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**Research Article**

**Examining the Trust Index Gap between Australia and the Philippines:  
Evidence from WVS Data**

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**Abstract**

This study investigates the vast gap between the interpersonal trust index of Australia and the Philippines by evaluating their respective radius and spheres of trust. The study shows that existing determinants—such as socio-demographic characteristics—are not enough to explain the gap in interpersonal trust between Australia and the Philippines. Results suggest the gap between these two countries' interpersonal trust could stem from differences in localised and generalised trust, people's confidence towards existing institutions, and perception of how wealth should be distributed.

*Keywords:* trust, localised, generalised, radius, interpersonal

*JEL Codes:* D03, D91, Z13,

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**Araştırma Makalesi**

**WVS Verileri Bulgularıyla: Avustralya İle Filipinler Arasındaki Güven Endeksi Farkının İncelenmesi**

**Jefferson Arapoc<sup>a b</sup>**

**Öz**

Bu çalışma, Avustralya ve Filipinler'in kişilerarası güven endeksi arasındaki büyük farkı, bu ülkelerin güven alanlarını ve kapsamlarını değerlendirerek araştırıyor. Çalışma, sosyo-demografik özellikler gibi mevcut belirleyicilerin Avustralya ile Filipinler arasındaki kişilerarası güven açığını açıklamak için yeterli olmadığını gösteriyor. Sonuçlar, bu iki ülkenin kişilerarası güveni arasındaki farkın, yerel ve genel güvendedeki farklılıklardan, insanların mevcut kurumlara olan güveninden ve servetin nasıl dağıtılması gerektiğine dair algılardan kaynaklanabileceğini gösteriyor.

*Anahtar Kelimeler:* güven, yerelleştirilme, genelleştirilme, çevre, kişi etkileşimli

*JEL Kodlar:* D03, D91, Z13,

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## Introduction

The apparent differences between Australia and the Philippines seem to manifest not only in the quality of infrastructure and level of economic activity but also in the conduct of their day-to-day activities. One good example is how shopping centres operate in Sydney and Manila, where the former trades with unmanned mall entrances and numerous self-checkout counters, while the latter relies on tight inspection protocols with well-manned checkout counters. Such anomaly reflects the possible disparity in the level of trust between these two countries. The recent World Values Survey (WVS 2017-2020) on interpersonal trust attitude validates this assertion where Australia is one of three countries in the Asia Pacific region that recorded the highest interpersonal trust ratings—standing at 54.43%, while the Philippines recorded the lowest rating in the region, at 2.88%. People living in higher-trust societies are expected to use less resources to guard themselves against possible exploitation during economic transactions (Knack & Zak, 2003). While these statistics might spell the difference between the way of life in Australia and the Philippines, the more interesting topic of inquiry would be identifying the underlying reason why some nations have a relatively higher level of trust than others.

Research in social psychology and economics have identified factors that affect an individual's trusting behaviour—ranging from socio-demographic characteristics (e.g., sex and age) to economic factors (e.g., income). However, since trust is usually embedded in social interactions, there is no denying that personal bonds, perceptions, institutions—among many others—are also important factors to consider when evaluating trusting behaviour further. The glaring difference in the trust rating between Australia and the Philippines could be explained, by understanding the characteristics of its people and further deconstructing the concept of interpersonal trust in the context of social relations: how people trust other people in and outside their social circles and how people trust existing institutions.

This paper explores the concept of trust and its known determinants by performing a comparative analysis. It offers possible explanations for the glaring difference in interpersonal trust, measured by the WVS, between the Philippines and Australia.

### Trust in The Context of Society

Earlier studies on trust are mostly focused on its socio-demographic determinants, like a person's gender, age, educational background, and economic status. Men are found to be more trusting than women (Buchan et al., 2008; Chaudhuri & Gangadharan, 2007), while older people are found to be less trusting than younger ones (Fehr, 2002; Sutter & Kocher, 2007). Moreover, better socioeconomic status—such as having higher educational attainment or higher income—are also found to positively influence trusting behaviour (Freitag & Traunmüller, 2009; Holmberg & Rothstein, 2017). However, it is noteworthy to point out that trust is often observed in social interactions, which means that trust must be evaluated in the context of social relations.

Trust in the context of economic transactions is known as interpersonal trust. However, it is important to further disaggregate interpersonal trust into different categories: localised trust and generalised trust (Stolle, 2002; Uslaner, 2003). Localised trust is trust found in close social proximity or in the same neighbourhood—such as family members, friends, and neighbours. Generalised trust is instead a more abstract view towards people in general. It covers people's perception of others beyond immediate familiarity, including strangers—such as fellow citizens and even foreign residents. The clear distinction between localised and generalised trust is that the former refers to a trust 'in closely related people' while the latter trusts people in a more

general sense (Yamagishi & Yamagishi, 1994). Several empirical studies support the idea that localised and generalised trust are different from one another. For example, by employing a factor analysis on trust survey data, it was revealed there are distinct factors for localised and generalised trust. Out of the 32 factors identified to be related to trust in different groups of people, it was found that trusting other people in a more general sense versus trusting closely related others were not associated with the same factor (Uslaner, 2002; Yamagishi & Yamagishi, 1994). Therefore, differences in interpersonal trust could stem from disparities in localised and generalised trust.

Moreover, interpersonal trust or trust in people can extend to institutions (Mishler & Rose, 2001). It is suggested that people's projected trust towards institutions can stem from the trustworthy people that comprise them. Some studies have confirmed the relationship between social and institutional trust (Zmerli et al., 2007; Denters et al. 2007; Zmerli & Newton, 2008). However, the 'projection' argument is not enough to infer that interpersonal trust and institutional trust are the same. Theories on trust in social psychology differentiate the two in terms of their nature and sources (Nannestad, 2008; Hardin, 2002; Newton, 2001; Kaase, 1999; Zmerli et al., 2007). For example, trust in people is viewed as trust in social circles—as mentioned above—while trust in institutions is viewed as confidence, capabilities, competence, transparency and the abidance to rules (Levi & Stoker 2000). Citizens' confidence towards institutions—like the government—is important to legitimise its policies and intervention (Easton, 1965).

Performing government institutions can significantly generate people's confidence (Miller & Listhaug, 1999; Newton, 2006; Kelleher & Wolak, 2007). However, Anderson and LoTempio (2002) suggests that a government's ability to perform well is not a sufficient condition to generate confidence and to deliver policies adhering to people's preferred political outcome. A government that shares a similar political ideology with its citizens successfully fosters higher confidence towards them (Criado & Herreros, 2007; Herreros & Criado, 2008). Interestingly, the same is observed in people with similar religious beliefs. Chuah et al. (2016) provide evidence that religious affiliation promotes trust through beliefs of reciprocity since religious affiliation may serve as markers for statistical discrimination.

Given all the literature on trust in a social context, it is only fitting that the investigation of the differences of trust ratings across nations should not be limited to the evaluation of their citizens' socio-demographic characteristics, but also by deconstructing trust in the context of social relations: how people trust other people in and outside their social circles and how people trust institutions.

### Data

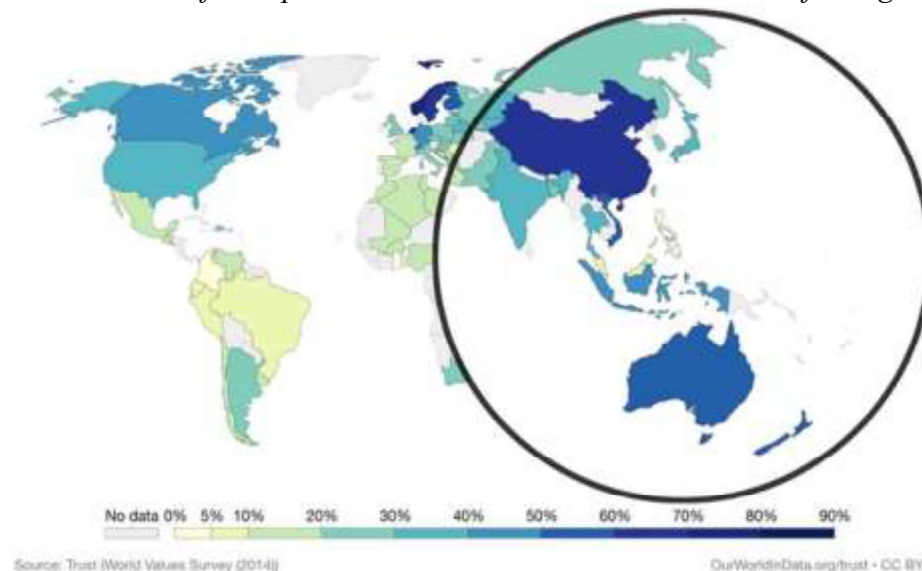
In economics, a specific question in the WVS is widely accepted as a measurement of trust. It asks the question, '*Would you say that most people can be trusted or that you need to be very careful in dealing with people?*' This particular question is believed to measure a person's ability to expose oneself in a potentially vulnerable situation to another person, also known as interpersonal trust (Kaase, 1999). Recent results of the WVS (2017-2020) on interpersonal trust attitudes show that the Asia Pacific region is a perfect assortment of nations that exhibit extremely high or extremely low interpersonal trust indexes.

Figure 1 shows that China, New Zealand, and Australia recorded the highest interpersonal trust ratings in the region—standing at 65.44%, 59.5%, and 54.02%, respectively. Meanwhile, the Philippines recorded the lowest rating at 5.35%. These figures support the possible link between economic development and trust (Algan & Cahuc, 2010; Holm &

Nystedt, 2008); however, the more interesting question to ask is why some nations have a relatively higher level of trust than others. While past empirical workings identified different trust determinants—such as individual’s socio-demographic characteristics, perceptions, and institutions, it might be interesting to investigate the differences in interpersonal trust in actual nations with totally different characteristics through a comparative analysis.

**Figure 1**

*Visualisation of Interpersonal Trust Attitudes in the Asia-Pacific Region*



Note.Trust (World Value Survey(2014))

To perform a comparative study, two countries in the Asia Pacific region—with polar opposite interpersonal trust indexes—were selected. Australia was selected as a high trusting nation, while the Philippines was selected as a low trusting one. While New Zealand and China recorded higher interpersonal trust ratings than Australia, the two were not considered for several reasons. New Zealand has a comparatively low population and previous studies show that China’s recorded interpersonal trust ratings are suspiciously high due to its authoritarian political system and cultural conditions (Bjørnskov, 2007; Uslaner, 2002). This study used the WVS which covers the changing values and their impact on the social and political life of different countries. It is conducted in about 100 countries—comprising 90 per cent of the world’s population—through a standard questionnaire. This study uses WVS attitudinal data of Australia and the Philippines from wave 4 to 7. For most of the analysis, however, the study opted to use the WVS wave 7 data because it is the most recent available data. Statistical analyses were also employed in this study—including several tests of association such as Chi-square analysis and analysis of variance—to evaluate existing empirical assertions on interpersonal trust and its existing determinants in Australia and the Philippines. The following variables were used in the analysis:

### **Interpersonal Trust Variables**

The primary variable of interest in this study is the interpersonal trust attitude. Binary variable measures whether a respondent agrees or disagrees with the statement that ‘most people can be trusted’. However, it is important to note that interpersonal trust can still be categorised into two elements based on their social scope: localised trust and generalised trust (Stolle, 2002; Uslaner, 2003).

WVS trust questions specifically ask whether you trust your: a) family, b) neighbourhood, and c) people you know personally, are used to measure localised trust. Questions that specifically ask whether you trust: a) people you meet for the first time, b) people of another religion, and c) people of another nationality, are used to measure generalised trust. Unlike the WVS general question on interpersonal trust, the variables coming from these specific questions are categorical in nature wherein respondents have the option to answer whether they a) trust completely, b) trust somewhat, c) do not trust very much, or d) do not trust at all.

### **Socio-demographic Factors**

Past empirical workings on interpersonal trust identified an individual's socio-demographic determinants (Chaudhuri & Gangadharan, 2007; Fehr, 2009; Freitag & Traunmüller, 2009). These factors are measured by looking at the WVS respondent's income, level of education, gender, and age. Respondent's income is a categorical variable using an income decile scale.

Respondent's education is also a categorical variable with four main classifications: a) primary, b) secondary, c) post-secondary, and d) tertiary. The respondent's gender is a binary variable since it was limited to the respondent's biological sex: male or female. Lastly, the respondent's age was only limited to a discrete variable, given the date limitations.

### **Institutional Trust Factors**

To analyse the difference between the confidence in Australia's and the Philippines' institutions, WVS questions that generally ask the respondent's level of confidence towards a) the church, b) the justice/court system, and c) the government, were used. These questions are also categorical in nature where respondents have the option to answer whether their confidence towards a particular institution is a) a great deal, b) quite a lot, c) not very much, or d) none at all. Moreover, the attitudinal question regarding the respondent's preference on how income should be distributed under a 10-point Likert scale (10 denotes an extreme desire for larger income differences as an incentive for individual effort, while 1 denotes an extreme desire for equality) was also used in this study.

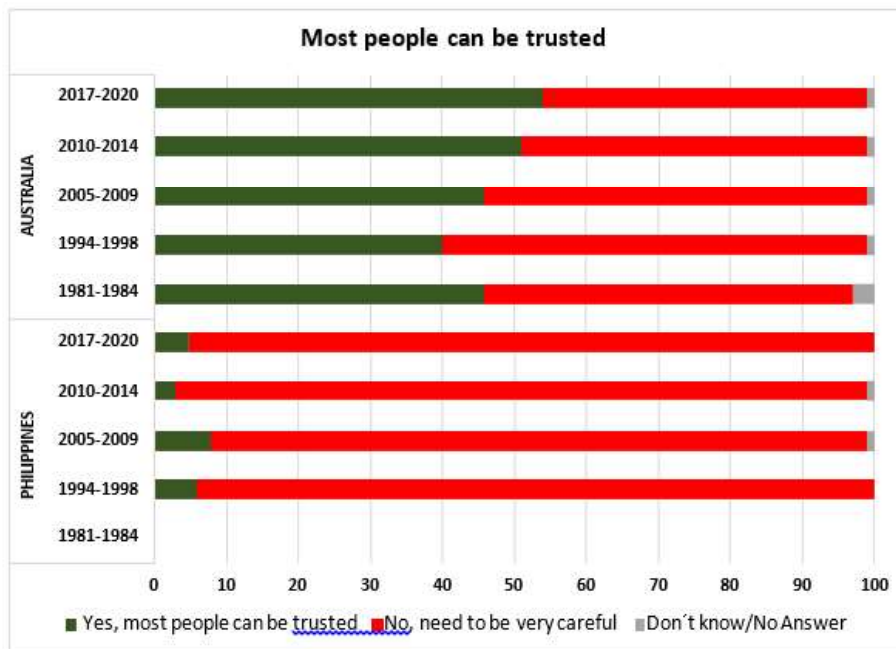
### **Analysis**

The analysis will discuss WVS attitudinal data on interpersonal trust which confirms the vast gap in the number of people who are generally trusting between Australia and the Philippines. Recent data shows that more than 50% of Australians agree that most people can be trusted (See Figure 2). However, even though they have more trusting people than the Philippines, historical data suggests that there were periods where most Australians were not generally trusting. Australia recorded its lowest interpersonal trust rating from 1994 to 1998, when the value was only 39.6%. But this statistic is still far better than interpersonal trust ratings recorded in the Philippines. Filipinos are persistently suspicious of one another, where it consistently recorded a single-digit interpersonal trust rating over the past three decades. The country's highest trust rating ever recorded only stands at 8.5%—more than four times lower than Australia's lowest trust rating ever recorded. To further understand the huge gap in the interpersonal trust between Australia and the Philippines, it is helpful to evaluate this variable of interest with respect to its known determinants



**Figure 2**

*Interpersonal Trust Rating (1981 - 2020): Australia Vs. The Philippines*



Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

With respect to sex, more males than females agree that people can be trusted (See Table 1). However, it must be noted the differences between male and female for both countries are very minimal, with the Philippines having less than 1 per cent and Australia having a little less than 3 per cent variation. Moreover, the results of a simple test of means revealed no sufficient evidence that males and females have different views in trusting people in general. These results are inconsistent with past empirical findings that males are generally more trusting than females (Buchan et al., 2008; Chaudhuri & Gangadharan, 2007).

**Table 1**

*WVS Sex and Interpersonal Trust 2017-2020*

AUSTRALIA				PHILIPPINES			
SEX	=n	Yes, most people can be trusted	No, need to be very careful	SEX	=n	Yes, most people can be trusted	No, need to be very careful
Male	697	55.95%	44.05%	Male	599	5.5%	94.5%
Female	1,083	53.00%	47.00%	Female	598	5.2%	94.8%
Total	1,780	54.16%	45.84%	Total	1,197	5.3%	94.7%
Pearson chi2(1)= 1.4897 Pr = 0.2220				Pearson chi2(1)= 0.0625 Pr = 0.8030			

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

**Table 2**  
*WVS Age and Interpersonal Trust 2017-2020*

AUSTRALIA				PHILIPPINES			
Age	=n	Yes, most people can be trusted	No, need to be very careful	Age	=n	Yes, most people can be trusted	No, need to be very careful
<i>20 and Below</i>	32	43.75%	56.25%	<i>20 and Below</i>	70	5.71%	94.29%
<i>21 to 30</i>	168	45.24%	54.76%	<i>21 to 30</i>	227	5.73%	94.27%
<i>31 to 40</i>	250	56.00%	44.00%	<i>31 to 40</i>	261	4.21%	95.79%
<i>41 to 50</i>	268	60.07%	39.93%	<i>41 to 50</i>	222	5.41%	94.59%
<i>51 to 60</i>	346	51.16%	48.84%	<i>51 to 60</i>	203	8.37%	91.63%
<i>61 to 70</i>	391	58.06%	41.94%	<i>61 to 70</i>	145	3.45%	96.55%
<i>71 and above</i>	337	51.34%	48.66%	<i>71 and above</i>	69	2.90%	97.10%
<b>Total</b>	<b>1,792</b>	<b>54.02%</b>	<b>45.98%</b>	<b>Total</b>	<b>1,197</b>	<b>5.35%</b>	<b>94.65%</b>
Pearson chi2(6)=	15.6100*	Pr = 0.0160		Pearson chi2(6)=	6.2728	Pr = 0.3930	

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

Australian respondents are generally trusting across age groups, excluding those aged 30 and below. Australian respondents aged between 41 to 50 were recorded to be the most trusting (60.07%) across age groups. Results in Table 2 support the existing empirical assertion that age is a determinant of trust (Fehr, 2002; Sutter & Kocher, 2007) because relatively older respondents seem to be more trusting than their younger counterparts—specifically for the case of Australia. For Philippine respondents, interpersonal trust attitude is consistently low across all age groups ranging from 2.9% to 8.37%. In terms of educational attainment, more educated Australians seem to be more trusting than their less-educated counterparts (See Table 3). Interpersonal trust rating tends to increase for groups with relatively higher education with 64.95% of tertiary graduates, including those with post-graduate degrees, acknowledging that people, in general, can be trusted. It supports the previous empirical assertion that educational attainment is a determinant of trust (Holmberg & Rothstein, 2017). However, such claims cannot be inferred for the Philippines’ case where interpersonal trust rating only ranges from 2.4% to 8.02% across all types of respondents regarding educational attainment. Interestingly, the group with some primary level education recorded the highest number of trusting respondents at 8.02%.



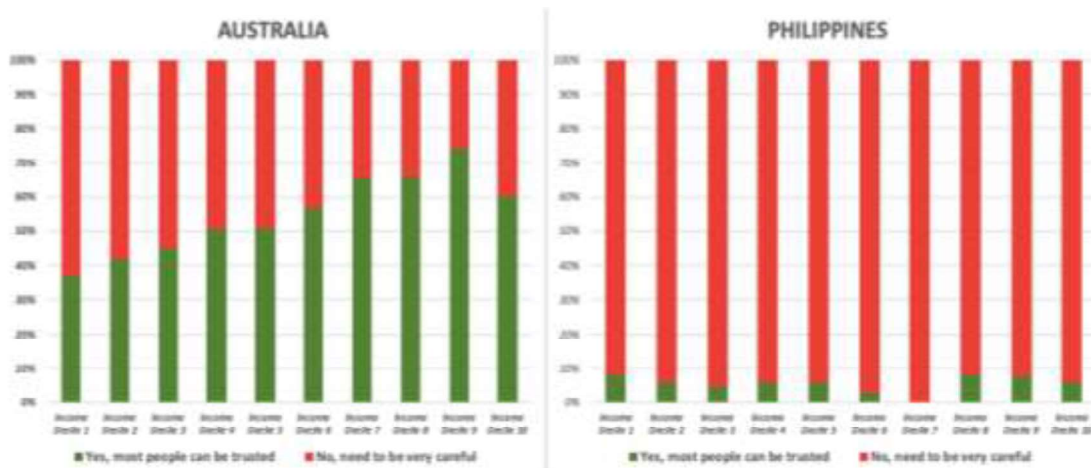
**Table 3**

*WVS Education and Interpersonal Trust 2017 – 2020*

AUSTRALIA				PHILIPPINES			
EDUCATION	=n	Yes, most people can be trusted	No, need to be very careful	EDUCATION	=n	Yes, most people can be trusted	No, need to be very careful
Primary	34	41.18%	58.82%	Primary	399	8.02%	91.98%
Secondary	494	42.91%	57.09%	Secondary	524	4.39%	95.61%
Post-secondary	422	49.76%	50.24%	Post-secondary	156	2.56%	97.44%
Tertiary	776	64.95%	35.05%	Tertiary	118	4.24%	95.76%
Total	1,726	54.46%	45.54%	Total	1,197	5.35%	94.65%
Pearson chi2(5)= 67.14*** Pr = 0.0000				Pearson chi2(3)= 9.257 Pr = 0.0260			

**Figure 3**

*WVS Income and Interpersonal Trust (2017 -2020)*



Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

The interpersonal trust attitude across income deciles of Australian respondents (See Figure 3) seems to be consistent with the previous assertion that income level is a determinant of trust (Freitag & Traunmüller, 2009). Australian respondents under the 9th income decile group recorded the highest interpersonal trust rating at 74.29%. On the other hand, there is no discernible pattern regarding the relationship of interpersonal trust and income deciles for the Philippine case, where the interpersonal trust rating across income deciles is in single digits ranging from 3.08% to 8%.

Based on the evaluation of known trust determinants for both countries, results seem to suggest that the low interpersonal trust rating recorded for the Philippines cannot be associated with the previous empirical assertions concerning socio-demographic characteristics that influence trusting behaviour. However, the more interesting question to ask is the underlying reason for the dismal showing of interpersonal trust in the Philippines compared with Australia. The study answered this puzzling question by further untangling interpersonal trust by looking at WVS questions that seem to measure people’s localised and generalised trust in both countries.

**Table 4***WVS Localized Trust 2017-2020*

Trust Level	Philippines			Australia		
	Family	Neighborhood	People you know personally	Family	Neighborhood	People you know personally
<i>Trust completely</i>	82.92%	16.08%	20.58%	78.91%	10.32%	43.99%
<i>Trust somewhat</i>	15.33%	57.17%	55.58%	18.92%	74.79%	53.12%
<i>Do not trust very much</i>	1.67%	24.42%	21.92%	1.33%	12.38%	2.45%
<i>Do not trust at all</i>	0.08%	2.33%	1.83%	0.83%	2.51%	0.45%
<i>Total</i>	100%	100%	100%	100%	100%	100%
<i>Sample Size</i>	n=1,200	n=1,200	n=1,200	n=1,802	n=1,793	n=1,796

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

Table 4 shows that both the Philippines and Australia recorded relatively high localised trust. It shows that the majority of citizens for both countries seem to completely trust family members the most—where the Philippines recorded a relatively higher figure than Australia at 82.92% versus 78.91%, respectively. More Australians tend to trust their neighbours more than the Filipinos, recording 74.79% versus 57.17%, respectively. When it comes to social circles outside families and neighbours, Australians tend to trust known acquaintances more than their Filipino counterparts, with 43.99% of Australians confirming they completely trust people they know. That is 23 percentage points higher than their Filipino counterparts which only stands at 20.58%. These results are very interesting because it suggests that Filipinos trust people within their close social circles, namely families and neighbours. Australians, on the other hand, can extend their trust beyond their families and neighbours to their known acquaintances.

For generalised trust, both countries recorded a single-digit proportion of respondents who completely trust people they have just met for the first time, people of another religion, and people of different nationalities. Thus, both Australians and Filipinos are not entirely trusting of people beyond their close social circles. Interestingly, Table .5 has uncovered statistics explaining the difference in interpersonal trust between Australia and the Philippines. For instance, it is essential to emphasise that the majority of Australians are somewhat trusting of people they have just met for the first time (53.52%), people of another religion (71.40%), and people of different nationalities (73.69%). The opposite is true for the Philippines, where the majority of Filipinos do not trust people they have just met for the first time (51.08%), people of another religion (46.33%), and people of different nationalities (48.42%). These results are very intriguing, given that Australia and the Philippines localised trust statistics seem to mirror each other—except for trust for known acquaintances

**Table 5***WVS Generalised Trust 2017 – 2020*

	Philippines			Australia		
	People you meet for the first time	People of another religion	People of another nationality	People you meet for the first time	People of another religion	People of another nationality
<i>Trust completely</i>	2.50%	4.83%	2.25%	1.51%	7.63%	7.38%
<i>Trust somewhat</i>	21.75%	35.00%	25.83%	53.52%	71.40%	73.69%
<i>Do not trust very much</i>	51.08%	46.33%	48.42%	36.89%	16.96%	15.89%
<i>Do not trust at all</i>	24.67%	13.83%	23.50%	8.09%	4.01%	3.04%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Sample Size</b>	<i>n</i> =1,200	<i>n</i> =1,200	<i>n</i> =1,200	<i>n</i> =1,792	<i>n</i> =1,769	<i>n</i> =1,775

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

Moreover, the apparent difference in how Australians and Filipinos trust people from a different religion seems counterintuitive, given that 93% of Filipinos identified themselves as Christians (Aragon, 2002). However, this seemingly behavioural anomaly could be explained by a previous study that suggested interpersonal similarity in religiosity and affiliation is found to promote trust (Chuah et al., 2016). It implies that a person’s religious affiliation may serve as a marker for people to discriminate against others who are not in the same group. Since most Australians do not believe in the concept of God (Hughes, 2010), it could mean they do not see religious affiliation as a basis to trust other people. Australian’s high trusting behaviour towards people of another nationality could stem from the fact that Australia is a culturally diverse country. Based on the 2019 United Nation’s (UN) immigration statistics, Australia has one of the highest international migrant stock at 30% of the total population. The Philippines, on the other hand, is one of the ten countries with the lowest international migrant stock at only 0.2%. Thus, Australians are possibly not using social affiliations—such as religion and nationality—as a marker to trust other people.

**Table 6***WVS Confidence towards different institutions 2017 – 2020*

Confidence Level	Philippines			Australia		
	Churches	Justice System/Court	Government	Churches	Justice System/Court	Government
<i>A great deal</i>	73.00%	31.50%	33.42%	7.11%	14.89%	3.84%
<i>Quite a lot</i>	18.58%	45.33%	46.83%	27.10%	45.72%	27.45%
<i>Not very much</i>	6.00%	20.50%	17.75%	42.98%	32.12%	51.84%
<i>None at all</i>	2.33%	2.67%	2.00%	22.82%	7.27%	16.87%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Sample Size</b>	<i>n</i> =1,200	<i>n</i> =1,201	<i>n</i> =1,202	<i>n</i> =1,801	<i>n</i> =1,787	<i>n</i> =1,796

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

Table 6 shows the majority of Australians have ‘Not very much’ confidence, or ‘None at all’, in the church and the government. However, they have ‘Quite a lot’ of confidence in the ability of their court system. Meanwhile, the opposite is true for the Philippines, where the

majority of Filipinos have ‘A great deal’ or ‘Quite a lot’ of confidence in all three main institutions. It is noteworthy that almost 90% of Filipinos have confidence in the Church, which is not surprising given that the Philippines is a predominantly Catholic nation (Aragon, 2002). Such results seem to contradict the empirical assertion that interpersonal trust can extend to institutions, which means that people trust institutions if they trust the people who comprise them (Mishler & Rose, 2001). Australians seem to trust other people more than Filipinos, who trust institutions more. It suggests that instead of the “projection” argument, the more fitting explanation to this empirical anomaly is that trust in people and institutions are more like “substitute goods”. Given the aforementioned findings, there is a huge possibility that the ability to trust other people is not a sufficient nor necessary condition to trust an institution

### Possible Alternative Explanation

#### Inequality and Perception of Fairness

While the difference in interpersonal trust between Australia and the Philippines could stem from the findings mentioned above, there could be other possible explanations. For instance, evidence suggests that trust is diminished by social polarisation, such as income inequality (Bjørnskov, 2007; Boix & Posner, 1998). Countries with lower levels of income inequality have relatively higher trust ratings than countries with severe income inequality problems (Korpi & Palme, 1998). World Bank estimated the Philippines’ 2015 Gini index to be 44.4%, while Australia’s 2014 Gini index was 34.4%. Nevertheless, it must be noted that inequality may not necessarily directly impact trust in such a way that it influences several channels that eventually shape an individual’s ability to trust. According to social psychology, inequality is a welfare state that shapes a person’s value judgment (Dutta, 2002). Since value judgments are susceptible to ‘reference effect’, people tend to evaluate their current wealth levels in relative terms rather than in absolute terms (Frank, 1989). This particular finding poses a vital implication that nations with relatively fair and equitable distribution of resources are more trusting societies.

**Table 7**

#### *Income Deciles and Income Distribution Preference*

INCOME DECILE	AUSTRALIA		PHILIPPINES	
	=n	Mean	=n	Mean
Income Decile 1	131	5.39	151	5.74
Income Decile 2	105	5.32	100	6.19
Income Decile 3	160	5.77	143	6.31
Income Decile 4	177	5.68	138	6.16
Income Decile 5	352	5.78	367	6.27
Income Decile 6	294	6.55	130	6.60
Income Decile 7	313	6.17	90	6.42
Income Decile 8	148	6.84	51	6.47
Income Decile 9	35	6.63	13	6.62
Income Decile 10	15	5.67	17	5.71
Total	1,730	6.02	1,200	6.24

\* A 10 point likert scale where

1- Incomes should be made more equal
10- We need larger income differences as incentives for individual effort

Note. WVS Database (<https://www.worldvaluessurvey.org/wvs.jsp>)

However, looking at the average preference of income distribution across income deciles produces surprising results (See Table 7). Australia's average respondent's income distribution preference across income deciles is consistent with the prediction of neo-classical economics. That is, people at lower-income deciles prefer a system that gives equal income. In comparison, people at higher income deciles prefer a distribution system based on productivity—except for the highest decile. On the other hand, Filipino respondents that belong to the lowest income deciles show a relatively greater preference towards a system that incentivised a person based on productivity. Such results suggest that the general preference for a particular distribution system might explain the gap in interpersonal trust between the Philippines and Australia.

### **Influence of Historical Past**

Another possible explanation for the apparent difference in people's trusting behaviour between Australia and the Philippines is their historical past. The Philippines is known for its rich history of colonisation. The country was colonised for about 381 years of combined

Spanish, American, and Japanese peoples (Larkin, 1982). Australia, on the other hand, has only one colonizer, starting when 1,000 British nationals journeyed for over eight months to reach the coast of New South Wales (Putnis, 2010). Eventually, Indigenous Australians who lived in small family groups and a semi-nomadic life were outnumbered by their British colonisers. The distinction between the historical past of these two countries might have influenced people's interpersonal trust. Several studies show that trust is developed over time through the accumulation of relationship exchange experiences that indicate the kind of behaviour to expect from the other party (Lewicki & Bunker, 1996; Luhmann, 1979; Zajac & Olsen, 1993). It is thought the Philippine's low generalised trust, particularly their low trust of foreign nationals, could stem from a deeply seated historical background of colonial struggle.

### **Conclusion**

This study shows the comparative analysis between the socio-demographic characteristics of Australians and Filipinos is not enough to explain the huge gap in their interpersonal trust. Evidence suggests the gap in the interpersonal trust index between these two countries could stem from the differences in their localised and generalised trust. Results show that Filipinos trust people in their close social circles (e.g., such as families, relatives, and neighbours), but not with people that are beyond it (e.g., foreigners and people from another religious group). On the other hand, Australians can extend their interpersonal trust beyond their close social circle. Therefore, Australia's high interpersonal trust could be driven by both high generalised and localised trust.

Meanwhile, Filipinos' poor showing of interpersonal trust could be due to their shallow localised trust. Another possible source of the interpersonal trust gap between these two countries is the apparent differences in how confident they are towards prominent institutions—such as the church, judiciary/courts, and government. It seems that Australians' interpersonal trust resonates more from their trust in other people than the existing institutions. The opposite is true for the Philippines, where Filipinos' interpersonal trust resonates from their trust in institutions more than their trust in other people. Lastly, the gap could also stem from people's preference on how income should be distributed. The income deciles across Filipinos tend to aspire to more significant differences, while Australians with higher incomes seem to aspire to income equality.

Another theory that could explain the apparent difference in trust radius between these two countries is the concept of collectivism or individualism (Triandis, 2004). Collectivist



cultures often focus on close social circles like family. Some Asian ideology (e.g., Confucian culture) is described by scholars to be collectivistic (Markus & Kitayama, 1991), with strong in-group cohesion that breeds generalised trust (Yamagishi and Yamagishi 1994). Most western ideologies (e.g., Protestantism) is often linked to an individualistic belief system that encourages equal treatment of everyone in the sight of a higher being (Wolfe, 1999). This suggests the differences in the radius of trust between Australia and the Philippines could stem from differences in societal ideologies.

Furthermore, the difference in the radius of trust between these two countries has significant implications on how it affects their participation in different economic activities. The inability of an average Filipino to extend their trust beyond their close social circles means their participation in any economic transaction entails higher costs and lower efficiency. Imagine a company biased towards hiring family members and close relatives rather than deserving applicants with the necessary aptitude and skills. The culture of nepotism has been established to have economic repercussions. For example, nepotism has been linked to lower worker's productivity, skill level, and effort (Bramoullé & Goyal, 2016; Parise et al., 2018). Nepotism is also linked to inefficient bureaucratic performance (Rauch & Evans, 2000). The immense culture of nepotism in the Philippines can be observed in different social facets, not only in the private sector but also in politics and public affairs.

Previous literature has pointed out the importance of confidence towards political institutions for economic transactions to run efficiently. Interestingly, the study found that Filipinos are generally more trusting towards political institutions (i.e., church and government) than their Australian counterparts. While this may sound counterintuitive, people's lack of confidence towards their government institutions could work the other way around. If government actions are always subjected to scepticism, it could potentially force public officials to rely on transparency to please their constituents. Lack of trust, or confidence, has the potential to breed a culture of transparency and accountability.

On the other hand, too much confidence towards political institutions could encourage them to exert bare minimum efforts. Unwarranted confidence and trust towards political institutions disincentivise leaders to set the bar of service higher. The distinction on how Australia and the Philippines are faring in different global rankings (e.g., ease of doing business) is a testament to the assertions. This suggests the apparent differences in the generalised and institutionalised trust between these two countries has a possible implication on the efficiency of their respective business and political climate.



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