

# Trust, Trustworthiness, and Success in Business

Mongoljin Batsaikhan

Georgetown University

## Abstract

Do successful entrepreneurs trust others more? Are they more trustworthy? The answer depends on how profitable trust is; one might be better off by cheating instead of trusting if cheating is more profitable than trusting and there is no legal enforcement against cheating. When there is no institutional support to force contracts among economic agents, social capital helps to improve market outcomes. In a world where social dilemmas exist and cooperation can improve economic outcomes for agents without any binding contracts, one has to commit to economic transactions with others on the basis of trust. Trust and trustworthiness among agents in this case can work as social capital to solve the social dilemma. Social capital, measured in World Value Surveys (WVS) and lab experiments, has been extensively studied in economics. Recent literature shows that trust in WVS and trustworthiness (but not trust) measured from lab experiments are positively correlated and both have positive implications on important economic outcomes such as GDP, productivity, bank loans, ethnic diversity and inequality. Using a unique data set of real business data merged with the data collected from lab experiments, this study shows that while trustworthiness is associated with the amount of bank loan, trust is positively linked to sales amount from real business data, and trust is profitable in the lab set up. Successful entrepreneurs not only exhibit higher trust but also invest the optimal amount of trust in the lab setup by successfully guessing the underlying population parameter. Entrepreneurs exhibit higher trust and trustworthiness measures than student subjects. Finally, I show that male entrepreneurs have both higher trust and sales than female counterparts.