

Trust Measures and Interventions in Latin America and the Caribbean

RG-K1198

I. Background

Beginning with the work of Adam Smith, trust and trustworthiness have been recognized as key factors in promoting cooperation and exchange (Smith, 1759). Furthermore, trust and trustworthiness are fundamental forces shaping and co-evolving with formal and informal institutions and the development of societies (Arrow, 1974; Guiso et al., 2004). More recently, several social scientists have also shown that positive levels of trust and trustworthiness have a positive impact on government functioning and growth rates (Arrow, 1974; Knack and Keefer, 1997; Gambetta, 1988; Zak and Knack, 2001). In fact, numerous studies have identified trust—both trust in institutions and interpersonal trust—as a key factor in social and economic progress and democratic stability (Algan and Cahuc, 2015; Algan et al., 2017).

Unfortunately, in Latin America and the Caribbean (LAC), trust among citizens and in the government is low and falling. According to the Latinobarómetro survey, citizens' interpersonal trust decreased from 21% in 2009 to 14% in 2018. In Europe and Southeast Asia interpersonal trust is much higher, 44% and 32%, respectively.

While the determinants of trust and trustworthiness have been extensively studied in developed countries (see Johnson and Mislin, 2011; Eckel and Wilson, 2004 and 2011), little is known regarding the factors that affect trust and trustworthiness in LAC. To the best of our knowledge the most comprehensive study regarding levels of trust and trustworthiness in the region was carried out more than ten years ago, with the support of the Inter-American Development Bank (IDB). In that project a group of researchers conducted economic lab experiments in six Latin American cities, the results of that study are reflected in two articles, Calónico et al. (2007) and Cárdenas and Carpenter (2013). In this project, we seek proposals for studies that are aimed to improve our understanding of trust and its determinants in LAC. Particularly, we are interested in proposals that not only update and extend the external validity of previously collected measures of trust but that could also contribute to policies aimed at improving apparently low levels of trust.

This project has four goals. First, we want to better characterize trust in at least five cities of LAC. Second, we aim to understand the factors affecting trust among individuals that affect the lives and wellbeing of citizens of the region. Third, we would like to capture and analyze differences across trusting relationships in these different LAC cities. Finally, we would like to implement interventions aimed at testing mechanisms through which trusting relationships can be improved in their respective cities. To achieve these goals, this call for proposals describes how we will undertake several studies to answer the research questions related to each one of our goals.

We begin by defining a broader model of trust than the one usually reflected by experimental games initially developed by Berg et al. (1995) and implemented by

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Cárdenas and coauthors in the Latin American labs. Our definition of trust is based on the concept introduced by Heimer (1999) as a relationship in which the entrustor is vulnerable, there is uncertainty regarding the intentions of the trustee, the trustee acknowledges an obligation to listen to the entrustor's complaints regarding their vulnerability and uncertainty, and entrustors could act to influence trustees. This broader model of trust provides a framework that permits studying not only trust among individuals, but also trust between citizens and institutions that are easily recognized as trustees. Thus, as part of this project we would like to construct instruments that allow us to characterize how actions and statements map to the levels of trust that individuals display with respect to specified institutions.

There is no consensus on what type of instruments are best suited for measuring trust. There are three possible measures available: i) trust measures based on traditional survey questions used to elicit stated trust, ii) trust measures derived from games with economic incentives designed to elicit trusting behavior, and iii) trust measures elicited by implicit association tests. A recent cross-country study in OECD countries found a positive correlation between the levels of trust elicited via questions and those revealed by trust games for all participant countries, with the exception of the United States (Murtin et al., 2018). Given this heterogeneity, it is not known how trust measures obtained using these different instruments correlate in LAC countries. As a companion project to this research network, the Research Department will develop an instrument to incorporate several measures of trust to be used across studies. As part of a separate project, we will administer these instruments in a number of countries using an online survey. Research teams selected to participate in the research network will be expected to use the same instrument to guarantee comparability across studies.

In addition to measuring trust through surveys and through laboratory games, we want to understand the underlying factors affecting trust. Some of them have to do with group identity, inequality and discrimination, among other considerations. As such, in addition to the standard games, the study should identify how each one or one of them plays a role in affecting trust. Finally, for testing mechanisms, the studies should incorporate "field" interventions into the lab experiments.

The Inter-American Development Bank (IDB) has decided to prioritize these issues and will focus its efforts in the next few years on how to increase trust and social capital among citizens and with government. This call for studies is part of the effort to measure trust, understand the sources of low trust, and identify interventions that can increase trust with the ultimate goal of incorporating these insights into public policy.

II. Objectives

We seek proposals that test the effect of interventions, deployed in a lab setting, to affect institutional and inter-personal trust. We are looking for proposals of significant ambition and scope. We encourage dedicated research centers focused on behavioral, experimental

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and political economics to apply. Our intent is to provide research centers with substantial support to design and implement interventions aimed to analyze the effects of exogenous changes on different aspects affecting trusting behavior and perceptions. While we do not seek to be prescriptive, we will give priority to proposals that:

- Have access to a representative sample of the population at the center's country of residence or at least incorporate participants that are traditionally incorporated into lab settings.
- Have relevance to the design of public policy.

Some examples of relevant topics of interest include measures and interventions related to:

- The relationship between race, identity, ethnicity, gender and trust.
- The co-evolution of inter-personal trust and trust in institutions.
- Policy, monitoring and legal aspects of trust and distrust.
- Effects of migration, inequality or changes on societies composition.

The selected proposals and research centers will work together with the IDB to create a collaboration on a broader project aimed to study trust in LAC.

One example of the type of analysis we are interested in would examine, for instance, how the characteristics of players affect for trust and trustworthiness in a standard trust game (as in Glaeser et al., 2000). Players 1 and 2 play a standard trust game in the lab under varying conditions. In a control condition, players are anonymous. In different treatment conditions the characteristics of players are revealed to player 1, player 2 or both. These varying characteristics could be socio-economic status, gender, migration status or nationality, and so on. Additionally, the proposal could identify "field" interventions that affect these levels of trust under these different conditions.

III. Methodology and Scope

We expect the experiments to follow a rigorous approach and will prioritize proposals that make use of lab or lab in the field experiments. The methodological section of the proposals should therefore specify the following:

1. Proposed conceptual framework (the micro foundations that link the intervention to trust and other dependent variables) and hypotheses.
2. Setting conditions: population characteristics, sampling strategy, strategies for subject recruiting, and a description of the type of setting in which games and interventions are going to developed/played.
3. Information and data sources.

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4. Experiment design: structure of the games (information sets, moves, and payoffs) and proposed interventions.
5. Pre-analysis plan: estimation strategies, tests, power calculations, hypothesized signs of results, and a description of the empirical strategy to be used to identify mechanisms affecting trusts.
6. How those results would be used to inform policies.
7. Team composition, facilities and experience in the implementation of the proposed design.

The scope of the papers should be relevant for individual countries (or within countries) of LAC, for parts of the LAC region or for the whole region.

IV. Content of the Studies

1. Brief analysis / diagnosis of the evolution of the topic and context in which the experiment will operate. What is the motivation of the study?
2. Brief literature review of the research topic and methodology. Describe the novelty and contribution of the proposed study.
3. Description of the experiment:
 - a) Diagnosis of the problem and stakeholders
 - b) Description of the data
 - c) Description of empirical tools and experiment design: games and interventions
 - d) Assessment of results
4. General conclusions:
 - a) Policy lessons and, especially, the external validity of the results of the work.
 - b) Conditions that may foster or discourage trust, social capital and collective action.

V. Content of the Research Proposals

Research institutions must submit a proposal detailing the following:

- Relevance of the experiment to the questions raised by this invitation.
- Brief explanation of the theory underlying the intervention and its hypothesized effects.
- Methodology to be used in the experiments to address the issues discussed in Sections II and III, including a proposal for the evaluation of an internal review board in issues of human subject research, expected data outcomes and protocols for data management as well as the inclusion of any secondary information to be used, its sources and characteristics, and the expected results.
- Potential relevance of the lessons and conclusions to be extracted for the public policy debate in the country or countries considered.

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In addition, proposals must include:

- A list of the researchers (in a separate annex) who will be involved in the project. The research center should present a research team justification of their capacity to meet the objectives of the project, including relevance of prior experience. Curricula vitae of the researchers should be included. Subsequent substitutions for researchers originally specified in the proposal may be made with prior approval from the IDB Network coordinator, but the project leader should lead the entire project to completion.
- A budget (in a separate annex) indicating the time and resources that will be used within the context of the research work plan must be included. The budget proposed by the research center should disaggregate items financed by the IDB contribution and those financed by the research center. The budget should distinguish among amounts assigned to professional honoraria, data collection, “overhead” and other major categories of research expenditures.

Note: Proposals may be submitted in English or in Spanish.

VI. Selection Criteria

Research institutions only (including think tanks) may present proposals. The research teams will be selected according to three main factors:

1. Relevance and motivation.
2. Methodological rigor and persuasiveness of the identification strategy.
3. Team Experience. The relevance of the team’s experience for the proposed project will be a very important criterion in the selection process.

VII. Proposal Registration

Proposing research institutions should be registered as Research Network members (contact Elton Mancilla at eltonma@iadb.org) and should be based in the Latin American and Caribbean region. U.S. and European institutions do not qualify as members of the Research Network. However, researchers from the United States and Europe can participate with research teams from proposing institutions.

Proposals should be submitted using the Web Submission Form that is provided in the Call for Proposals announcement. Proposals are due August 16, 2019. Please note that there are two options within the submission form: one for institutions and another for individual researchers. Please make sure to choose the institutions option.

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VIII. Coordination and Schedule

The project will be administered by the Research Department (IDB/RES), with the collaboration of the Institutions for Development Department (IFD), under the technical coordination of Carlos Scartascini (IDB/RES), Matías Busso (IDB/RES), and Hernán Bejarano (IDB/IFD), external advisor.

The tentative schedule of activities is as follows:

- **August 16, 2019:** Due date for receiving proposals. Institutions should ensure that the complete documentation is submitted to the evaluation committee. Complete documentation includes: registration form with all the information requested; the research proposal, budget, and curriculum vitae (CVs up to three pages long).
- **September 30, 2019:** Announcement of selected research proposals.
- **November 20, 2019:** Due date for receiving **revised proposals**, incorporating the changes associated with the comments made on original proposals.
- **December 3-4, 2019: First Discussion Seminar** in Washington, D.C., with the Technical Directors of the projects and the coordinating committee for the purposes of presenting the intervention to be carried out and the methodology to be used in the study, as well as brief preliminary discussions.
- **December 23, 2019:** Due date for research plan, design of the intervention, and intervention schedule and details. AEA pre-registration of the research proposal and IRB should take place by this date.
- **May 1, 2020:** Due date for receiving a report on the implementation status of the intervention.
- **June 30, 2020:** Due date for receiving a second report on the implementation status of the intervention.
- **October 2, 2020:** Deadline for a **first draft** of the research papers.
- **October (TBD), 2020: Second Discussion Seminar** in Washington, D.C. or location to be determined with the Technical Directors of the projects and the coordinating committee to discuss the second draft of the research papers.
- **December 1, 2020:** Deadline for a **revised version** of the research papers. Research papers must follow the IDB Manual of Style for working papers. Studies that are of good quality at this stage will be considered for publication as working papers.

A selection of the best papers may be invited to participate in a special issue of a recognized academic journal or an edited volume.

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IX. Financial Contribution and Payment Schedule

The IDB will contribute up to US\$30,000 or its equivalent in local currency as a contribution to the total budget of each study, depending on the number of studies selected. The payment schedule is as follows:

- 20 percent within 30 days of signing the formal agreement between the IDB and the respective research center.
- 15 percent within 30 days of presenting and approving by the IDB of the research plan.
- 20 percent within 30 days of presenting and approving by the IDB of the first report of advances of the research paper.
- 20 percent within 30 days of presenting and approving by the IDB of the first draft of the research paper.
- 25 percent within 30 days of presenting and approving by the IDB of the revised version of the research paper and completion of the conditions of the terms of reference.

X. References

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