Regulation and Distrust - Online Appendix

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1 BASIC FACTS

This section correlates additional measures of regulation and distrust.

We use the two alternative indicators of regulation of entry proposed by Djankov et al. (2002): the (ln)-time and (ln)-cost to open a business. Regulation of prices can be measured by the index of the frequency of price controls by the state. Gwartney et al. (1996) construct an index of the extent to which companies can set prices freely, from 0 for no freedom at all to 10 for perfect freedom. La Porta et al. (2002) use the average of this index for the two available years 1989 and 1994 as a measure of price controls. Regulation of wages can be measured by the extent of state regulation of the minimum wage, which takes into account the existence of a statutory legal minimum wage and the potential exceptions based on age, skills, industries, or regions. This index is from Aghion et al. (2008) and covers 21 OECD countries. Finally, we also look at formalism of legal procedures from Djankov et al. (2003a).

Figures A.1 and A.2 show a positive correlation between distrust and the regulation of entry as measured by the time and the cost to open a business. The R^2 are 18 and 19 percent respectively. The correlation is statistically less significant than the one obtained with the number of steps to open a business. Yet, the steps measure seems more consistent with our argument that distrutful citizens want the government to screen entrepreneurs to get rid of negative externalities. Figure A.3 presents the strong negative correlation between the freedom that firms enjoy in setting their prices and distrust. The R^2 is 0.34. Figure A.4 shows a strong positive correlation between state regulation of the minimum wage and distrust; 65 percent of the variance in distrust is explained by state regulation of wages. Figure A.5 shows that the same relationship holds between distrust and judicial formalism. This index measures substantive and procedural statutory intervention in judicial cases at lower-level civil trial courts in a case for evicting a tenant that has not paid rent. Higher values represent more statutory control or intervention in the judicial

process.

2 THE MODEL WITH PRODUCIVITY GAINS RESULTING FROM COOPERATION

We present an alternative model, very close to the benchmark model of section 3, in which productivity gains of civic individuals result from cooperation. We show that this alternative model yields very similar results, including two stable equilibria. The alternative model is exactly the same as the benchmark model, except that when an individual becomes an entrepreneur, he can produce additional $y + \alpha\varepsilon$ units of the numeraire good if he is civic (instead of $y + \varepsilon$ in the benchmark model). The term $\alpha\varepsilon$ accounts for the fact that the success of entrepreneurs relies on social interactions. Entrepreneurs are matched by pair at random. Civic entrepreneurs are better able to cooperate than uncivic entrepreneurs. Accordingly, when two civic entrepreneurs interact, their productivity is increased by ε. This event occurs with probability α for every civic entrepreneur.

We solve the model by backward induction. In the third step, all individuals become entrepreneurs if entry is unregulated or authorized in step 2. If the society decides to regulate entry in step 2, every uncivic official sets the bribe that maximizes his rent, which is the same as in the benchmark model. The optimal bribe chosen by uncivic officials is equal to $1/2$. We can now compute the social decision to regulate as a function of α. Without regulation, the expected entrepreneurial output (since everyone enters) is given by:

$$A = \frac{1}{2} + \alpha^2\varepsilon - (1-\alpha)e,$$

where the first two terms reflect output and the last the aggregate externality. The only difference from the benchmark model is that the term α^2 now shows up instead of α because a civic entrepreneur is more productive only if he interacts with another civic entrepreneur.

If the society chooses to regulate, the expected entrepreneurial output is the same as in the benchmark model:

$$R = (1-\alpha)^2 \int_{1/2}^{1} (y-e)\mathrm{d}y = \frac{(1-\alpha)^2}{2}\left(\frac{3}{4}-e\right).$$

It is easy to show, as illustrated by Figure A.6, that there exists a unique threshold value of $\alpha \in (0,1)$, denoted by α^*, such that $A > R$ if and only if $\alpha > \alpha^*$.

Now, let us look at the education decisions at stage one. The expected payoff of a civic individual is

$$\begin{array}{ll} \frac{1}{2} + \alpha\varepsilon - (1-\alpha)e & \text{if there is no regulation} \\ -(1-\alpha)^2\frac{e}{2} & \text{if there is regulation} \end{array} \tag{1}$$

Again, the only difference with the benchmark model is that the term $\alpha\varepsilon$ now shows up instead of ε.

Assuming that people work during the day and are officials at night, the expected payoff of an uncivic individual is the same as before:

$$\begin{array}{ll} \frac{1}{2} - (1-\alpha)e & \text{if there is no regulation} \\ \frac{1}{8}(1-\alpha) + \frac{1}{4}(1-\alpha) - (1-\alpha)^2\frac{e}{2} & \text{if there is regulation} \end{array} \tag{2}$$

We know that regulation is chosen at stage 2 only when $\alpha \leq \alpha^*$. When $\alpha > \alpha^*$, comparing the first rows of equations (1) and (2) shows that individuals prefer becoming civic. In contrast, when $\alpha \leq \alpha^*$, the comparison of the second row of equation (1) with that of equation (2) shows that becoming uncivic is preferred. Both equilibria are still stable.

3 THE CASE WHERE CIVIC ENTREPRENEURS PAY BRIBES

Consider an alternative model where civic entrepreneurs agree to pay bribes. This is the only difference with the benchmark model of section 3 where only uncivic entrepreneurs pay bribes. In the alternative model, uncivic officials maximize

$$b(1-b+\alpha\varepsilon)$$

instead of $(1-\alpha)b(1-b)$ in the benchmark model, because: a) all entrepreneurs agree to pay bribes (the new value of the rent is larger by a factor $1/(1-\alpha)$); b) civic entrepreneurs are willing to pay bribes with a higher probability than the uncivic entrepreneurs since they are more productive by ε (which is reflected in the term $b\alpha\varepsilon$). The bribe that maximizes the rent of officials, equal to $(1+\alpha\varepsilon)/2$, is higher than in the benchmark model, where it is equal to $1/2$. The expected output without regulation remains unchanged:

$$A = \frac{1}{2} + \alpha\varepsilon - (1-\alpha)e.$$

If the society chooses to regulate, the expected output is now equal to

$$R = (1-\alpha)\left[(1-\alpha)\int_{\frac{1+\alpha\varepsilon}{2}}^{1}(y-e)\mathrm{d}y + \alpha\int_{\frac{1+\alpha\varepsilon}{2}-\varepsilon}^{1}(y+\varepsilon)\mathrm{d}y\right]$$

$$= \frac{(1-\alpha)}{2}\left[\frac{3}{4} + \frac{\alpha\varepsilon}{4}\left[6+\varepsilon(4-\alpha)\right] - e(1-\alpha)(1-\alpha\varepsilon)\right].$$

When $\varepsilon \to 0$, R converges to

$$\frac{1-\alpha}{2}\left[\frac{3}{4} - e(1-\alpha)\right]$$

When ε is small, R takes similar values for $\alpha = 0$ and $\alpha = 1$ as in the benchmark case, where only uncivic entrepreneurs pay bribes. Thus, R is larger than A when $\alpha = 0$ and R is smaller than A when $\alpha = 1$. Moreover, since R is concave and A is linear in α, there exists a unique threshold value of $\alpha \in (0,1)$, denoted by $\tilde{\alpha}$, such that $A > R$ if and only if $\alpha > \tilde{\alpha}$.

Let us now look at the civic education decisions at stage one. The expected payoff of a civic individual is

$$\begin{array}{ll} \frac{1}{2} + \varepsilon - (1-\alpha)e & \text{if there is no regulation} \\ (1-\alpha)\int_{\frac{1+\alpha\varepsilon}{2}-\varepsilon}^{1}(y+\varepsilon-\frac{1+\alpha\varepsilon}{2})\mathrm{d}y - \frac{e(1-\alpha)^2(1-\alpha\varepsilon)}{2} & \text{if there is regulation} \end{array} \tag{3}$$

The first two terms in the first row correspond to entrepreneurial output and the last term is the expected externality from the $(1-\alpha)$ uncivic entrepreneurs absent regulation.

With regulation, there is a share $(1-\alpha)^2 \Pr(y > \frac{1+\alpha\varepsilon}{2}) = (1-\alpha)^2(1-\alpha\varepsilon)/2$ of uncivic entrepreneurs who pay bribes, enter, and impose the negative externality e.

The expected payoff of an uncivic individual is

$$\begin{array}{ll} \frac{1}{2} - (1-\alpha)e & \text{if there is no regulation} \\ (1-\alpha)\int_{\frac{1+\alpha\varepsilon}{2}}^{1}(y - \frac{1+\alpha\varepsilon}{2})\mathrm{d}y + \frac{(1+\alpha\varepsilon)^2}{4} - \frac{e(1-\alpha)^2(1-\alpha\varepsilon)}{2} & \text{if there is regulation} \end{array} \quad (4)$$

We know that regulation is chosen at stage 2 only when $\alpha \leq \tilde{\alpha}$. When $\alpha > \tilde{\alpha}$, comparing the first rows of equations (3) and (4) shows that individuals prefer becoming civic. In contrast, when $\alpha \leq \tilde{\alpha}$, the comparison of the second row of equation (3) with that of equation (4) shows that becoming uncivic is preferred. In addition to the equilibrium with $\alpha = 1$ and no regulation, there is then an equilibrium in which everyone is uncivic ($\alpha = 0$) and entry is regulated.

4 TESTS OF THE ASSUMTION OF THE MODEL

The model suggests that trust and civicness go hand in hand. This section shows that this relatinship holds in the data. We focus on the three main questions to measure civicness: "*Do you think it can always be justified, never be justified, or something in between: i) Someone accepting bribes in the course of his duties? ii) Cheating on taxes? iii) Cheating on government benefits?*". The questions take on values ranging from 1 for never justifiable to 10 for always justifiable.

Table A.1 reports the OLS estimates based on individual answers from the WVS. We regress the various civic attitudes on distrust in others, controlling for age, gender, education, income and country fixed effects. Standard errors are clustered at the country level. The sample consists of the 57 countries listed in Section 2 of the manuscript.

Column (1) shows that distrusting individuals tend to consider it more justifiable to accept a bribe. The effect is statistically significant at the 5 percent level. Columns (2) and (3) show that distrusting individuals are also more likely to consider cheating on

taxes and government benefits to be justifiable, the effects being statistically significant at the 5 and 10 percent respectively.

5 THE EFFECT OF DISTRUST ON THE DEMAND FOR REGULATION

We use additional subjective measures of the support for regulation. The ISSP asks two specific questions about regulation of wages and prices: "*Here is a list of potential government actions for the economy: i) Control prices by law, ii) Control wages by law*". The answer can take on values from 1 to 4, with 1 meaning strongly agree and 4 strongly disagree. To ease the interpretation of the results, we create two dummy variables for control of wages and of prices by grouping together households who strongly agree or agree with each government intervention. Another question refers to government control of specific sectors: "*Do you think that electricity should be run by the government or private companies?*". In 1996, the answers take on the value 1 to indicate that the sector should be run by the government and 0 otherwise.

Figure A.7 shows the correlation between political support for regulation of prices and the objective measures of actual regulation of the goods and labor markets. The correlation between the subjective measure of political support for regulation and the objective measures of regulation is fairly high, the R^2 reaching 37 percent.

Figures A.8 through A.10 present the correlations at the country level between distrust in others and support for government control of prices and of specific sectors such as electricity. The indicator of distrust is based on the four waves of the WVS. The support for government control is given by the indicators from ISSP in 1990 and 1996. The correlation between distrust and support for regulation is always positive and significant, the R^2 reaching 33 percent for wage control, 16 percent for price control, and 20 percent for government control of electricity.

6 THE EFFECT OF REGULATION ON DISTRUST

Table A.2 reports probit marginal estimates of the effect of living in a transition economy on different indicators of distrust in the wave 1990 of the WVS. We create a dummy equal to 1 if the country used to be socialist, and 0 if it belongs to the OECD. We control for age, education, gender and income.

Column (1) of Table A.2 shows that distrust rises by 16.9 percentage points when the respondent is living in a transition rather than an OECD country during the 1990 wave. The effect is statistically significant at the 1 percent level. Distrust in civil servants is also higher by 5.5 percentage points, in transition than in the OECD countries. The same pattern holds for distrust in companies. In the 1990 wave, living in a transition economy increases the fact to distrust business by 15.1 percentage points relative to the OECD countries. The effect is statistically significant at the 1 percent level. We run exactly the same regressions on distrust in the wave 1990, except that we include country fixed effects rather than a socialist dummy. Figure A.11 reports the marginal probit effects of the country dummies on distrust in the wave 1990. Living in a socialist country raises the probability of distrusting others relative to living in Sweden.

Table A.3 reports the effect of additional controls on the evolution of demand for regulation between the waves 1990 and 2000 of the WVS. Losers from transition might want more government regulation to help them. We address this concern by interacting the level of education with the interacted dummy transition economy times wave 2000. The results show that the preference for government regulation has dropped among the more educated people over this period. The effect is statistically significant at the 1 percent level.

The change in attitudes towards government regulation could also be driven by the economic decline and growth in inequality. We include measures of unemployment, GDP change and GINI indices. The IMF provides yearly data for GDP change and unem-

ployment rates. We average these data over the period 1990-94 and 1999-2000. The GINI indices correspond to the early 1990s and early 2000s and are taken from the World Bank. These variables are statistically much less significant than the interaction between the dummies transition economy and wave 2000.

7 THE ROLE OF FAMILY CIVIC EDUCATION

Figure A.11 reports the relationship between the country share of individuals who mention tolerance as a key quality and the country average level of distrust. The correlation is negative, and the R^2 is .22. Figure A.12 documents the other side of the relationship between regulation and civic education. There is a strong negative correlation between the regulation of entry and the country share of individuals who believe in transmitting tolerance and respect of others to children. The relationship is also significant, with the R^2 of .33.

8 DEFINITION OF VARIABLES

The definitions of all variables are presented in Table A.4. Table A.5 presents the characteristics of the LITS sample.

References

[1] Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., 2003, Courts, Quarterly Journal of Economics 118(2): 453-517.

[2] Gwartney, J., Lawson, R. and Block, W., 1996, Economic Freedom of the World, 1975-1995, The Fraser Institute, Vancouver.

TABLE A.1: CORRELATION BETWEEN CIVICNESS AND DISTRUST: OLS MICRO ESTIMATES

	Dependent variables		
	Justifiable to accept a bribe (1)	Justifiable to cheat on taxes (2)	Justifiable to cheat on government benefits (3)
Distrust	.057**	.080**	.070*
	(.024)	(.035)	(.041)
Age	-.013***	-.021***	-.018
	(.000)	(.001)	(.001)
Men	.160***	.335***	.077***
	(.017)	(.031)	(.023)
Education	-.004	-.003	-.014***
	(.004)	(.003)	(.004)
High income		Reference	
Low income	.048	-.066	.093
	(.031)	(.047)	(.063)
Mid income	.002	-.101***	.046
	(.020)	(.032)	(.041)
Center		Reference	
Left	-.000	.111***	.113***
	(.018)	(.036)	(.034)
Right	.072***	.113***	.014
	(.019)	(.029)	(.039)
Observations	98977	95973	96853
R^2	.076	.093	.104

Notes: The dependent variable in Column (1) comes from the answer to the question: "Do you think it can always be justified, never be justified, or something in between: Someone accepting bribes in the course of his duties?". The variable ranges from 1 for "never justifiable" to 10 for "always justifiable". The dependent variable in Column (2) comes from the answer to the question: "Do you think it can always be justified, never be justified, or something in between: Cheating on taxes if you have a chance*?*". The variable ranges from 1 for "never justifiable" to 10 for "always justifiable". The dependent variable in Column (3) comes from the answer to the question: "Do you think it can always be justified, never be justified, or something in between: Claiming government/state benefits to which you have no right". The variable ranges from 1 for "never justifiable" to 10 for "always justifiable". The main explanatory variable is individual distrust in others, measured by the question: "Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?". Distrust is equal to 1 if the respondent answers "Can't be too careful" and 0 otherwise. Additional controls: country-fixed effects.

Source : World Walues Surveys, waves 1980, 1990, 1995 and 2000.

OLS regressions with robust standard errors clustered at country level.

Coefficient is statistically different from 0 at the *** 1%, ** 5% and * 10% level.

TABLE A.2
INITIAL DISTRUST IN TRANSITION ECONOMIES RELATIVE TO THE OECD IN 1990 - MARGINAL PROBIT ESTIMATES

	Dependent variable		
	Distrust others	Distrust civil servants	Distrust companies
	(1)	(2)	(3)
Transition economies in 1990	.169***	.055*	.151***
	(.033)	(.033)	(.046)
R^2	.054	.011	.020
Observations	17028	17794	17615

Notes: The dependent variable in Column (1) comes from the answers to the question: "Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?". Distrust is equal to 1 if the respondent answers "Can't be too careful" and 0 otherwise. The dependent variable in Column (2) comes from the answers to the question: "Do you have a lot of confidence, quite a lot of confidence, not very much confidence, no confidence at all in civil servants?". The variable is equal to 1 if the answer is not very much confidence or no confidence at all, and 0 otherwise. The dependent variable in Column (3) comes from the answers to the question: "Do you have a lot of confidence, quite a lot of confidence, not very much confidence, no confidence at all in major companies?". The variable is equal to 1 if the answer is not very much confidence or no confidence at all, and 0 otherwise.

Additional controls: age, gender, education, income and country fixed effects.

Source : World Values Surveys, Wave 1990. The OECD and Transition economies.

OLS regressions with robust standard errors clustered at country level.

Coefficient is statistically different from 0 at the *** 1%, ** 5% and * 10% level.

TABLE A.3
RISE IN THE DEMAND FOR REGULATION IN TRANSITION ECONOMIES: OLS MICRO ESTIMATES

	Dependent variables	
	Competition is harmful (1)	Government should own the businesses (2)
Wave 2000	.261*	.637
	(.133)	(.418)
Transition x wave 2000	.710**	1.342**
	(.341)	(.578)
Education x transition x wave 2000	-.027*	.000
	(.015)	(.028)
Education x transition	-.033***	-.067***
	(.011)	(.018)
Education x wave 2000	.003	-.025
	(.006)	(.018)
Gini Index	.012	.075*
	(.019)	(.038)
GDP Growth	.015	-.091*
	(.010)	(.045)
Unemployment	.021	-.055*
	(.014)	(.030)
R^2	.076	.112
Observations	57570	45453

Notes: The dependent variables come from the answers to the questions: (1): "Competition is good: it stimulates people to work hard and develop new ideas. Or competition is harmful: it brings out the worst in people". The variable takes on values from 1 to 10, a higher score indicating a higher level of distrust of competition. (2): "Do you think that private ownership of business should be increased or government ownership of business should be increased?". The answer takes on values from 1 to 10, a higher score indicating a preference for government ownership.

Additional controls: age, gender, education, income and country fixed effects.

Source : World Values Surveys, waves 1990 and 2000. The OECD and Transition economies.

OLS regressions with robust standard errors clustered at the country level.

Coefficient is statistically different from 0 at the *** 1%, ** 5% and * 10% level.

TABLE A.4: DEFINITION OF VARIABLES

Variables	Description	N Countries
Log of GNP per capita	Natural logarithm of GNP per capita in 2001, Atlas method, expressed in current US dollars. Source: World Bank, World Development Indicators	57
Democracy Index	Average score for the period 1980-200 Source: Polity IV	57
Average years of schooling	Years of schooling of the total population aged over 25, average of 1995 and 2000. Source: Barro and Lee (2000) <http://www.cid.harvard.edu/ciddata/ciddata.htm>.	57
Ethnolinguistic fractionalization	The index measures the probability that two randomly selected people from a given country will not belong to the same ethnolinguistic group. The index is based on the number and size distinguished by their ethnic and linguistic status. Source: Easterly and Levine (1997).	47
Regulation of goods market	The index measures the (ln) number of steps in order to open a business. Source: Djankov et al. (2002).	57
Regulation of labor market	The index measures the rigidity of employment contracts in 1999, based on i) difficulty of hiring, ii) rigidity of hours, iii) difficulty of firing. Source: Botero et al. (2004).	57

TABLE A.4 (TO BE CONTINUED)

Variables	Description	Mean	Std error
Distrust	Share of people who answer "need to very careful in dealing with people" to the question: "Generally speaking, would you say thatmost people can be trusted or that you need to be very careful in dealing with people?". We measure the average country level of distrust over the four waves of the WVS.	.70	.47
Uncivic	Share of people who do not answer "never justifiable" to the question: "Do you think it is unjustifiable or not to cheat on government benefits". The answers ranges from 1 for never justifiable to 10 for always justifiable. We calculate the country-share of respondents who answers never justifiable averaged over the four waves of the WVS.	2.32	2.28
Distrust in companies	Share of people who answer "no confidence" to the question: "Do you have confidence in major companies". The answers range from 1 for a lot of confidence to 4 for no confidence. We calculate the average country-share of respondents who answers no confidence over the four waves of the WVS	.54	.50
Distrust in civil servants	Share of people who answer "no confidence" to the question: "Do you have confidence in civil servants". The answers range from 1 for a lot of confidence to 4 for no confidence. We calculate the average country share of respondents who answers no confidence over the four waves of the WVS	.55	.50

TABLE A.4 (TO BE CONTINUED)

Variables	Description	Mean	Std Error
State should control firms	Country average score to the question: "Do you think that the state should give complete freedom to the firm or that the state should control firm". The answers range from 1 for complete freedom to 10 for complete control. The score is averaged over the four waves of the WVS.	5.41	2.90
Competition is harmful	Country average score to the question: "Do you think that competition is good and yield new ideas, or competition is harmful and brings the worst from humain being". The answers range from 1 for complete freedom to 10 for complete control. The score is averaged over the four waves of the WVS.	3.55	2.49
Economic system runs badly under a democracy	Share of respondents who answer yes to the question: "Do you think that the economic system runs necessarily badly under a democracy". The indicator equal one if the respondent answers yes and 0 if the answer is no. The indicator is averaged over the four waves of the WVS.	.33	.47
Education: tolerance and respect for other people	Share of respondents who answer "especially important" to the question "Here is a list of qualities which children can be encouraged to learn at home. Which if any do you consider to be especially important: Tolerance and Respect for other people". The indicator equal 1 if the answer is "especially important", and 0 if the answer is "not important". The indicator is averaged over the four waves of the WVS.	.66	.47
Education: Unselfishness	Share of respondents who answer "especially important" to the question: "Here is a list of qualities which children can be encouraged to learn at home. Which if any do you consider to be especially important:Unselfishness". The indicator equal 1 if the answer is "especially important", and 0 if the answer is "not important". The indicator is averaged over the four waves of the WVS.	.26	.44

TABLE A.4 (TO BE CONTINUED)

Beliefs	Description	Mean	Std Dev
Distrust in 2006	Dummy variable equal 1 if the respondent has complete or some distrust	.60	.48
Distrust before 1989	Dummy variable equal 1 if the respondent has complete or some distrust	.20	.40
Rise in corruption	Dummy variable equal 1 if the respondent strongly agree or agree that there is more corruption now than before 1989	.81	.38
Planned economy	Dummy variable equal 1 if the respondent prefers a planned economy to a free market economy under some circunstances	.37	.48
Inequality	1 if support for state intervention to reduce the gap between the rich and the poor	.93	.25
Life better now	1 if the respondent considers that the household is better now compared to 1989	.41	.49

Table A.5: SAMPLE CHARACTERISTICS: LITS DATABASE

Characteristics	Mean	Std Dev
Men	.48	.50
Age	46.94	16.98
Self-employed	0.08	0.28
Education		
No education	.05	.22
Compulsory education	.16	.37
Secondary education	.22	.41
Professional education	.37	.48
University degree	.19	.39
Post-graduate education	.01	.09
Occupation		
Unemployed	.09	.29
White collar	.17	.38
Blue collar	.18	.38
Student	.03	.16
Housewife	.06	.25
Retired	.21	.41

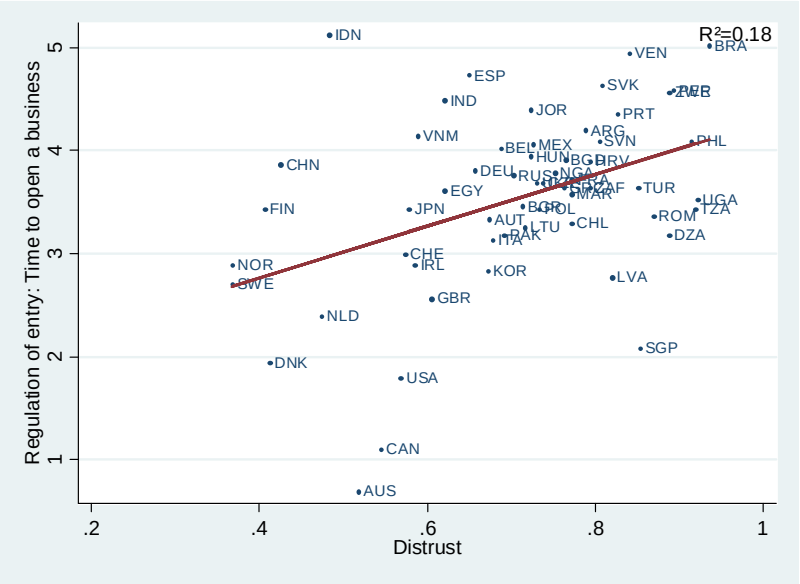

Figure A.1: Distrust and Regulation of Entry, measured by the (ln)-time to open a business. Source: World Values Survey (1980, 1990, 1995 and 2000) and La Porta et al. (2002).

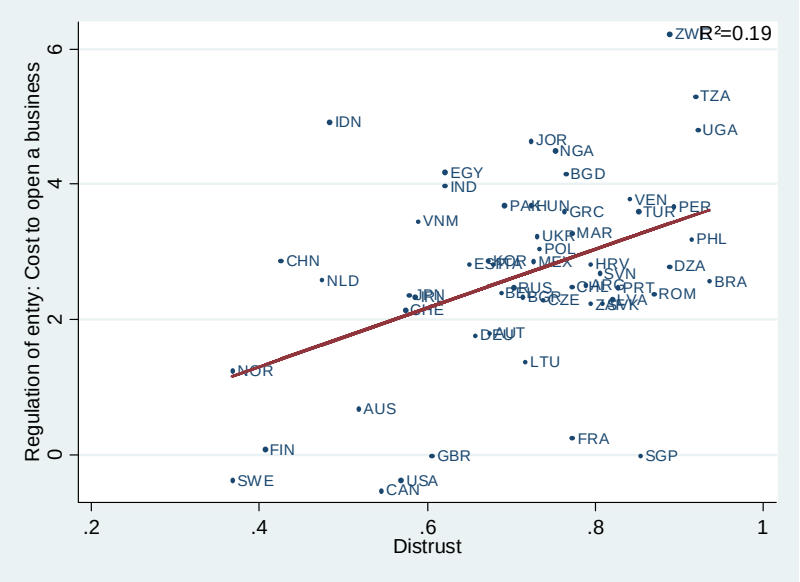

Figure A.2: Distrust and Regulation of Entry, measured by the (ln)-cost to open a business. Source: World Values Survey (1980, 1990, 1995 and 2000) and La Porta et al. (2002).

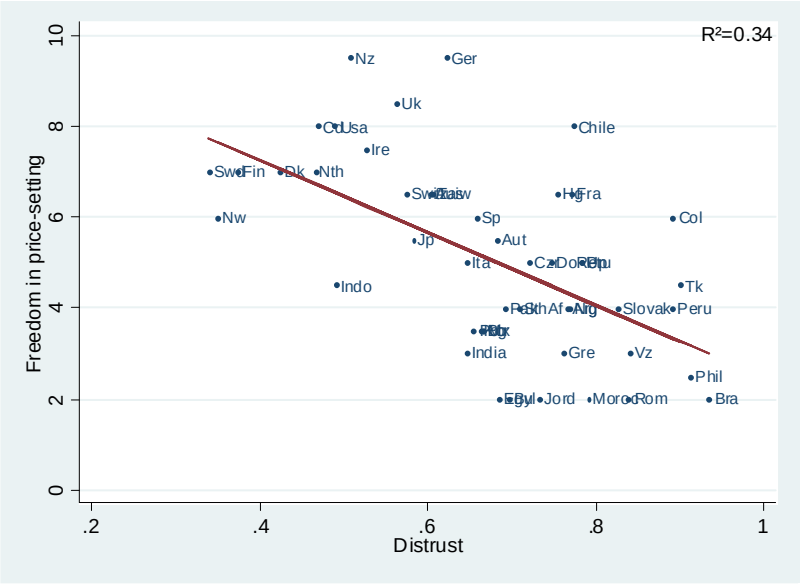

Figure A.3: Distrust and Freedom of Firms in Setting Prices. The indicator ranges from 1 for no freedom at all to 10 for perfect freedom. Source: World Values Survey (1980, 1990, 1995 and 2000) and La Porta et al. (2002).

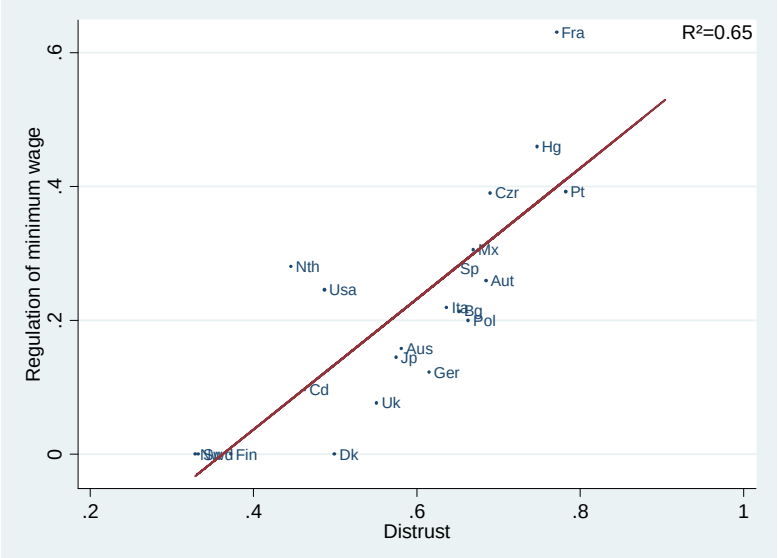

Figure A.4: Distrust and State Regulation of Minimum Wages. Source: World Values Survey (1980, 1990, 1995 and 2000) and Aghion, Algan, Cahuc (2008).

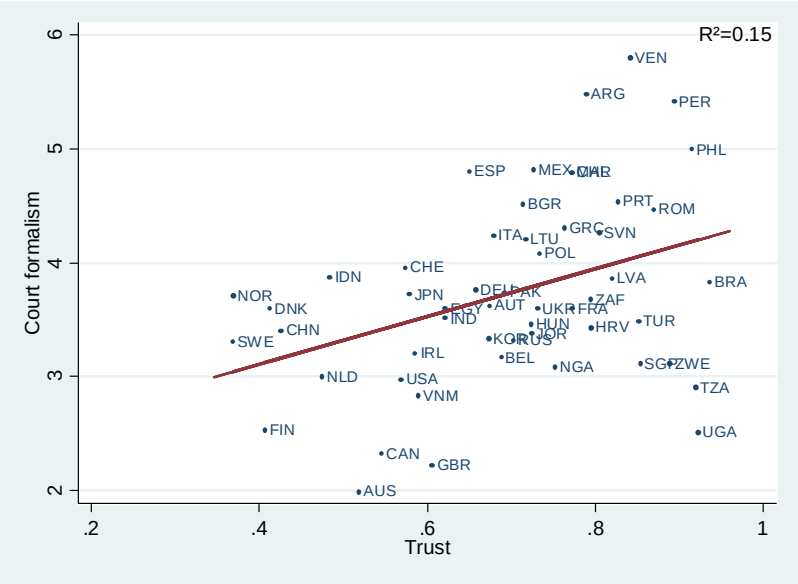

Figure A.5: Distrust and Court formalism. Source: Djankov et al. (2003a) and World Values Survey (1980, 1990, 1995 and 2000).

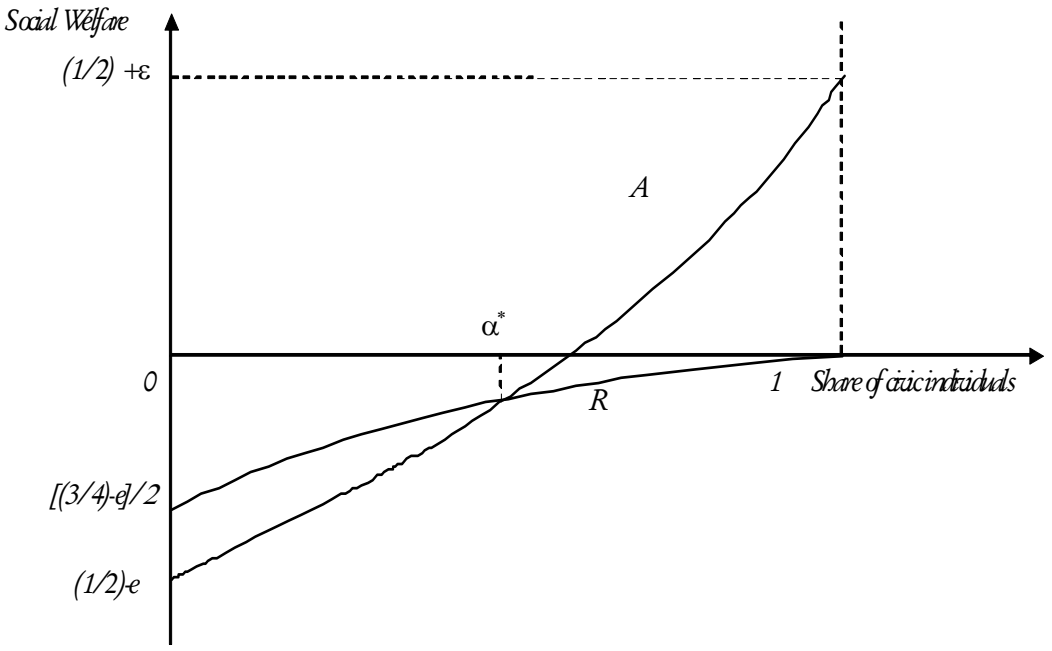

Figure A.6: The threshold value α^* above which regulation yields lower social welfare than the authorization of production.

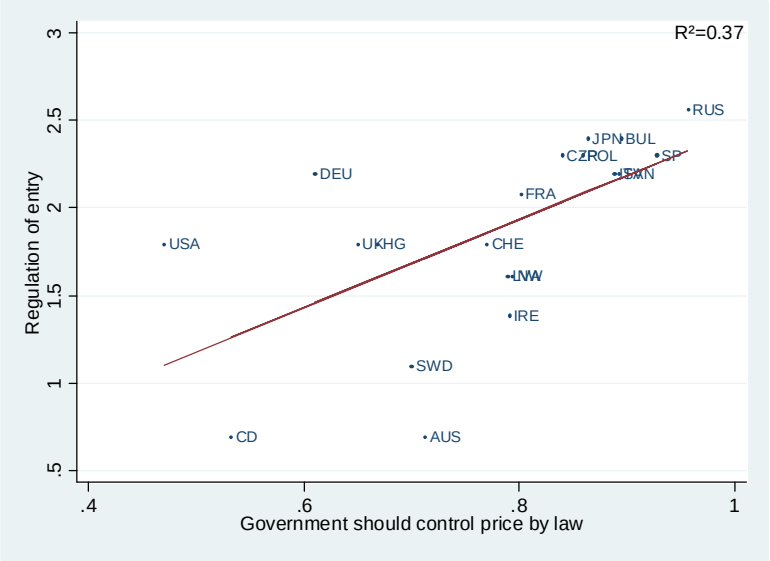

Figure A.7: Correlation between Regulation of Entry and Political Support for Government Control of Prices. Source: International Social Survey Program 1990-1996 and La Porta et al. (2002)

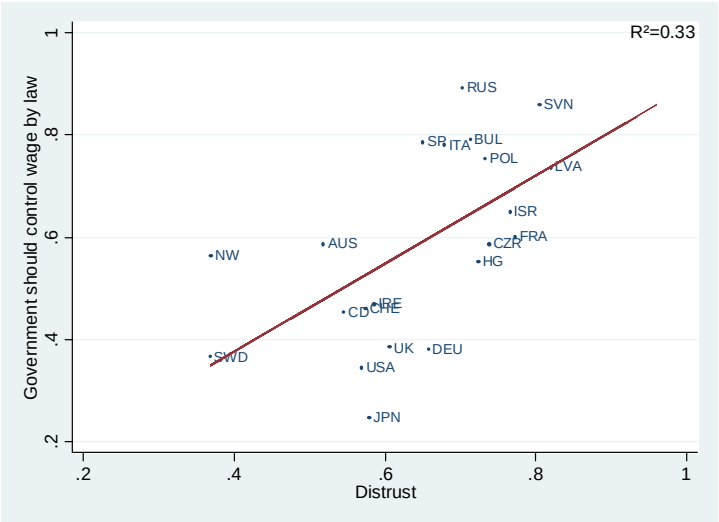

Figure A.8: Correlation between Distrust and Political Support for Government Control of Wages. Source WVS (1980, 1990, 1995 and 2000) and ISSP (1990 and 1996).

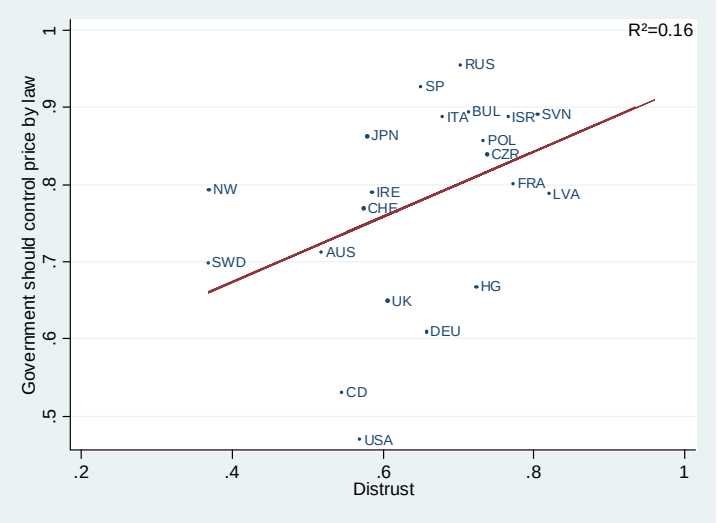

Figure A.9: Correlation between Distrust and Political Support for Government Control of Prices. Source WVS: (1980, 1990, 1995 and 2000) and ISSP (1990 and 1996).

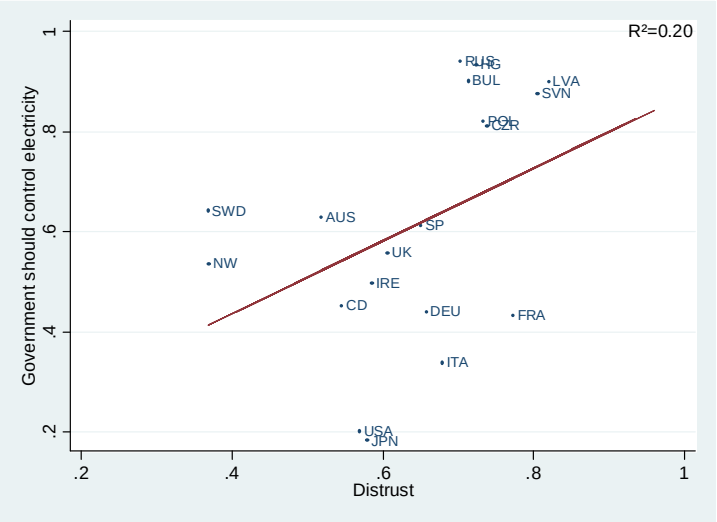

Figure A.10: Correlation between Distrust and Political Support for Government Control of Electricity. Source WVS (1980, 1990, 1995 and 2000) and ISSP (1996).

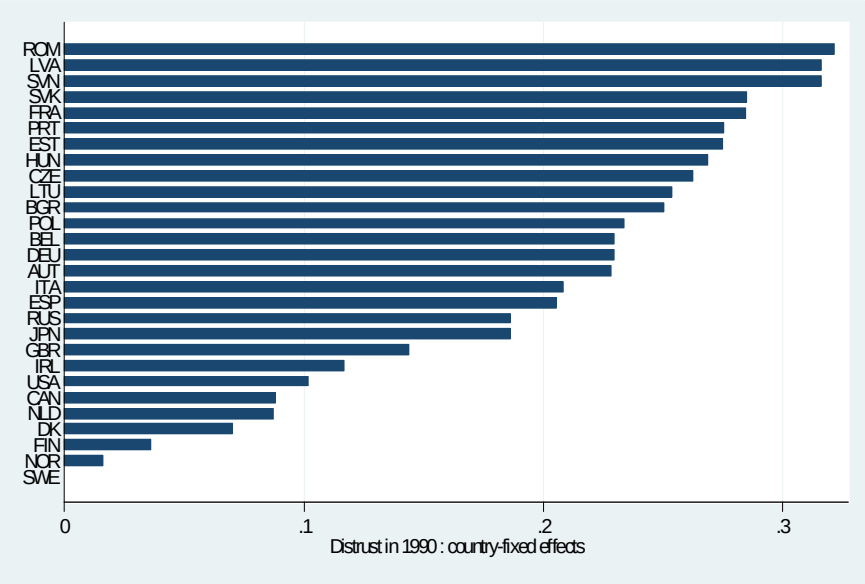

Figure A.11: Marginal country fixed effects on distrust relatively to Sweden. Source: WVS 1990.

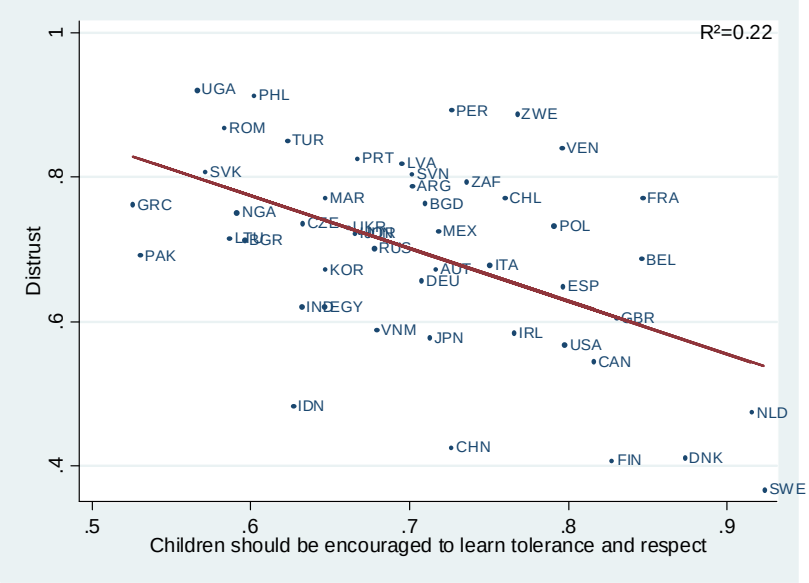

Figure A.12: Correlation between the country-share of distrust and the share of parents in favor of teaching tolerance to children. Source: World Values Survey, waves (1980, 1990, 1995 and 2000).

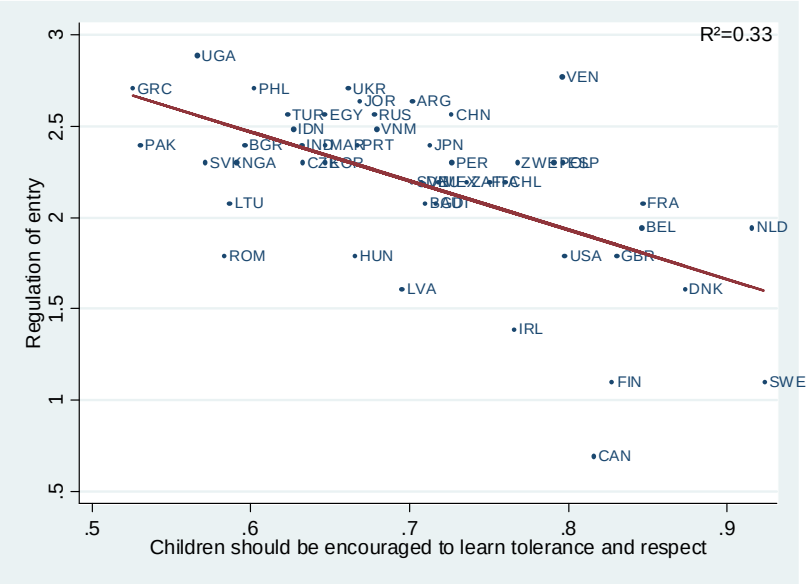

Figure A.13: Correlation between the Regulation of entry and the share of parents in favor of teaching tolerance to children. Source: Djankov et al. (2002) and World Values Survey (1980, 1990, 1995 and 2000).