Trust pays
Micro-level evidence for the trust-economic performance relationship.

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Abstract
It is said that a society’s level of trust in strangers, also known as generalized or interpersonal trust, is an accurate reflection of the quality of civil society and successfulness of its accompanying economy. Two unresolved issues remain. The first is the proposed form of the relationship between trust and economic performance, which has traditionally been regarded as linear. The second issue concerns the validity of the conclusions related to individuals while using aggregated country-level data. Using the German Socio-Economic Panel (SOEP), we estimate a two wave (2003, 2008) panel regression and find that there is significant evidence for a positive relationship between the level of trust in strangers, as measured by two statements relating to interpersonal trust, and an individual’s economic performance, as measured in gross yearly income. To the best of our knowledge, this is the first time these conclusions have been claimed using micro-level multiple-wave data.

Keywords: trust, economic performance, income.

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