of great concern when government itself cannot be trusted to uphold a contract that it is party to.

Among the negative features characterizing the “new globalization,” as cited by the Philippine Institute for Development Studies (PIDS), is weakened trust and social cohesion. PIDS notes how “populism has intensified identity politics, accentuating polarization and weakening social cohesion, including longstanding norms of trust associated with democratic and public institutions.” Presidents Chavez and Maduro of Venezuela, Trump of the United States, and Duterte of the Philippines are but few of the growing number of populist leaders that have emerged worldwide. They represent a swing of the world pendulum to the opposite end from the democratic upheavals of the late ‘80s and early ‘90s, of which our own 1986 People Power Revolt was at the forefront.

But globalization itself had contributed to the erosion of trust and social cohesion. Globalization had been thought to enhance trust, with economic cooperation and integration bringing new opportunities, freedoms and experiences. But it also fostered unequal distribution of wealth and power, provoking disenchantment and pessimism and eroding trust in institutions — the very forces that pushed the Chavezes, Trumps and Dutertes of the world into prominence. Meanwhile, technological change and the belief that traditional mass media has become an instrument of the elite have made social media the favored information source for many. An ugly result has been the proliferation of misinformation and disinformation, further breaking down trust and unraveling the social fabric.

As the world's top social media users, and given where we are at the world's bottom today (based on WVS data, at least), building up trust within Philippine society is extremely daunting indeed. But it's something we will all simply have to work on.