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Trust in China: A Cross-Regional Analysis

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Abstract: Using the cross-regional data, this paper shows that trust has a strong effect on uneven development of economy in China. As is discovered in many studies, it is found that trust affects the growth of economy, size distribution of enterprise, and FDI inflow and so on. We also find that cross-regional differences of trust in China are reflections of the regional diversities of education, marketization of economies, urbanization, population density and transportation facilities. Although not statistically significant, “too many officials” may damage social trust. The paper demonstrates that trust cannot simply be taken as a cultural heritage. The paper also argues that sustainability of further economic development of China much depends on how fast China can build trust-facilitating institution, and that the most fundamental institution for trust is the property right.

Keywords: Trust, Economic performance, Information Repeated game, Transaction

Trust in China: A Cross-regional Analysis

Rongzhu KE^a and Weiyong ZHANG^b

I. Introduction

Trust is both an old and new topic. As early as 17th century, Thomas Hobbes described a dilemma in which, because there's no mutual trust between men, people would fall into "a war of all man all", that is, "law of the jungle"¹; Among economists, Adam Smith was the first to study the relation between trust and human economic behavior systematically. In his famous book *The Theory of Moral Sentiments*², Smith pointed out that economic actions are on the basis of social norm and moral without which the transactions would be seriously undermined. However, compared with "the invisible hand", the theory of moral sentiments attracted less attention by economics. Weber also studied the difference in the trust level between different cultures and its effect on the rise of capitalism. Recently, more and more scholars, both economists and sociologists, have dedicated to the study of trust (Putnam, 1993; Fukuyama, 1995; Knack & Keefer, 1997, among others). Fukuyama pointed out in his well-known book that although 80% of the reality may be effectively explained by the neoclassical economic theory, the rest 20% depends on culture. The culture of trust is the source of the influence on economy. It influences or even determines the economic efficiency (Fukuyama, 1995, P30). The underlying reason is that trust directly influences the scale of economic entity, the organization, the transaction and the size or intensity of non-productive profit-seeking behavior. Based on these economic events, he divides societies into two classes: high trust and low trust.

For Fukuyama and many other scholars, Chinese communities are a "low-trust" society. The commonly referred evidence is that the average size of the firms in Chinese society is small; almost all non-governmental businesses are managed by

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¹ Thomas Hobbes, *Leviathan* (Chinese Version), Commercial Press, Beijing, 1993

² The first Chinese version of *Wealth of Nations* was translated by Yan Fu as early as 100 years ago. However, *The*

families; and the transactions are normally conducted between friends, relatives and acquaintances. Even in political events, nepotism is widely observed. For the Chinese communities in Taiwan, Hong Kong, Singapore, Europe and US, where the market is rather perfect, the above features haven't had much impact on economic development. However, the problem can be more serious in the mainland China. While we do not agree with Fukuyama in his explanation of the cultural origin of "low trust" in the Chinese communities, we have to accept the fact that lack of trust is common and serious in Today's China. It not only reduces the economic efficiency, but it's even threatening the existence of market and transaction. What's the underlying reason of low trust? How can trust be built (or rebuilt in our view) in China? It's far from enough to regard the disordered market as another proof of low trust of Chinese communities.

Using a cross-regional survey, this paper explained the source of differences in trust level among different regions and the trust-building mechanism in China. To some extent, it solved the problem why China is a low trust society. This paper can also be regarded as a response to the worldwide research on the relation between trust and economic performance, trust and information flow, etc.

The rest of this paper is organized as follows. In Section 2, we give a short review on the academic researches about building trust. Section 3 is a brief description of the data. We analyze the relationship between trust and economic performance, and discuss the effect of trust on economic development and efficiency in Section 4. Explanation on the differences of trust level among different regions is given in Section 5. And the last section is conclusion and further discussion.

II. Theories on Trust

The definition of trust and how to build high trust are still controversial among scholars, although the role of trust in the creation of economic prosperity has been widely confirmed. One point of view is that trust originates from family and kinship (Durkheim, 1933), because it's discovered that trust is easier to build and higher in

Theory of Moral Sentiments, which was published in 18th century, had its Chinese version nearly 100 years later.

family or kinship family. This explanation is not so convincing since the social behavior of marriage, which is the building of family, occurs outside the kinship family. Marriage as a contract has a strong relationship with trust. It's the trust that guarantees the marriage rather than the reversal. Moreover, even in a family, distrust also exists. The distrust between strangers also exists between father and son or other kinship.

Culturists and anthropologists think that trust or "social capital" is a heritage, and that it originates from long-term accumulation (Dore, 1987). Take religion for example, trust is built because of the fear of eternal punishment after death. If this makes sense, the difference in trust will exist for a long time because of different cultures. However, this point of view cannot explain why there's great difference in trust during different period of time, in the same culture. Therefore, it's commonly argued among sociologists that trust or "social capital" originates from interaction in association activities and that it is the association activity that promotes the cooperation and the building of trust (Zucker, 1986; Putnam, 1993; Fukuyama, 1998; Coleman, 1995). Other empirical studies on the popularization of trust or social capital under different social and cultural backgrounds also demonstrate this viewpoint. Besides, personality and interrelationship will also affect the building of trust (Whatley, 1999).

In economic perspective, trust is regarded as the result of rational human choice. In the model of repeated game, economists conclude that people's pursuing long-term benefit will result in trust (Kreps, 1986; Fudenberg & Tirole, 1992). Furthermore, since repeated game will produce trust, the factors that affect the possibility of repeated game and strategic choice in the repeated game will also be factors that affect the building of trust. There are three main factors that affect the strategic choice in a repeated game: the first is the pay-off function, this is often determined by the rule of game such as law or institution. The second is the players' preference, such as the importance of future, patience, etc. The last and also the most important one is the information structure. In economic theory literature, the effect of these three factors on the result of a repeated game has been fully studied. In the empirical studies on trust, economists have observed the effect of reducing information asymmetry on trust building. For example, Fishman & Khanna(1999) have proved, on the data from World Value Surveys (WVS),

that there's significantly positive effect of bilateral information flow on trust, although there's opposite proof that the information and trust is negatively correlated sometimes.³

More fundamentally, if there's no chance of repeated game, it's no use discussing the factors affecting the choice. Therefore, a more fundamental reason for trust is the factor that will affect the chance of repeated game, including property rights, intermediaries, transaction facilities, etc. It has been demonstrated that some efficient organizations, such as religious group and chamber of commerce, and many intermediaries can facilitate the trust-building. First, life only exists for a limited time for a single person, so the cost of opportunistic behavior is relatively low. Organizations with transferability of ownership or membership, to some extent, lengthen the life and change the single-shot game into a repeated one (Kreps, 1986). Another reason is that participating in an organization is just like receiving a social seal of approval, as Weber and his followers' pointed out, and it would increase the chance of "Collective Punishment". Some studies also show that the corporative rent-seeking behavior may undermine trust (Knack & Keefer, 1997). In the special case of China, we will pay particular emphasis on the influence of transaction facilities in this paper, because the convenience of transaction will directly influence the breadth of transaction and the chance of repeating game. As to intermediary and property right, we try to use substitutable variables to analyze their influence on trust in different regions, since the folk intermediaries in China are immature and restrained so far and the cross-provincial data cannot show the influence of property right.

III. Data description

The data our research based on is derived from a questionnaires survey in 2000 with help of China Entrepreneur Survey System. The survey was conducted among

³ Generally speaking, all the three factors that affect the strategic choice in repeated game are related with information, because both the payment function and player's preference can be seen as a player's information. For instance, the information got from supervision will facilitate the building of trust, that is, the development of supervision technology will improve trust-building. Being familiar with the counterpart's preference would also help to build trust, so an informal negotiation beforehand is important for cooperation, for it at least reduced the uncertainty *ex ante*.

Chinese business leaders, involving 13 industries and all types of systems of ownership. We sent out the questionnaire to more than 15000 top managers of enterprises and more than 5000 responded. Our question about trust is: "From your experience, which five regions do you consider most trustworthy? List from high to low." Here the region was defined at provincial level, that is, respondents can choose 5 from total of 31 regions. We measure the trust rate with the proportion of respondents voting for it⁴. We denote the most trustworthy by T1, the second trustworthy by T2, and so on. The statistic results are listed as Tab 1. The data shows that only 5 provinces are regarded as "most trustworthy" by more than 5 percent of all samples.

There are some interesting phenomenon: 1) some certain provinces like Shanghai and Beijing won universal trust; 2) People tend to vote for their own province; 3) the trust between provinces are not always reciprocal, that is, people in Region A may be thought of trustworthy by people in Region B, but they may not trust people in B. For example, there are 17.6 percent of Zhejiang people vote for Beijing, and in contrast only 1.0 percent of Beijing people vote for Zhejiang⁵ (See Tab 2). These phenomena raised the importance of information and communication, however it is difficult to distinguish the trust result from between the prior and the experience.

Our purpose is to analyze the relations between trust and other economic and social variables. These variables include GDP, the size and profitability of firms (both state-owned and private), foreign direct investment, education level, the size of governments, urbanization, population density, and transportation facilities. Statistics measures of all these variables are data of year of 1999 from *China Statistics Yearbook 2000*, with exception of urbanization which is a measure of 1998 and calculated from *China Population Statistics Yearbook 1999*. Marketization index of 2000 used in this paper is from an independent study by Fan and Wang (2001).

⁴ The question we apply here is somehow different from the question adopted by World Value Survey (WVS). The latter failed to measure the gap of trust level due to the difference of mobility in a society. For example, if some one has never transacted with other people who are not his kin, they will tend to answer yes when they are asked the question whether most people are trustworthy. Second reason is that inside an integrated system, rather than cross-country level, the latter cannot measure the gap exactly among different regions in a country, since there ate too many transactions among them.

⁵ Trust may be not symmetric or reciprocal, that is, A trusts B while B does not trust A. This is especially true in a hierachical system, where the superior often is regarded as trustworthy by the subordinator but not otherwise.

IV. Trust and economic performances

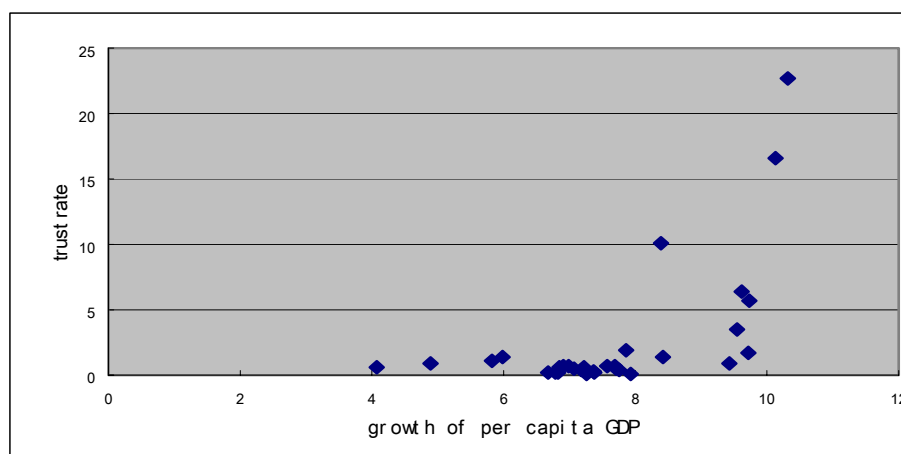
As many literatures had pointed out, the trust level is closely related to some important economic achievements (e.g., Knack and Keefer, 1997). In China, the trust level also significantly contributes to economic performance. We summarize the main results as follows:

1. Trust and per capita GDP

If we sort the trust level of different provinces according to their per capita GDP, it is found that trust level is closely and positively related to GDP. In the group of regions with the highest per capita GDP, the mean of T1 is 8.74, but in group with the lowest per capita GDP, the mean of T1 is 0.47. The correlation between T1 and per capita GDP is 0.90, and the correlation between T2 and per capita GDP is 0.91. The income level is also related to the trust level (correlation $\rho = 0.85$).

Meanwhile, the T1 and growth rate of per capita GDP is highly correlated ($\rho = 0.96$) (see fig.1). This result is consistent with that indicated by cross country studies dealing with the same issue.

Fig.1 Trust and Growth of per capita GDP



2. Trust level and the size of enterprise and its distribution.

Theoretically, higher trust can facilitate longer principle-agent chain, and therefore is helpful for extension of organizations, especially for spontaneous organizations

(Fukuyama, 1995). In China, because the government is the most powerful controller of society and state-owned-enterprises (SOEs) still play the major role in the economy, so we cannot get the information about relationship between trust and the size of the firm based on the overall statistic of SOEs. In fact, in a lower trust region, people tend to trust the power of government rather than to trust private enterprise (PE)⁶. In many lower trust regions, large state-owned enterprises are dominant. However, it is worthy to point out that the efficiency of enterprise may be affected by trust level, because, while the size of SOE can be decided by the government, the efficiency is hard to be improved by the government. It is found that correlation between T1 and profit of SOE is 0.59, and the correlation between T1 and TFP of SOE is 0.67. Meanwhile, the middle-sized enterprises tend to be fewer in lower trust regions than that in higher trust regions.

3. Trust level and development of the private enterprise (PE)

Since private transactions are more dependent upon trust between people, higher trust level usually leads to more private enterprises (PE). Correlation between the number of PE per million of population and T1 is 0.89; even if we control the per capita GDP, the correlation achieves 0.80. However, it seems to be a puzzle that there are negative correlation between the mean of PE's size and T1 ($\rho = -0.55$). This fact may result from that in a government-dominated economy like China, the lower the trust is, the more the survival of private firms relies on governmental support. Since only those large enough private enterprise can get favorite treatments from the government (either for political reasons or through high ability to bribe)⁷, it is not surprising that in the lower trust region, the mean size of private enterprises tends to be larger, although the overall development of private enterprises is not so fast and the total number of private firms is small, compared to a higher trust region. Furthermore, because the efficiency of private enterprises is higher in general than that of SOEs, the development of SOE may be two-side-of-a coin to the contribution of trust. On the one hand, it shows the power

⁶ This is the reason why in China, many firms (particularly shop stores and restaurants) still like to label them as "state-managed" ones to show their trustworthiness to customers today.

⁷ Entrepreneurs of large private enterprises normally have good relations with governments. They are more often symbolically selected to seat in the local people's congresses and even National People's Congress.

of government; on the other hand, it lowers the trust level if the SOE contribute less to the local economy⁸.

4. Trust and FDI

In the past two decades, foreign direct investments (FDI) have played an important role in China's economic development. Since regional attractiveness to foreign direct investments depends on managerial localization, stability of supplies, as well as overall market order (such as local people's respects for intellectual property rights), which in turn depend on trust, we shall expect that FDI positively related to trust levels. It is found that the higher trust level does help to attract FDI. The number of foreign-funded enterprise (FFE), total investment, registered capital and total investment per million populations are all correlated to T1 ($\rho = 0.50, \rho = 0.61, \rho = 0.63, \rho = 0.91$ respectively).

V. Explanations for regional differences in trust

It is widely argued that trust is a function of some underlying factors such as culture, information flow, connection, associational activities, education, legal systems and so on. In this section, we try to find some measurable variables which account for the gap of trust between different regions. A logistic model we used is as follows:⁹

$$\text{Ln} \frac{T1}{1-T1} = \alpha + \beta_1 \times TF + \beta_2 \times Urban + \beta_3 \times Edu + \beta_4 \times Ma + \beta_5 \times Cul + \beta_6 \times Official$$

where TF represents for transportation facility, $Urban$ for urbanization, Edu for education, MI for marketization index, Cul for culture (dummy variable), $official$ for number of officials per hundred of population.

The Tab.3 is result of regression.

⁸ We divided 31 provincial regions into four groups by two dimensions (proportion of SOE and economic performance): the first (second) group has higher economic performance and higher (less) proportion of SOE, and the third (forth) group have the lower economic performance and higher (lower) proportion of SOE. Then we can find that the first group (such as Shanghai and Beijing) obtains the highest trust level, while in the forth group, the trust level is the lowest among four groups.

⁹ The reason we adopted the Logistic model is that we ask a relatively comparative question.

Tab. 3 Explanation (1)

	Model 1	Model 2	Model 3	Model 4	Model 5
TF(000 km)	0.16(2.46)*	0.08(1.17)		0.16(2.33)*	0.16(-7.42)**
Urbanization	4.71(4.35)**			4.66(4.11)**	4.68(3.91)**
Edu/hundred	1.19(2.59)*	1.51(3.28)*	1.34(3.04)*	1.12(2.48)*	1.22(1.80)c
MI (%)		0.46(3.83)**	0.50(4.29)**		
Culture				0.06(0.17)	
Official					-0.05(-0.06)
Constant	-8.11 (-13.27)**	-8.23 (-12.04)**	-7.91 (-12.56)**	-8.13 (12.97)**	8.06 (-7.42)**
Adj. R	0.56	0.51	0.51	0.54	0.54

**significant at 1%

*significant at 5%

c significant at 10%

(i) MI denote Marketization index (Fan and Wang, 2001)

(ii) the set-up of Culture is that let South of China equals to 1 and others zero.

1. Education, local culture and trust

In traditional Confucianism culture, education has been regarded as the most effective way of internalization of social norm, and well-educated people are regarded trust-worthier than not-well-educated people. In fact, we believe that education can affect trust through various ways. First, education can shape one's personality by embedding honest into his (her) rational behavior so that he (her) can be well received by others in social transactions. Second, education can enhance one's human capital so that he (she) can earn more income and gain higher social status. Given that the sense of shame is positively depends on one's wealth and social status, we shall expect that education can enhance trustworthy (not necessarily trustful). Third, education can facilitate one's social participation which in turn facilitates information flow. Overall, we shall expect a positive causality between education and trust. Indeed, as Table 3 show, those regions with higher education levels (measured by the number of higher education graduates per hundred people) do gain higher trust by business people. However, local culture seems to have no significant influence on trust¹⁰.

2. The proportion of government officials and trust

Given that the government is a major controller of social environments, we shall

expect that the number of government officials can be an important determinant of trust. However, we find that the relation between the trust level and OFFICIAL (the number of government officials per hundred people) may be complicated. On the one hand OFFICIAL is highly correlated to the EDUCATION, which has positive contribution to trust; on the other hand, “too many” officials may decrease a region’s trust level since excessive quantity of officials breeds more regulations and uncertainty of market. After control for the effect of education, we find that the proportion of official in population negatively contributes to trust level that means that the more official per hundred people a region has the lower trust level tend to be, although the result is not statistically significant. Our explanation for this result is that in China, officials are much less disciplined and more corrupted, and therefore they can be a very important destroying factor of trust.

3. Marketization, urbanization, and trust

China is still under a transition to a market economy from a planning economy. Business transactions through markets instead of governmental arrangements have been steadily increasing in the past two decades. Using the MI (Marketization Index) from Fan and Wang (2001)), our model reveals that the more a region has been marketized, the higher its trust level is. The reason may be straightforward because that more transactions are conducted through markets instead of governmental control, competitiveness of the firm more depends on its reputation of staying with contracts (both explicit and implicit) and transactions are more relations-based and highly repetitive, the firms care more about their reputations. The effect of marketization is so strong that a percent increase of marketization will promote 10 percents of T1 when a region’s T1 is 10th percentile level.

Besides, urbanization (measure by the proportion of people living in urban areas) contributes to the building of trust with its all convenience to promote trades. Although some evidence show that urbanization may destroy the traditional society’s trust mechanism because gossip no longer matter in the city, for China, a country that has not

¹⁰ We differentiate culture by two categories of North and South.

been highly and maturely urbanized, the benefits of urbanization for building trust still exceeds the negative effect since in general, exchange in city always tends to be more frequent than in the country even without a complete modern trust mechanism. The model indicates that a percent increase of urbanization will promote 1 percents of T1 at 10th percentile level of T1.

4. Population density, transportation facilities and its marginal effect

Theoretically, any variables that promote information flows and repetition of transactions can play a positive role in building trust. Population density and transportation are such variables. In a higher density population area the transaction tends to be more frequent and reputation concerns are more significant as contagious equilibrium works (Kondori, 1992). As we mentioned before, the TF (transportation facility) increases the chance of repeated interaction, especially affects the feasibility of face-to-face communication, they should positively contribute to trust building. In fact, for a transforming society, the exchange in the spot play key role in building of trust according to reputation model. This is particularly true in a high-density society.

We build the following model to test the theoretical predictions:

$$\ln \frac{T1}{1-T1} = \eta + \gamma_1 \times TF + \gamma_2 \times Urban + \gamma_3 \times Urban \times TF + \gamma_4 \times D + \gamma_5 \times D \times TF + \gamma_6 \times Official$$

where D represents for population density.

Table 4 shows that both the density of population (measured by population in per square KM) and transportation facilities (measure by lengthen of railways per square KM) plays a positive and statistically significant role in building of trust. It was also found that in higher density areas, the transportation facilities more important in determining the trust level, which imply the TF have marginally positive influence in trust level¹¹. However, unlike the argument provided by Fisman and Khanna (1999), the telephone communication and other media such as TV and newspapers, are not statistically significant variable in explanation of trust differences among regions in China.

¹¹ On the one hand, more transportation facilities imply that the longer distance between parties, which is negative contribution of trust level, such as in Xinjiang and Inner Mongolia; on the other hand, the transportation does help to lower the transaction cost. So although these two effects counteract each other, in any way, the marginal effect of transport facility is positive.

Tab.4 explanation (2)

	Model 1	Model 2	Model 3
TF (ten thousands km)	0.38(2.26)*	0.21(2.60)*	
Urbanization (%)	2.46(3.14)**		
Urbanization*TF	-0.47(-1.36)d		
Density (thousand/ km^2)		2.4(5.32)**	1.71(4.25)**
Density*TF (1000*10000 km/ km^2)		0.27(1.53)d	0.53(3.78)**
Official / hundred	1.00(1.77)c	1.67(3.55)**	1.39(2.78)**
Constant	-9.99(-8.43)**	-8.70(-11.94)**	-7.53(-11.91)**
Adj, R	0.52	0.69	0.62

**significant at 1%

*significant at 5%

c significant at 10%

d significant at 20%

□. Conclusion

Using the cross-regional data, this paper shows that trust has a strong effect on uneven development of economy in China. As is discovered in many studies, trust affects the growth of economy, size distribution of enterprise, and FDI inflow and so on. We also find that reported cross-regional differences of trust in China are reflections of the regional diversity of education, marketization of economies, urbanization, population density and transportation facilities. Although not statistically significant, “too many officials” may damage social trust. This demonstrates that trust cannot simply means a cultural heritage¹². Our findings consistent with the basic game-theoretical model of trust, and more or less consistent with most sociologic models too.

While our measure of trust is based on the direct survey from business people who make judgment more or less from their own experience, we recognize that since the transaction and market system is immature at present in China, trust is still perceived in

¹² Even if cultural tradition will influence trust, it is indirect via a person's patience, since patience may have relation with culture. In China, the culture difference exists between north and south. Generally, people in north are considered to more reliable. However, this factor is controversial, and can also be explained by property right or

a traditional way. The trust is more like “impression” rather than the rational judgment based on experience of interaction. And the underlying reason is the lack of intercommunication, low degree of social participation and social organization, and the immature transaction. Therefore the low trust in China is due to the lack of chance of repeated commercial interactions and the lack of rule of bilateral or multilateral punishment. To improve the trust, we argue that China should pay more attention to the following factors:

First is a firm institution of private property right. The major function of private property is to provide people with a long-horizon so that they have proper incentives to be concerned with their reputations. Reputation is a long-run investment and only those with long-horizon would invest in it. In China, the managers of SOEs give little regard to reputation, since they are appointed by government, and their behavior is not toward the long-term goal. As to the private businesspeople, the lack of reputation mechanism is due to the lack of security on their property rights. Insecurities of property rights lead private businesspeople to prefer short-term profits at sacrifice of long-term relational benefits. In a profit-pursuing society, the lack of property right can be disastrous because the profit-pursuing behavior would destroy reputation more seriously.

Second is efficient transaction facilities and information transmission system. In a traditional rural society, the trust is facilitated by gossip (Merry, 1984). However, in our modern “anonymous society”, where most transactions take place between strangers, the gossip won’t work; and even between acquaintances, most personal information is confidential. To compensate the trust crisis brought by asymmetric information, we should improve the transaction facilities, information transmission technology, and intermediary. As we have shown, In China, transportation facilities have a strong effect on trust level in the region, especially for big city with high population density. When the trust level is 10%, it will increase 10% as the transportation area extends 10,000 kilometers farther. We need to recognize that transaction facilities, information transmission and intermediaries are more of a social institution issue rather than

information.

technical issue. In a society even with advanced information transmission technology, very strict information censorship would seriously undermine the efficiency of information transmission and even distort the information. In such a society, the effect of high technology on trust is greatly discounted. Similarly, if the intermediary organization is tightly controlled by government instead of market like situations in today's China, it will also have no positive effect on building trust.

Third is a "normalization" of governmental behavior. By this we mean three aspects: First is policy normalization, that is, making governmental policies more stable and predictable. Just as the effect of property right, the policy normalization can help people to form a consistent expectation so that they know what they should do and what they should not do. The second aspect is independence of law and restriction on administrative authority. A study by Knack & Keefer (1997) shows that restriction on administrative authority and independence of law has a high correlation with trust. More specifically, they show that as the restriction increases one point (a 7-scale rating), trust would increase 1.5%; as the independence of law increases one point (a 4-scale rating), trust would increase 8%. In China, injustice and inefficiency of law caused by the excessive administrative interference has seriously affected people's contract behavior and increased the default in contract (ZHANG & KE, 2001)¹³. The last aspect is to reduce the direct governmental participation of business activities, especially the profitable activities. Government has less incentive to gain creditability, and so governmental involvement results in low trust. A typical case is the disordered construction industry in which governments are the major buyers.

The Last but not least factor is promotion of free market competition and free contracting. Studies, both theoretically and empirically, have shown that competitive follows of information *ex ante* would help reduce the uncertainty and build trust. Moreover, free market will automatically crowd out those with low creditability. Likewise, free contracting without too much government interference will promote trust through people's reciprocity. Contrarily, in a society with too much restricts on

¹³ According to an incomplete statistics by bureau of statistics, in China there're 2 billions contracts signed per year at present but only half of them are finally honored.

rights of contracting, nongovernmental organization will not develop and value of trust cannot be shown.

In summary, trust is the footstone of a healthy market economy. Trust is not only a cultural heritage, it's highly related to social institution and technology. Pervasive phenomena of cheating, fakes and defaults show that China is now a low-trust society. While China has had remarkable economic achievement in the past two decades, sustainability of further economic development much depends on how fast China can build systemic trust in its society. We believe that the key is to establish trust-facilitating institution, and that the most fundamental institution for trust is the property right. Besides, restriction of governmental behavior, development of more convenient transaction technology and facilities, and further opening-up of competitive market will improve the trust level in China.

Tab.1 Trust in China

Ranking	Region	Most	Second	Third	Forth	Fifth	Total
1	Shanghai	22.7	16.5	8.7	4.8	3.7	218.9
2	Beijing	16.6	11.3	8.3	5.5	4.9	169
3	Jiangsu	5.7	10.2	9.5	7.6	5.7	118.7
4	Guangdong	10.1	6.2	7.5	6.8	5.8	117.2
5	Shandong	6.4	5.4	7.3	7	6.7	96.2
6	Zhejiang	3.5	5.1	7.1	6.3	5.9	77.7
7	Tianjin	1.7	4	4.2	4.4	4.0	49.9
8	Liaoning	1.9	2.1	2.2	2.4	2.8	32.1
9	Hebei	1.4	2.2	2.6	2	2.5	30.1
10	Sichuan	0.9	1.8	2.2	2.8	3.2	27.1
11	Fujian	0.9	1.7	2.1	2.2	2.3	24.3
12	Yunnan	1.4	1	1	1.6	1.6	18.8
13	Helongjiang	0.7	1.1	1.3	1.3	1.5	15.9
14	Xinjiang	1.1	0.6	1	1.3	2.1	15.6
15	Shanxi	0.7	0.9	1.2	1.4	2.0	15.5
16	Jilin	0.7	1.2	1	1.2	1.1	14.8
17	Henan	0.6	0.9	1	1.6	1.6	14.4
18	Chongqing	0.5	0.7	1.2	1.8	1.6	14.1
19	Hebei	0.5	0.7	1.3	1.3	1.8	13.6
20	Guangxi	0.6	1	0.9	1.1	1.1	13
21	Anhui	0.4	0.8	0.9	1.6	1.5	12.6
22	Shangxi	0.6	1	0.7	1.1	0.8	12.1
23	Inner Mongolia	0.7	0.7	0.8	1	0.9	11.6
24	Hunan	0.4	0.5	0.7	1.1	1.6	9.9
25	Gansu	0.3	0.6	0.6	0.8	0.9	8.2
26	Jiangxi	0.2	0.4	0.6	1	1.0	7.4
27	Guizhou	0.2	0.4	0.6	1.1	0.8	7.4
28	Qinghai	0.2	0.4	0.3	0.4	0.5	4.8
29	Ningxia	0.2	0.3	0.3	0.4	0.7	4.6
30	Hainan	0.1	0.2	0.4	0.5	0.6	4.1
31	Tibet	0.1	0.2	0.2	0.3	0.2	2.7

Tab.2 Cross Selections

	Beiji ng	Tian jin	Heb ei	Shan xi	IM	Liao ning	Jilin	Helo ngjia ng	Shan ghai	Jians u	Zhej iang	Anh ui	Fujia ng	Jian gxi	Shan dong	Hen an	Hubei	Hun an	Gua ngdo ng	Gua ngxi	Hain an	Cho ngqi ng	Sich uan	Beiji ng	Tian jin	Heb ei	Shan xi	IM	Liao ning	Jilin	Helo ngjia ng	
Beijing	57.9	0.5	1.0	1.0	0.5	1.4		0.5	23.9	1.4	1.0				1.4				7.7	0.5			1.0		0.5							
Tianjin	21.0	34.3	1.9	1.9		1.9		1.9	18.1	3.8	1.0				1.9		1.0		7.6				1.9				1.9					
Hebei	27.7	4.4	17.0	1.0	0.5	1.5		0.5	19.9	4.4	1.9	0.5	0.5	0.5	10.2	0.5	1.0	0.5	6.3													1.5
Shanxi	19.0	3.6	3.6	13.1	2.4	2.4			20.2	3.6			1.2		16.7				7.1	1.2							2.4	1.2		1.2	1.2	
IM	18.6	2.9			15.7	4.3		1.4	35.7		2.9		1.4		10.0		1.4		1.4								2.9		1.4			
Liaoning	22.6	0.6	1.9		1.3	20.8	1.9	1.3	26.4	4.4	2.5				6.9	0.6		0.6	6.9			0.6										0.6
Jilin	15.2	2.0			6.1	15.2	5.1	32.3	5.1	1.0					8.1				5.1				1.0	1.0								2.0
Helongjia ng	18.4		1.3	2.6	3.9			11.8	38.2	1.3	1.3				5.3		1.3		10.5				1.3					1.3				1.3
Shanghai	7.4	0.7			0.7				77.7	6.1	1.4				0.7				3.4						0.7				0.7			0.7
Jiansu	15.7	0.2	0.2		0.5	0.7	0.5	0.5	35.3	29.2	2.4		0.5	0.2	3.6		0.2		8.0			0.2	0.5	0.2	0.2			0.2		0.2	0.5	
Zhejiang	17.6	1.0	0.3				0.7	0.7	28.7	5.4	28.0	0.3	0.3	0.3	2.7		0.3		11.5	0.3	0.3	1.0										0.3
Anhui	17.0		2.2			2.2	0.7		37.0	11.1	4.4	8.1	1.5		2.2				9.6				1.5		0.7		0.7	0.7				
Fujiang	23.5	3.5				1.7			31.3	5.2	2.6		11.3		3.5				14.8				0.9	0.9								0.9
Jiangxi	22.4					2.0		2.0	25.5	6.1	6.1	1.0	4.1	1.0	4.1		1.0	4.1	18.4	2.0												
Shandong	15.2	1.7	0.3		0.3	0.6	0.3	1.1	16.6	3.7	2.6	0.6	1.1		45.3		0.3		7.2	0.3	0.3		0.9		0.3						0.9	0.6
Henan	21.2	1.8	1.3	1.3	1.8	2.7	1.3		28.3	3.1	3.5		0.9	0.4	7.1	8.8	0.9	0.4	10.2	0.4	0.4		0.4		0.9			1.3		0.4	0.9	
Hubei	20.1	1.5	1.5	1.0		1.5	1.0	0.5	19.6	9.8	3.4	0.5	0.5		6.9	1.0	6.4	1.0	18.6	0.5	0.5		1.5	0.5			1.0				1.5	
Hunan	24.4		2.2	0.7		2.2	0.7	0.7	21.5	3.0	3.0		2.2	0.7	3.7			7.4	17.8	3.7			1.5		3.0	0.7	0.7					
Guangdong	18.0	0.9	0.9		0.4	0.9			14.9	0.9	2.2	0.4	0.4		1.3		0.4		55.3			0.4	0.9		0.9		0.9					
Guangxi	21.2		1.9	1.0		2.9	1.0		15.4	6.7	1.9		1.9		1.0		1.0		23.1	12.5				1.0	3.8	1.9				1.0	1.0	
Hainan	11.1								22.2						11.1				55.6													
Chongqing	11.9	1.7		1.7		1.7	0.8		36.4	5.9	0.8		1.7		1.7		0.8		12.7	1.7		11.0	3.4		1.7		1.7	0.8	0.8		0.8	
Sichuan	24.0	0.6	0.6			2.3	0.6		24.6	2.9	5.3				2.9	0.6			12.3			3.5	9.9	1.8	4.1	1.2		0.6	0.6		1.8	
Guizhou	15.5					3.4	1.7		39.7	5.2	5.2		3.4			1.7	1.7	1.7	1.7	3.4		1.7	1.7	3.4	8.6							
Yunan	7.8		1.0		1.0	1.0	1.0		27.2	2.9	1.9	1.9		1.0	1.0	1.0			6.8				1.0		39.8		1.9				1.9	
Tibet	33.3														33.3	33.3																
Shanxi	17.3	0.9	2.7		1.8	0.9	0.9		27.3	6.4	1.8		1.8	0.9	7.3	0.9	0.9		4.5				0.9		0.9	14.5	1.8				5.5	
Gansu	17.9	7.1				1.8			32.1	7.1		1.8			3.6	1.8			7.1			1.8		1.8			10.7	1.8	1.8	1.8		
Ningxia	17.1				5.7			2.9	28.6	8.6					8.6				8.6				2.9				5.7		11.4			
Qinghai	12.5	6.3		6.3					25.0	6.3	12.5				6.3				12.5				6.3			6.3						
Xinjiang	15.2	1.5	3.0	1.5	1.5	4.5			19.7	4.5					6.1				9.1	1.5							1.5				30.3	
Total	20.3	2.1	1.7	0.7	0.8	2.3	0.9	0.8	27.7	7.0	4.3	0.5	1.0	0.2	7.8	0.7	0.7	0.5	12.3	0.7	0.1	0.6	1.1	0.2	1.7	0.2	0.8	0.4	0.2	0.2	1.3	

Note: The number in each cell is T1 that is the provinces listed in the first row evaluated by the provinces listed in the first column respectively; IM: Inner Mongolia;

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