

Trust as a Catalyst of Economic Growth: A National and Regional Breakdown

Storonyanska, Iryna; Ivashko, Olena; Mieszajkina, Elena

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Storonyanska, I., Ivashko, O., & Mieszajkina, E. (2022). Trust as a Catalyst of Economic Growth: A National and Regional Breakdown. *Sustainability*, 14(22), 1-14. <https://doi.org/10.3390/su142215168>

Nutzungsbedingungen:

Dieser Text wird unter einer CC BY Lizenz (Namensnennung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:

<https://creativecommons.org/licenses/by/4.0/deed.de>

Terms of use:

This document is made available under a CC BY Licence (Attribution). For more information see:

<https://creativecommons.org/licenses/by/4.0>

Article

Trust as a Catalyst of Economic Growth: A National and Regional Breakdown

Iryna Storonyanska ¹, Olena Ivashko ^{2,3,*} and Elena Mieszajkina ⁴

¹ M.Dolishnyi Institute of Regional Research, The National Academy of Sciences of Ukraine, 79000 Lviv, Ukraine

² Faculty of Administration and Social Sciences, University of Economics and Innovation in Lublin, 20-209 Lublin, Poland

³ Department of Finance, Banking and Insurance, Lesia Ukrainka Volyn National University, 43025 Lutsk, Ukraine

⁴ Department of Management, Lublin University of Technology, 20-618 Lublin, Poland

* Correspondence: ivashko.olena@vnu.edu.ua

Abstract: Given the fact that Ukraine declares a European path of development and considers itself a potential member of the European Union, the study mainly examines the relationship between trust and economic growth in Ukraine and other countries of the world, including post-Soviet countries. The hypothesis that general trust has a positive effect on economic growth in general is tested, and a comparative assessment of the level and factors of trust across the regions of Ukraine has been carried out. The results show an historical tradition of mistrust of the state and its institutions particular to Ukraine as the country where the state has been perceived as foreign by most of the population for over 70 years; exceptional weakness and corruption of state administration, even by the standard of third-world countries; availability of influential and consistent stereotypes, partially universal and partly specific to post-communist countries. It causes polarization in society and within certain social groups and governmental institutions. Ukrainian society is characterized by the waste of symbolic capital of confidence in authorities. Meanwhile, there is some symmetry between mistrust of the system and trust in entities created by people to meet their spiritual, social, psychological, and other needs.

Keywords: trust; economic growth; region; behavioral values; institutions



Citation: Storonyanska, I.; Ivashko, O.; Mieszajkina, E. Trust as a Catalyst of Economic Growth: A National and Regional Breakdown. *Sustainability* **2022**, *14*, 15168. <https://doi.org/10.3390/su142215168>

Academic Editors: Bruce Morley and Antonio Boggia

Received: 26 September 2022

Accepted: 11 November 2022

Published: 16 November 2022

Publisher's Note: MDPI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



Copyright: © 2022 by the authors. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

1. Introduction

Economic growth and the choice of its optimal trajectory for the state, region, or community are among their decisive development criteria. In the mid-twentieth century, this task was considered successfully solved by Nobel laureate Robert Solow [1,2], who established a strong relationship between the dynamics of the number of the population change (that should be positive but not very quick), savings of the population (considered in the context of investment capacity), and technological development (in particular, education and research development and ability to produce or absorb new technologies) in his neoclassical exogenous growth model (published in 1956). Solow has proven that these factors and their optimal combination determine an opportunity for the countries' or areas' long-term sustainable economic growth.

For a certain time, Solow's economic growth model had been perceived as unconditional. Later, however, the practice of its application showed the ambiguity of results in various countries.

Since these factors have failed to explain a large share of differences between the countries in income per capita, the focus has gradually moved to the role of formal institutions (North, 1990 [3]) that are considered as factors that strengthen or weaken market institutions (Stiglitz and Arnott, 1991 [4]) and generate the stimuli to accumulate wealth

and innovations (Acemoglu, Robinson and Johnson, 2001 [5]; World Development Report, 2002 [6]) as well as to the evaluation of the impact these institutions have on the development of human capital (Glaeser et al., 2004 [7]). Lately, the attention has been focused on stronger factors, namely social capital and trust.

Therefore, it was obvious that the country had to create certain institutions and rules of the game for the Solow model to work. Nobel laureates George Akerlof (founder of informational economic theory, behavioral economist) and Robert Shiller (behavioral financier) in *Phishing for Phools: The Economics of Manipulation & Deception* [8] have substantiated the fact that information asymmetry and behavioral factors significantly “distort” the results of the application of both classical and neoclassical theories, while trust and justice are the key components of forming the institutional environment capable to secure economic growth. Meanwhile, the authors prove that economy should be considered only in the coordinates of the behavioral economy in current conditions, where human behavior is a good that can be influenced, quantified, standardized, and manipulated on a global scale.

Stemming from the Solow model, there are only two ways to secure GDP per capita growth: (1) to increase investment in business and (2) to improve productivity. Trust substantially impacts these two processes at once (Figure 1). Boosting the trust not only allows increasing long-term investment in fixed assets but also improves productivity at the expense of more qualitative investment, human capital accumulation, and organizational improvements.

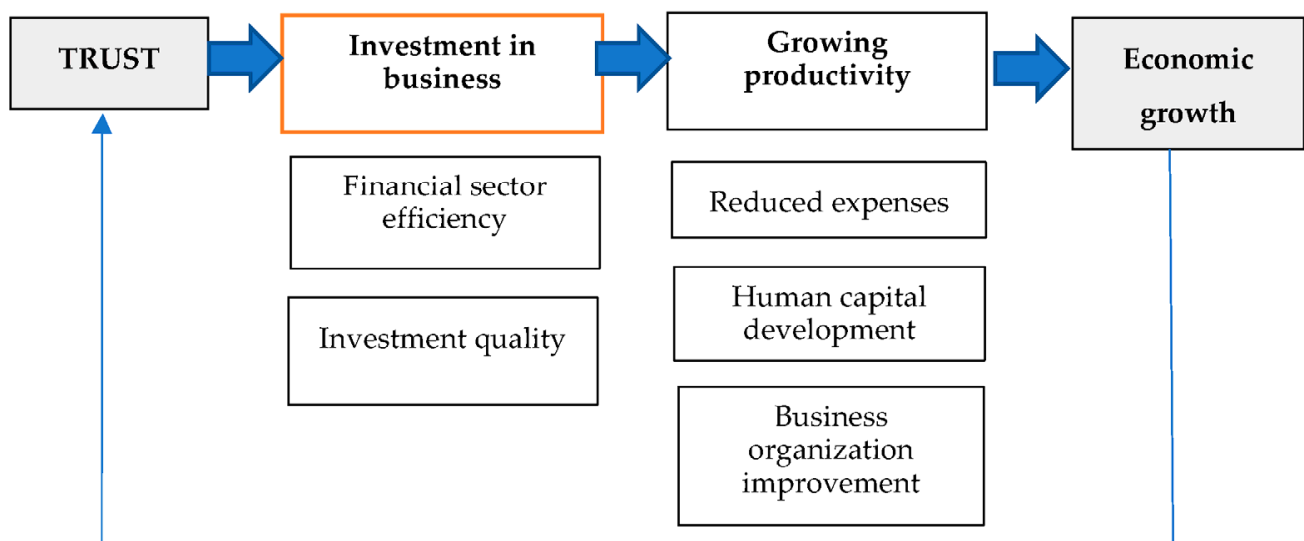


Figure 1. Interrelationship between trust and economic growth.

Trust directly impacts investor behavior and determines prospective investment directions. No one doubts that confidence in the financial system stipulates the prospective investment attraction volumes and the period for which they can be attracted. Confidence in the financial sector in crises and growing uncertainty plays a special role. Meanwhile, the crisis caused by the pandemic has drawn attention to another trust dimension—trust between employer and employee in conditions of online work. The experience of building trust has become so widespread that many organizations still allow their employees to work online. Therefore, trust allows a company to rent less office space and save on real estate while simultaneously improving the satisfaction and productivity of employees. Some losses will certainly be inevitable, but a more trusting environment has positive side effects—reducing operating costs and growing investment opportunities.

The fact that trust impacts the business investment quality and type should not be dismissed. The lack of trust can make some investments too risky, leading to suboptimal investment distribution. For instance, countries with low trust levels usually invest in

projects with short time horizons. Investment with a longer period requires more trust in employees to finalize the project, in suppliers to get the necessary equipment, and in clients during the entire investment-use period. Investment in research and development requires special trust since it is almost impossible to predict an exact research period and result at the start of investment in innovative developments. Therefore, the implementation of these innovative projects is impossible if the trust between investor, entrepreneur, and researcher is low [9–11]. So, lack of trust can direct investment in less ambitious projects, the implementation of which is easier to control. Instead, ambitious innovative projects generate increased demand for highly educated and productive employees and boost economic productivity in general.

Developing the causal relationship further, we can see that, in such a way, trust urges investment in human capital. Employers are interested in investing in employees only to the extent that they are certain that the latter will not go work for other entities. On the other hand, employees' trust urges them to increase their human capital and demonstrate higher productivity. The lack of trust disrupts the investment behavior of both employers and employees.

Trust between employees on equal grounds is also crucial for human capital generation. Employees who trust each other cooperate better and share ideas and information more often, allowing organizations to encourage innovations and ultimately increase productivity [12–14].

Trust can also add to productivity, not only through investment mechanisms but also organizational ones, through means unrelated to additional investment. Decentralization of decision making in organizations is among these mechanisms. Decentralized decision making allows using the capacity of employees that are “closer to the problem” to solve it faster. Therefore, a company can adapt to a highly dynamic business environment faster [15]. Such a decision-making mechanism is not effective without trust within the organization and well-defined organizational procedures. Improvements in the organization of the decision-making system can be made on the level external to the company. It is demonstrated in a range of studies. Yann Algan and Pierre Cahuc [16] argue that “investors who have more trust in financial intermediaries delegate more decisions to them and thus obtain better-diversified and more efficient portfolios”. The research of Mathew Chalker and Martin Loosemore [17] shows that increasing trust between construction companies and subcontractors leads to more efficient cooperation, more flexibility, and better organization of relations.

Trust as the most essential component of social capital was addressed by Fukuyama (1995) [18], Zak, Knack (2001) [19], Tabellini (2010) [20], etc. Meanwhile, all the researchers emphasize that reduced transaction costs constitute the main mechanism that creates positive economic results. According to Beugelsdijk S., Maseland R. (2016) [21], a high level of trust between economic agents reduces the contracting cost and the control over their execution; it boosts investment since trust is related to a long-term planning horizon favorable for risky investment; and solves the problems of collective actions without the attraction of external regulation. Moreover, a high level of trust among individuals reduces the possibility of opportunistic behavior and contributes to a more efficient resource management that would otherwise have been directed at control over the activity of counteragents.

On the other hand, the research of the National Bureau of Economic Research [22] indicates the direct relationship between the level of trust (as social capital component) and economic growth through the growing efficiency of public administration. Based on the data from 48 countries, and using the dynamic stochastic model of general equilibria, the authors show that a high level of social capital reduces the possibility of reelection of inefficient politicians. The research argues that the efficiency of a politician for people with high social capital is determined by the amount of governmental educational costs initiated by them. Investment in short-term projects characterizes the politicians as inefficient for such people. The results of model calculations show that growing human capital induced by social capital leads to economic growth.

Therefore, one can state that behavioral values formed in society are the determinants of economic growth in the modern world. Trust is the decisive one among them. The behavioral effects have been updated under the impact of the COVID-19 pandemic that has caused significant changes in behavior on individual, macro and micro levels that require an understanding of new behavior models and the ability to react to them. At the same time, the changes have a significant capacity to alter traditional behavior models formed in various countries, which can be the reference point for restoring/forming confidence in them.

2. Methods

Given the fact that Ukraine declares a European path of development and considers itself a potential member of the European Union, we consider it appropriate to conduct a comparative analysis of the relationship between trust and economic growth in Ukraine and other countries of the world, including post-Soviet countries. To do this, the first step was to test the hypothesis that general trust has a positive effect on economic growth in general, as defined in the existing literature. The relationship of trust and growth in Ukraine was then compared with other groups of countries to gain a better understanding of this relationship.

To measure trust, as in most other studies, a generalized trust question from the WVS is used, which is then measured as the percentage of respondents who chose the answer “most people can be trusted”. The WVS consists of seven waves from 1984 to 2020; on average, each wave is held for four years. This study uses only the last wave covering the sub-periods 1999–2004, 2005–2009, 2010–2014 and 2017–2021, respectively, as these waves include EU countries and Ukraine. This study uses the basic model used in Yann Algan Pierre Cahuc (2013) [16], Zak and Knack (2001) [19].

Considering the internal differentiation of the socio-economic space of Ukraine, the second step was a comparative assessment of the level and factors of trust across the regions of Ukraine.

3. Results

There are two types of trust—generalized trust and particularized trust. Generalized trust is the readiness to consider other people as a part of one’s moral community. This parameter is mostly measured by the question, “Do you think that others can be trusted?”. Particularized trust is the trust in people an individual knows personally (family, friends). Generalized trust fundamentally differs from particularized trust in that it covers people the trusting party has no direct information about [23]. Moreover, generalized trust is divided into trust in certain social groups (selected following various criteria) and trust in social institutions.

Even having agreed to consider trust as a psychological condition or emotion, current economic science has provided it with measurability and comparability (both in temporal and spatial dimensions). World Value Survey [24] (WVS, a long-term global project founded in the mid-1990s based on the methodology and principles of the European Values Study) and European Values Study [25] (EVS, a values study project in European countries since 1981) are the most famous trust assessment studies. Nowadays, both projects exist in parallel and follow a unified methodology that allows comparing their results in a sample covering over 60 countries on all continents, including Ukraine and other post-Soviet republics. WVS/EVS conduct representative surveys of the population (the sample includes over 1000 people throughout the country). The questionnaire contains the traditional question, “Generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?”. The share of respondents agreeing that most people can be trusted is considered by researchers as an indicator of the level of particularized trust in the country.

The direct relationship between the economic development level in the country (2019) and the level of particularized trust in the country (2017–2021) for all countries covered

by the World Value Survey can be considered as indirect proof of the trust benefit for economic growth (Figure 2): high trust level is unique to the countries of Scandinavia and North Europe with high living standards, social stability, and consistent economic growth paces. But, does this rule always work? Among the European countries, the less wealthy have a lower level of trust. Yet the levels of trust in such post-Soviet countries as Estonia and Lithuania have turned out to be even higher (34% and 31.7%, respectively) than in prosperous France (26.3%) or Italy (26.6%), while the level of particularized trust in Cyprus (6.6%, which is among the lowest rates in the EU countries) is the same as in countries such as Colombia, Nicaragua, and Bolivia [26,27].

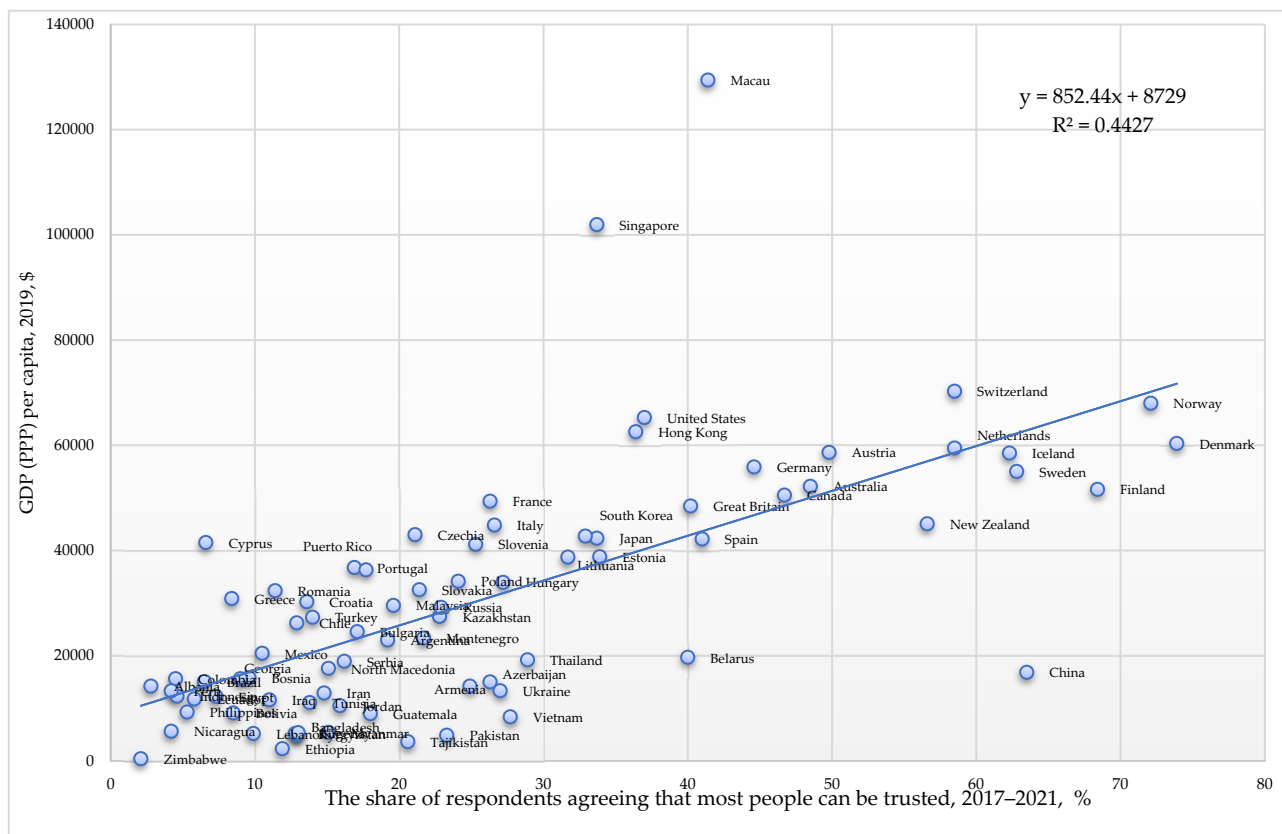


Figure 2. Relationship between the country’s economic development level (2019) and the country’s level of particularized trust (2017–2021): all countries covered by the World Value Survey (WVS).

The fact that such countries as China, Macau, Singapore, Japan, Belarus, and Iceland are at the top of the table can seem no less misleading. These countries with various traditions and socio-political structures compete on equal terms in trust rankings with the countries characterized by long-lasting traditions of the institute of trust—Germany or Great Britain, Canada or the USA. However, if we assess general trends and compare the level of approximation reliability for two samples, the countries in the world and European countries, we can see much higher rates for Europe—0.44 against 0.63 (Figure 3). Therefore, the historical traditions of social development based on democracy and trust still show themselves in the behavior of the population in these countries.

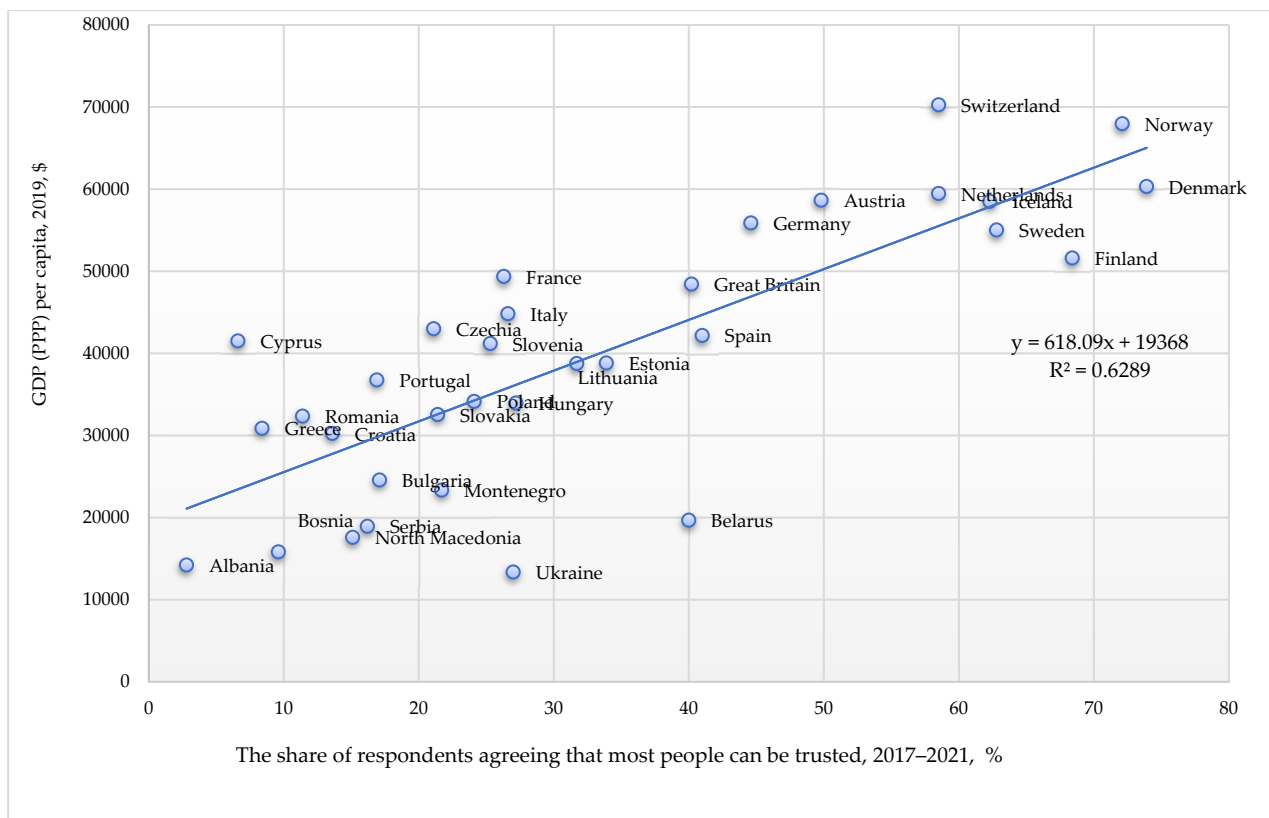


Figure 3. Relationship between the country’s economic development level (2019) and the country’s level of particularized trust (2017–2021): European countries covered by the World Value Survey (WVS).

However, the received results do not allow making conclusions regarding the direct causal relationship between trust and economic growth, as well as its direction: does the growing trust lead to positive socio-economic consequences, or do the high living standards stipulate the growing trust in society?

How does Ukraine fare in this context? Ukraine is well below the trendline with a 27% trust level, i.e., such a trust level allows for having a much higher GDP per capita level. In fact, according to the most recent wave of World Value Survey 2017–2021, Ukraine demonstrates the highest level of trust among the countries with a GDP below \$30,000 per capita (PPP) (Figures 4 and 5). When we compare the level of particularized trust in the post-Soviet countries (former USSR republics), only Belarus is ahead of Ukraine (and the rate of the former cannot be perceived unambiguously), as well as two Baltic countries, Estonia and Lithuania, that are the EU Member States and used to be perhaps the least “pro-Soviet” in the USSR, and pre-Soviet traditions of living activity significantly define the behavior of people in these republics.

According to WVS, in the temporal dimension, the share of those responding to a question about trust had fallen from 28.8% in the 1990s to 23.1% in 2010–2014 (Figure 6). Meanwhile, it is worth mentioning that the share of people believing that the others can be trusted in Ukraine in this period almost did not vary (staying within $\pm 2\%$) neither by age groups of respondents nor income, profession, etc. In contrast, the research for 1994–1998 showed such a differentiation: for instance, a higher level of trust in this period was particular to people aged 50+ and people with higher education. Understanding that the 2008–2009 crisis was a significant blow for Ukraine and its socio-economic situation, and this could not help but affect the trust level in society, one can argue that the general “alignment” of all segments of society in the development of apathy and distrust in the country occurred in that period. People visiting church regularly (no less than once a week)

are the only exception to this general trend. Even the share of those replying positively to the question about trust among them had increased, although their share among all respondents did not exceed 4%.

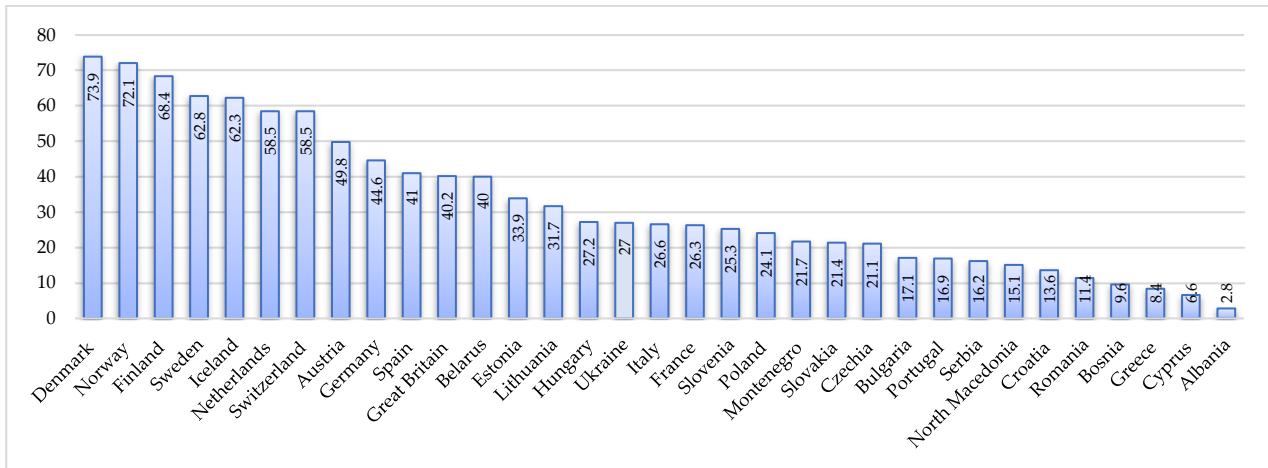


Figure 4. Ranking of European countries by particularized trust (the share of respondents agreeing that most people can be trusted), 2017–2021, %.

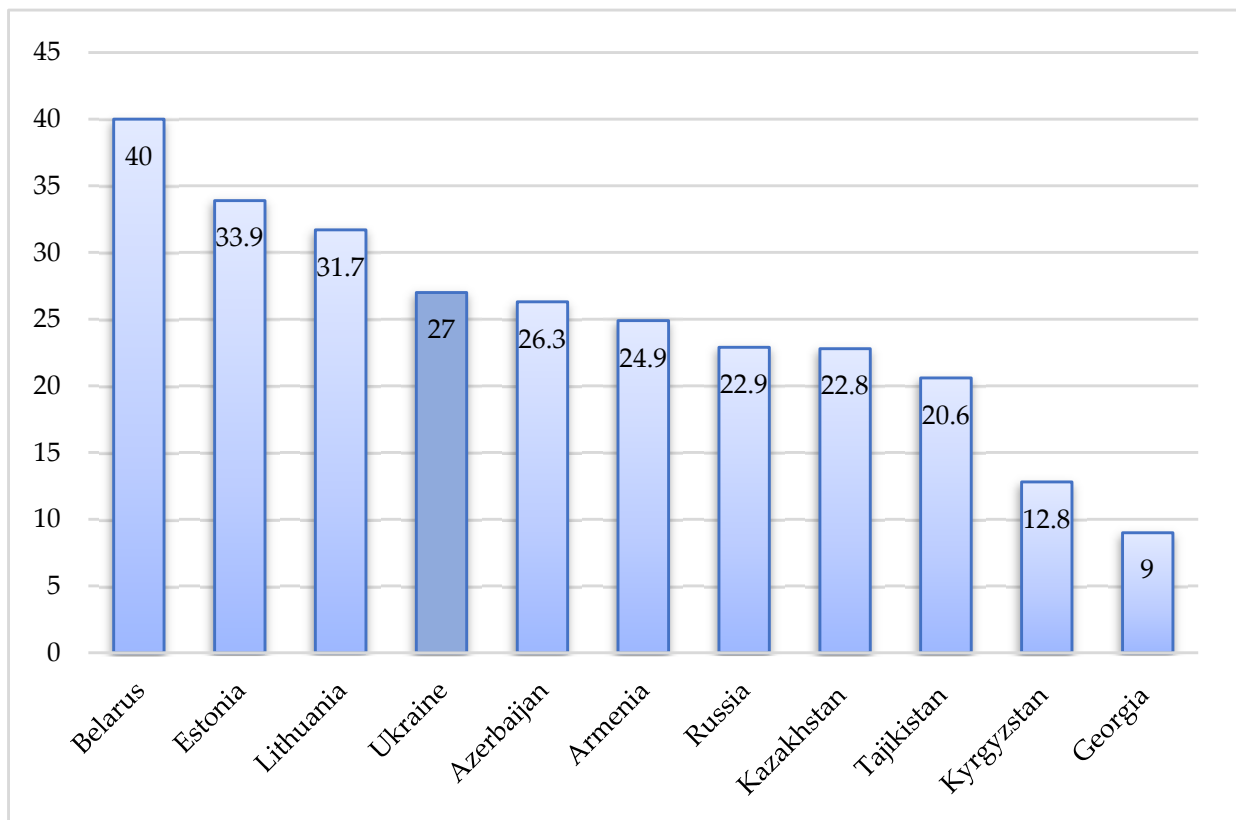


Figure 5. Ranking of post-Soviet countries (USSR members) by the level of particularized trust, 2017–2021, %.

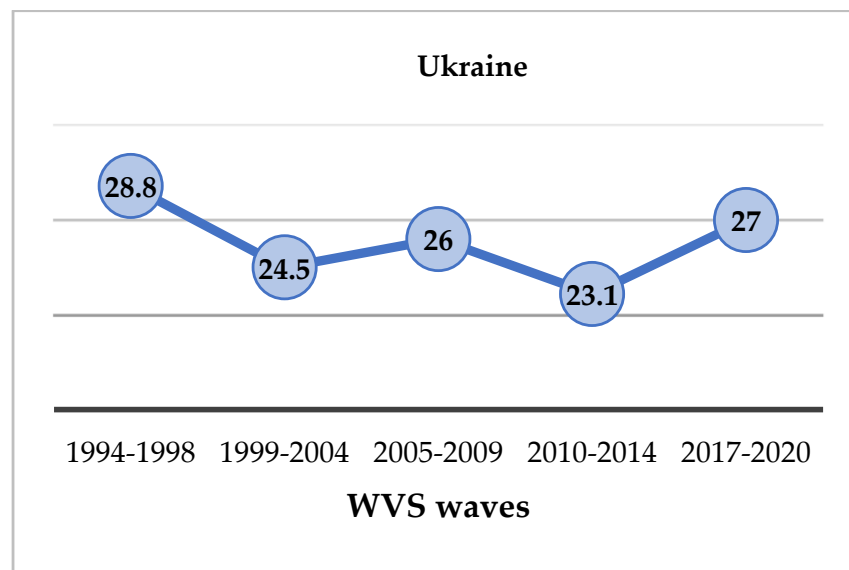


Figure 6. Dynamics of the level of particularized trust in Ukraine [28], %.

The most recent WVS wave (2017–2021) addressed the post-revolutionary period for Ukraine, so a significant growth in the level of particularized trust to 27% is quite reasonable. Yet, it is below the rate of the start of the state’s independence. It is also worth emphasizing that trust growth in Ukraine took place at the background of overall trust level decline in the world: “The world has become a less trusting place. The share of the global population that believes “most people can be trusted” fell by roughly 20% over the last 15 years”. Instead, inequality and political polarization increased, as mentioned by the authors of the Deloitte Report, “The link between trust and economic prosperity” [29].

The regional breakdown of particularized trust and the relationship between the level of trust and the level of economic development on the regional level is another essential issue for our research.

Understanding and explaining regional economic growth “requires taking into account the role of both formal society-wide institutions and local and sometimes informal institutions” [30]. Currently, there are two but disparate strands of literature on informal and formal institutions and regional economic growth [31–33]. The first strand of literature addresses the role of informal institutions, such as trust [20,21]. The second strand of literature [34–37] examines the effect of formal institutions such as the degree of decentralization or regional autonomy and the quality of regional government on economic growth.

According to the analysis of WVS 2017–2021 data across Ukrainian regions, one can see a substantial scatter of positive replies of respondents regarding the trust in people around—from 10.3% in Luhanska oblast to 40% in Harkivska (Figure 7). The approximation reliability for Ukrainian regions is much lower (0.17) than for European countries or globally (see Figures 2 and 3). Therefore, on the one hand, we can argue about the lack of relationship between the level of trust and the level of economic development on the regional level; on the other hand, there are some trends. The group of highest trust levels in Ukraine includes the most economically developed oblasts (Harkivska, Dnipropetrovska) and some western and central oblasts (Lvivska, Volynska, Ternopilska, Ivano-Frankivska, Vinnytska), the residents of which were active participants of the 2014 revolution and expressed the strongest support to Petro Poroshenko and the president’s party. Therefore, if in the first case, the high trust level can be explained by economic factors, in the second case, it is mostly about behavioral factors.

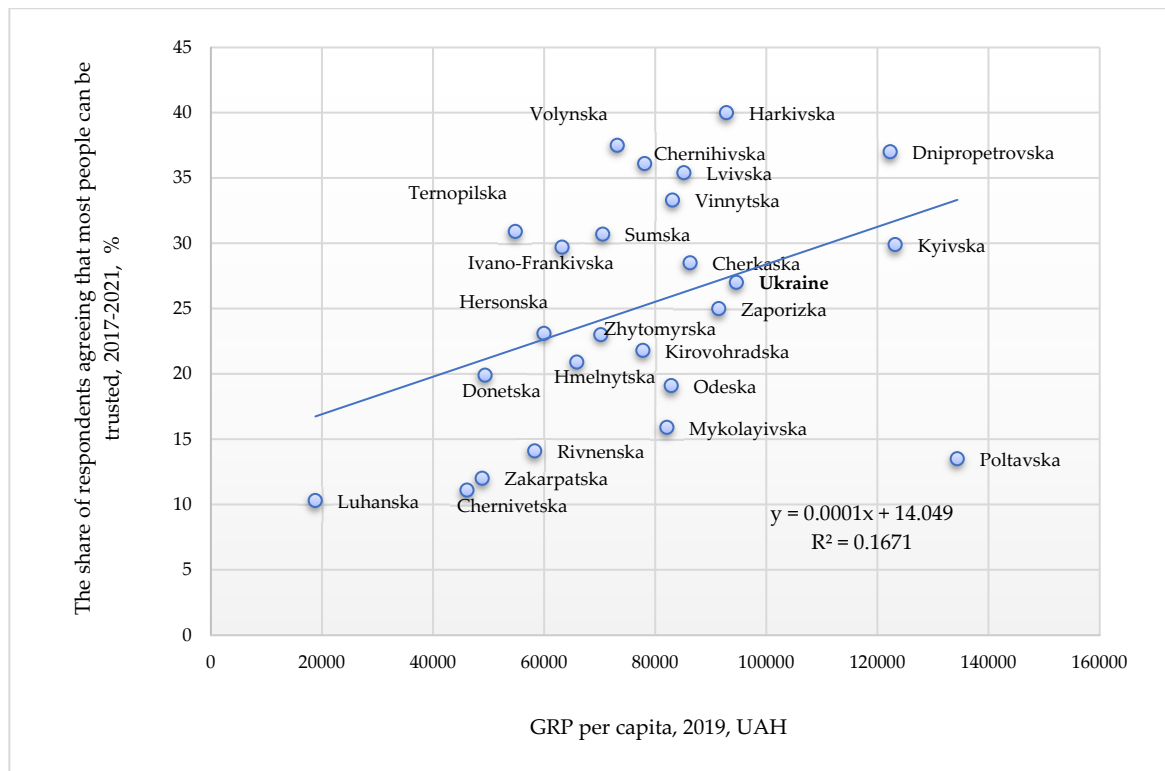


Figure 7. Relationship between the level of economic development in Ukrainian regions (2019) and the level of particularized trust in the regional breakdown (2017–2021).

It is worth mentioning that Fukuyama [18] deems important not only trust among people but also trust in social institutions. Not only individuals but also collective entities like organizations and institutions, namely a state, can be the bearers of trust. Institutional trust stipulates going beyond personal (interpersonal) relationships between individuals and transferring to the level of indirect relationships between an individual and social institutions or between social institutions as such. In this case, social institutions transform into a kind of “superentities” that become the action entities and full members of social relations. Institutional trust can be characterized as impersonalized trust with regard to established rules, standards, and regulations. In this case, a category of “trust” refers to the efficiency of the rules and procedures system rather than to individuals. Trust in rules is projected to trust in organizations that implement these rules. Conversely, if the way the rules are realized (e.g., judicial system) can be trusted, they will be complied with and applied properly. Meanwhile, particular individuals operate on behalf of institutions, and they decide whether or not to trust the impersonalized social institutions—contracts, laws, and organizations, as well as people responsible for the implementation of respective rules and regulations and those representing these institutions at direct contact of individuals within them. With regard to institutional trust, the extent to which the entities accept formally established rules and standards and want to comply with them plays a significant role. It refers to both human attitudes towards institutions and organizations and to the people managing them. Confidence in institutions is defined by the extent to which the latter meet the entities’ expectations, namely: (1) to what extent public institutions can secure efficient economic activity; (2) institutional justice: the nature of formally established rules, their creating and accepting mechanisms, and managers performing certain actions on behalf of the state [38,39]. Therefore, trust in such social institutions such as state and government depend on how efficiently they are developed and correspond to justice criteria.

We have doubts about that. For instance, in 2019, Ukraine set a world anti-record. According to the research company Gallup, only 9% of residents trusted the country's authorities. Last year, research of Razumkov Centre, jointly with the Ilko Kucheriv Democratic Initiatives Foundation, shows that 65% of people trusted our Armed Forces and 63% trusted the church and volunteers. However, 78% of respondents do not trust the state apparatus in general [40]. There is a natural question of whether we can talk about the support for reforms and civil engagement in their implementation at such a mistrust level.

In this context, it is worth addressing the results of estimating the Ukrainians' attitudes towards social institutions (Table 1). According to EVS/WVS (2021), the top 3 in Ukraine by the level of trust (by the replies "a great deal") includes the church (28.2%), armed forces (23.7%), and the police (3.9%). Institutions such as government, Parliament, and political parties are characterized by the lowest levels of trust.

Table 1. Breakdown of replies to the question "How much confidence do you have in the following institutions": Ukraine VS other countries covered by the research (2017–2021) *.

Institutions		A Great Deal	Quite a Lot	Not Very Much	None at All	DK	NA
The church	Ukraine	28.2	41.4	13.9	12.3	4	0.1
	Other countries	24.4%	31.8%	27.7%	13.7%	1.8%	0.6%
The armed forces	Ukraine	23.7	47	15.7	8.7	4.8	0.1
	Other countries	25.5%	42.2%	22.2%	7.7%	1.9%	0.5%
The police	Ukraine	3.9	32.5	35.2	22.1	6.1	0.1
	Other countries	19.0%	43.9%	24.8%	11.0%	1.0%	0.4%
Justice system/courts	Ukraine	2.9	16.9	34.2	36.5	9.3	0.2
	Other countries	13.9%	38.4%	29.6%	15.0%	2.6%	0.5%
Trade unions	Ukraine	2.4	18.2	26.8	24.8	26.4	1.3
	Other countries	6.5%	30.5%	36.4%	18.8%	6.9%	0.9%
Civil service	Ukraine	2.4	32.5	35.8	22.4	6.8	0.2
	Other countries	8.2%	39.2%	34.6%	14.6%	2.8%	0.6%
Media	Ukraine	2.3	27.3	40.2	24.5	5.6	0.1
	Other countries	6.5%	29.5%	42.8%	18.9%	1.9%	0.4%
Government	Ukraine	2.3	12.9	45.8	32.8	4.5	1.7
	Other countries	11.0%	30.9%	33.3%	22.2%	2.0%	0.6%
Parliament	Ukraine	1.6	16.3	34.8	41.9	5.2	0.1
	Other countries	7.4%	28.3%	36.3%	24.4%	2.9%	0.6%
Political parties	Ukraine	1.5	16.3	35.4	40.3	6.5	0.1
	Other countries	4.7%	20.0%	41.2%	30.3%	3.2%	0.7%

* Calculated based on the data: [26].

We get even more interesting results if we add all positive replies ("a great deal" and "quite a lot") about the confidence of Ukrainians in some institutions (Figure 8), although leaders and outsiders remain the same. Only every sixth Ukrainian trusts Parliament, Government, and political parties, and every fifth trusts the judicial system. This situation should be considered as the result of the wrong actions of Ukrainian authorities during the entire 30-years independence period when Ukrainians have been losing trust in political leaders and key governmental institutions. The seizure of the policy by influential groups, unequal economic capacities, the state's inability to perform its functions, and income stagnation of the majority of the population ought to have brought political consequences. Moreover, if most citizens were not sure if there were political leaders able to run the

country in the early post-Soviet transformation, now the majority believes that there are no such leaders.

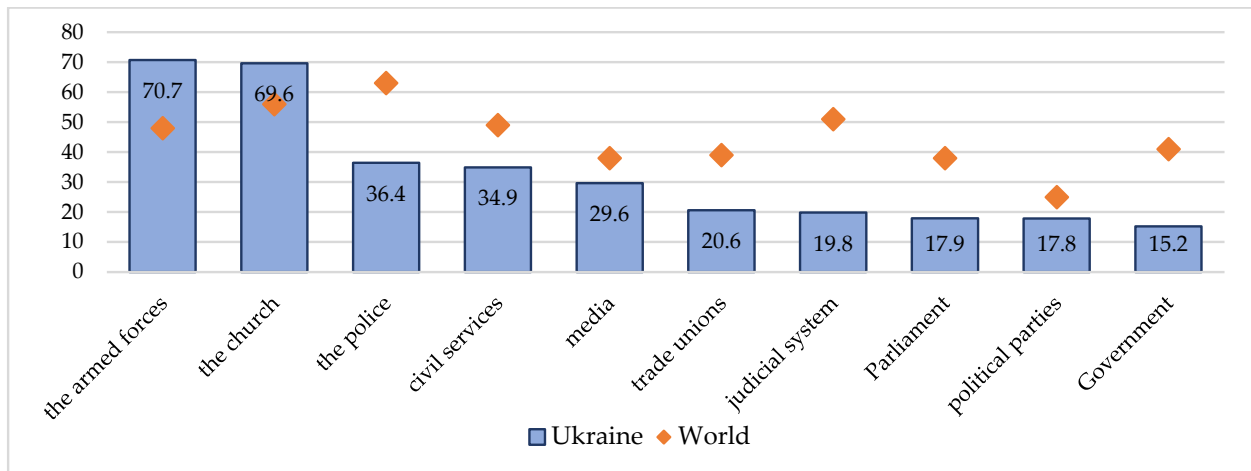


Figure 8. The level of confidence in social institutions in Ukraine, % (2017–2021). Research based on Table 1.

Instability of rules and unpredictability of the situation are the most destructive factors for a trust environment. The rules change in Ukraine with each change of authorities. We cannot know what is to come. The only option is to adjust to permanent instability. It boosts the mistrust of all social institutions, including authorities and the press, etc., and shows that our country moves in the opposite direction than the civilized world. It is confirmed by a comparison of the level of confidence in social institutions in Ukraine and the world (see Table 1).

The level of trust in society is closely related to the corruption level: more corrupted countries (e.g., Eastern European transitional economies) demonstrate a lower level of trust in both interpersonal and institutional terms. Moreover, according to P. Sztompka [41], corruption is one of six adaptive reactions and protection mechanisms in social relations and response to the disruption of trust in society. The lack of trust in society generates alternative practices that correspond to universal human needs for predictability, certainty, and order, i.e., what trust provides. In this case, corruption gives a sense of order; it is the parallel system of rules, procedures, and stimulation of others' actions in the right direction.

A belief that the problems can be solved by governmental institutions or entities has been growing among citizens in conditions of economic instability, the inefficiency of laws, and the weakness of governmental institutions. Against this background, trust in relatives and compatriots remains comparatively high and even increases in Ukraine (Table 2). It is no wonder for the country where family and informal relationships often help solve life's problems better than respective authorities, as their inefficiency and abuse can even add to troubles.

Table 2. Breakdown of replies to the question “How much do you trust people from the following groups”: Ukraine VS other countries covered by the research (2017–2021) *.

Group		Trust Completely	Trust Somewhat	Do Not Trust Very Much	Do Not Trust at All	DK	NA
Your family	Ukraine	79.1%	16.9%	2.2%	0.7%	1.1%	0.1%
	Other countries	80.2%	16.3%	2.5%	0.7%	0.1%	0.2%

Table 2. Cont.

Group		Trust Completely	Trust Somewhat	Do Not Trust Very Much	Do Not Trust at All	DK	NA
People in your neighborhood	Ukraine	14.2%	61.4%	18.5%	4.4%	1.5%	-
	Other countries	18.2%	54.7%	20.3%	5.8%	0.8%	0.3%
People you know personally	Ukraine	11.4%	63.4%	18.9%	5.0%	1.4%	-
	Other countries	26.0%	53.8%	15.4%	4.1%	0.4%	0.2%
People of another nationality	Ukraine	5.5%	35.7%	27.7%	14.2%	16.2%	0.7%
	Other countries	6.0%	38.7%	31.7%	18.2%	4.4%	1.0%
People of another religion	Ukraine	4.9%	35.1%	28.9%	13.7%	16.9%	0.5%
	Other countries	6.5%	40.7%	31.7%	15.5%	4.4%	1.1%
People you meet for the first time	Ukraine	3.4%	23.7%	41.3%	25.6%	6%	-
	Other countries	2.6%	26.8%	42.7%	26.1%	1.4%	0.4%

* Calculated based on the data: [26].

4. Implications and Discussion

The present study offers several noteworthy implications for theory and practice.

In terms of theoretical implications, this study contributes alternative lenses for evaluating the impact of trust, namely the behavioral effects have been updated under the impact of instability (for instance, the COVID-19 pandemic) that has caused significant changes in behavior on individual, macro and micro levels that require an understanding of new behavior models and the ability to react to them. At the same time, the changes have a significant capacity to alter traditional behavior models formed in various countries, which can be the reference point for restoring/forming confidence in them.

In terms of practical implications, this study offers contemporary evidence on the impact of trust on economic growth, business, and society. This evidence is useful for practice in two major ways. First, the insights herein can be used to develop strategies for economic growth and recovery of Ukraine on the basis of building trust in public institutions, which is especially important for Ukraine in the current conditions of the war with Russia and after its end. Second, the insights herein indicate that business and society should build their perspective on the understanding that the trust phenomenon is changing in the modern world due to globalization, humanization, and technology development processes. We are less likely to address unknown people or colleagues, and we are increasingly turning to search for providers we trust. It was the active development of information technologies and their combination with trust as a social phenomenon that brought about the concept of a sharing economy (trust-based economy). The transformations have become possible due to information technologies. When we take a taxi, make a deposit, or download a program to our smartphones, we show trust. Every company works to make clients, partners, and colleagues trust it. The development of advanced technologies can both create and destroy trust in modern society.

However, it is worth mentioning that the abovementioned trend is particular not only to Ukrainian society undergoing a permanent transformation crisis. According to modern sociologist Bauman Z. [42], modern society faces challenges related to, in the first place, the transition from “solid modernity” to “liquid modernity” when social institutions that limit individual choice, organizations that care for preserving the current order, and models of established behavior are being destructed as soon as they emerge and thus cannot be the frame of reference for human actions. Secondly, the gradual disappearance or decrease of social protection from individual failure guaranteed by the state is occurring in modern society, depriving a collective action of a significant share of attractiveness and destroying social foundations of solidarity in the society that is the ground for trust. Thirdly, the responsibility for solving difficult situations caused by fluid and changing circumstances is

subject to individuals that are expected to be the “free choice entities”. Based on these and other characteristics, we can assume that the loss of trust in authorities and the growing significance of personified relations that meet the basic individual or group needs for security are the typical features of our times.

The trust phenomenon is changing in the modern world due to globalization and humanization processes. Yet, the impact of advanced technology development is particularly strong. We are less likely to address unknown people or colleagues, and we are increasingly turning to search providers we trust. It was the active development of information technologies and their combination with trust as a social phenomenon that had brought about the concept of sharing economy (trust-based economy). The transformations have become possible due to information technologies. When we take a taxi, open a deposit, or download a program to our smartphones, we show trust. Every company works to make clients, partners, and colleagues trust it. The development of advanced technologies can both create and destroy trust in modern society.

In general, it is worth mentioning that Ukraine is at the stage of transition from social order with limited access to social order with open access [43]. We can also add the following issues: a long-lasting historical tradition of mistrust of the state and its institutions particular to Ukraine as the country where the state has been perceived as foreign by most population for over 70 years; exceptional weakness and corruption of state administration, even by the standards of the “third world countries”; availability of influential and consistent stereotypes, partially universal and partly unique to post-communist countries. It causes polarization in society and within certain social groups and governmental institutions [10]. Consequently, Ukrainian society is characterized by the waste of symbolic capital of confidence in authorities. Meanwhile, there is some symmetry between mistrust of the system and trust in entities created by people to meet their spiritual, social, psychological, and other needs.

Author Contributions: Conceptualization, O.I.; Formal analysis, I.S.; Resources, E.M. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Not applicable.

Conflicts of Interest: The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript; or in the decision to publish the results.

References

1. Solow, R.M. Contribution to the Theory of Economic Growth. *Q. J. Econ.* **1956**, *70*, 65–94. [[CrossRef](#)]
2. Solow, R.M. Technical Change and the Aggregate Production Function. *Rev. Econ. Stat.* **1957**, *39*, 312–320. [[CrossRef](#)]
3. North, D.C. *Institutions, Institutional Change and Economic Performance*; Cambridge University Press: Cambridge, MA, USA, 1990.
4. Stiglitz, J.E.; Arnott, R. Moral hazard and non-market institutions: Dysfunctional crowding out or peer monitoring. *Am. Econ. Rev.* **1991**, *81*, 179–190.
5. Acemoglu, D.; Robinson, J.; Johnson, S. The Colonial origins of comparative development: An empirical investigation. *Am. Econ. Rev.* **2001**, *91*, 1369–1401. [[CrossRef](#)]
6. *World Development Report, Building Institutions for Markets*; Oxford University Press: New York, NY, USA, 2002.
7. Glaeser, E.L.; La Porta, R.; Lopez-De-Silanes, F.; Shleifer, A. Do Institutions Cause Growth? *J. Econ. Growth* **2004**, *9*, 271–303. [[CrossRef](#)]
8. George, A.A.; Robert, J.S. *Phishing for Phools: The Economics of Manipulation & Deception*; Princeton University Press: Princeton, NJ, USA, 2015.
9. Meng, Y.; Wang, X.; Zhang, G.; Zheng, S. Trust and corporate R&D investment: Cross-country evidence. *Financ. Res. Lett.* **2021**, *40*, 101696. [[CrossRef](#)]
10. Wojciechowski, Ł.; Wołowicz, T. Shortcomings of commonly used methods of measuring the economic activity of the country. *Int. J. New Econ. Soc. Sci.* **2021**, *13*, 101–111. [[CrossRef](#)]

11. Wojciechowski, Ł.; Wołowicz, T. Methods of measuring the economic activity of the country. *Int. J. Mod. Sci.* **2021**, *14*, 9–19. [CrossRef]
12. Kleinknecht, A.; Van Schaik, F.N.; Zhou, H. Is flexible labour good for innovation? Evidence from firm-level data. *Camb. J. Econ.* **2014**, *38*, 1207–1219. [CrossRef]
13. Bjørnskov, C. How does social trust lead to better governance? An attempt to separate electoral and bureaucratic mechanisms. *Public Choice* **2010**, *144*, 323–346. [CrossRef]
14. Ward, T. Inequality and Growth: Reviewing the Economic and Social Impacts. *Aust. Econ. Rev.* **2017**, *50*, 32–51. [CrossRef]
15. Bloom, N.; Sadun, R.; van Reenen, J. The Organization of Firms Across Countries, Industry Studies. Massachusetts Institute of Technology, March 2007. Available online: https://www.hbs.edu/ris/Publication%20Files/Organization_of_Firms_16f72765-808c-4ef4-ace6-534c9e411be2.pdf (accessed on 1 July 2022).
16. Algan, Y.; Cahuc, P. Trust, Growth and Well-Being: New Evidence and Policy Implications, IZA, June 2013. Available online: <https://ftp.iza.org/dp7464.pdf> (accessed on 1 July 2022).
17. Chalker, M.; Loosemore, M. Trust and productivity in Australian construction projects: A subcontractor perspective. *Eng. Constr. Arch. Manag.* **2016**, *23*, 192–210. [CrossRef]
18. Fukuyama, F. *Trust: The Social Virtues and the Creation of Prosperity*; Free Press: New York, NY, USA, 1995.
19. Zak, P.J.; Knack, S. Trust and Growth. *Econ. J.* **2001**, *111*, 295–321. [CrossRef]
20. Tabellini, G. Culture and Institutions: Economic Development in the Regions of Europe. *J. Eur. Econ. Assoc.* **2010**, *8*, 677–716. [CrossRef]
21. Beugelsdijk, S.; Maseland, R. *Culture in Economics: History, Methodological Reflections and Contemporary Applications*; Cambridge University Press: Cambridge, UK; Available online: <https://www.cambridge.org/core/books/culture-in-economics/791FC810EC1ABF6C78047D0670A653FD> (accessed on 6 July 2022).
22. Ponzetto, G.A.M.; Troiano, U. Social Capital, Government Expenditures and Growth. National Bureau of Economic Research, April 2018. Available online: <https://www.nber.org/papers/w24533> (accessed on 25 May 2022).
23. Pannioto, V.; Harchenko, N. Trust in Social Institutes. Available online: [https://www.kiis.com.ua/materials/KMIS-Review/04\(06-2012\)/ds.php?file=04_KR_2_Analit1.pdf](https://www.kiis.com.ua/materials/KMIS-Review/04(06-2012)/ds.php?file=04_KR_2_Analit1.pdf) (accessed on 20 May 2022).
24. World Value Survey. Available online: <http://www.worldvaluessurvey.org> (accessed on 14 June 2022).
25. European Values Study. Available online: <http://www.europeanvalues.nl> (accessed on 15 June 2022).
26. GESIS. *Evs/wvs Joint EVS/WVS 2017–2021 Dataset (Joint EVS/WVS)*; GESIS: Mannheim, Germany, 2021. [CrossRef]
27. World Development Indicators database, World Bank. GDP per capita, PPP (current international \$). International Comparison Program. Available online: https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?most_recent_value_desc=true&view=chart (accessed on 20 July 2022).
28. State Statistics Service of Ukraine. Available online: <http://www.ukrstat.gov.ua> (accessed on 13 August 2022).
29. Kalish, I.; Wolf, M.; Holdowsky, J. The link between trust and economic prosperity. Repairing the global erosion of trust has economic advantages. Deloitte, 2021. Available online: <https://www2.deloitte.com/us/en/insights/economy/connecting-trust-and-economic-growth.html> (accessed on 23 July 2022).
30. Farole, T.; Rodríguez-Pose, A.; Storper, M. Human geography and the institutions that underlie economic growth. *Prog. Hum. Geogr.* **2011**, *35*, 58–80. [CrossRef]
31. Crescenzi, R.; Di Cataldo, M.; Rodríguez-Pose, A. Government Quality and the Economic Returns of Transport Infrastructure Investment in European Regions. *J. Reg. Sci.* **2016**, *56*, 555–582. [CrossRef]
32. Storonyanska, I.; Melnyk, M.; Benovska, L.; Sytnyk, N.; Zakhidna, O. Economic activity vs generation of local budgets' revenues: Regional disparities in COVID-19 instability. *Public Munic. Financ.* **2021**, *10*, 94–105. [CrossRef]
33. Storonyanska, I.; Hrynychshyn, I.; Dub, A.; Horga, I. University of Oradea Fiscal decentralization in Europe in the context of social protection development. *Econ. Ann. XXI* **2019**, *175*, 24–28. [CrossRef]
34. Rodríguez-Pose, A. Institutions and the fortunes of territories. *Reg. Sci. Policy Pract.* **2020**, *12*, 371–386. [CrossRef]
35. Rodríguez-Pose, A.; Ketterer, T. Institutional change and the development of lagging regions in Europe. *Reg. Stud.* **2020**, *54*, 974–986. [CrossRef]
36. Heinemann, F.; Tanz, B. The impact of trust on reforms. *J. Econ. Policy Reform* **2008**, *11*, 173–185. [CrossRef]
37. Muringani, J. Trust as a catalyst for regional growth in a decentralized Europe: The interplay between informal and formal institutions in driving economic growth. *J. Reg. Sci.* **2022**, *62*, 1229–1249. [CrossRef]
38. SME and state: How do We Restore Mutual Trust? Edited by Oksana Kuzyakiv. Kyiv—2016. Available online: <http://www.ier.com.ua/files//Projects/2015/LEV/levpp10trust2017-03-30final-170428130307.pdf> (accessed on 14 August 2022).
39. Storonyanska, I.; Nowakowska, A.; Benovska, L.; Dub, A. Imbalances and risks of the regional development of Ukraine's economy under conditions of instability. *Agric. Resour. Econ. Int. Sci. E-J.* **2022**, *8*, 81–97. [CrossRef]
40. Haydaychuk, S. Trust—Undisclosed Growth Capacity. Economic Truth. 11 January 2021. Available online: <https://blogs.pravda.com.ua/authors/gajdajchuk/5ffcb3dae17ce/> (accessed on 14 August 2022).
41. Sztompka, P. *Trust: A Sociological Theory*; Cambridge University Press: Cambridge, UK, 1999.
42. Bauman, Z. *Liquid Times: Living in an Age of Uncertainty*; Krytyka: Kyiv, Ukraine, 2013; 176p.
43. North, D.; Wallis, J.J.; Weingast, B. *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*; Cambridge University Press: Cambridge, UK; New York, NY, USA, 2009.