

A. GARY ANDERSON  
GRADUATE SCHOOL OF MANAGEMENT  
CENTER FOR SOCIALLY RESPONSIBLE ORGANIZATIONS  
RESEARCH SEMINAR SERIES

*Professor Paul J. Zak*

Assistant Professor of Economics  
Claremont University, Department of Economics

**Building Trust: Public Policy, Interpersonal Trust, and  
Economic Development  
(joint paper with Stephen Knack)**

**Abstract**

Zak and Knack (2001) demonstrate that interpersonal trust substantially impacts economic growth, and that sufficient interpersonal trust is necessary for economic development. To investigate the ability of policy-makers to affect trust levels, this paper builds a formal model characterizing public policies that can raise trust. The model is used to derive optimal funding for trust-raising policies when policy-makers seek to stimulate economic growth. Policies examined include those that increase freedom of association, build civic cultures, enhance judicial contract enforcement, reduce income inequality, and raise educational levels. Testing the model's predictions for a sample of 43 countries, we find very few policies raise trust sufficiently vis-a-vis their costs to warrant policy action as part of a program of economic development.

Friday, November 30, 2001, 10 am–11:30 am  
Room 021, Anderson Hall, UC Riverside

Copies of the the paper to be presented are available at <http://www.goldmark.org/livia/misc/zak-trust.pdf> or from Prof. Lívia Markóczy, [Livia.Markoczy@ucr.edu](mailto:Livia.Markoczy@ucr.edu), Anderson Hall, Rm 221, 787-3908