Whom do We Trust More with Our Money: The Banker or the Chimney Sweep? (How Perceptions of Wealth, Social Class and Hard Work Interrelate)

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Abstract

**Purpose**: This paper investigates the perception of trustworthiness conditional on varying levels of income and social class.  
**Design/methodology/approach**: Students enrolled in an undergraduate university in Florida participated in a survey. The survey responses were subject to a regression analysis to determine the significance of the outcomes.  
**Findings/results**: The respondents identified the wealthy as being slightly more trustworthy, individuals who were equally wealthy and of a lower social class were considered more trustworthy, and hard work was strongly favoured in determining success. Hispanic students were more likely to value hard work, as well as to trust those of equal income and higher social class, than were non-Hispanic students.

**Keywords**: Trust; trustworthiness; perceptions

**JEL Classification**: A14; D30; Z13  
**PsycINFO Classification**: 3600  
**FoR Code**: 1502  
**ERA Journal ID #**: 123340
Introduction

With falling levels of trust within the United States and worldwide, it is important to look to younger generations to determine how trust and trustworthiness are changing, along with the individual demographic correlates of these changes. In order to examine this particular question, the present analysis uses a sample of students from a 4-year private university in Florida which has a particularly high representation of wealthy, female students. This institution also has a large percentage of Hispanic students relative to many other universities. We find that those individuals belonging to a higher social class are not considered more trustworthy, but do get a boost in how they are perceived by Hispanic students. We find the additional result that hard work as affecting success is valued by all students and is particularly valued within the Hispanic population. We take these results as preliminary evidence for a difference in trusting behavior by Hispanic college students. We find this result particularly interesting due to the high average income of students in the population, and the normal pattern of wealthy individuals being more likely to trust others with a similar economic background to themselves.

It is relatively straightforward to show that minorities and women are less trusting due to historic effects and current social structures (Alesina and La Ferrara, 2002; Clark et. al., 2013). It is also known that the income of the “trusted” affects their trustworthiness, albeit inconsistently in the literature. In particular, some studies have found that trustworthiness is higher for the wealthy, and this is justified due to their higher likelihood of being able to repay (Falk and Zehnder, 2013), however, others have found an inverse relationship between trustworthiness and individual income, with the poor being the more trustworthy in a group (Kropp et al., 2009; Slemrod and Katuscak, 2005; Bac, 2009).

What is much more difficult, however, is to determine the relationship between the trustee and the trusted. In particular, while surveys of trustworthiness have been performed, chiefly examining the question of how income and income inequality affect trustworthiness and trust—and showing that a smaller social distance and similar background make trust more likely (Johansson-Tenman, 2008), it is rarer to examine how other individual demographic characteristics modify the perception of the trustworthiness of individuals of varying income and social classes.

Method

Data

The information for this analysis comes from a survey of students gathered both in an online and an in-person format. Respondents were asked to answer a series of questions and (in-person) were rewarded with a token food-based compensation. Some students chose to take the compensation, while other students turned it down but still completed the survey. One of the coauthors was present at the tables to answer any questions from the respondents. The in-person information was collected over three non-consecutive lunchtime sessions occurring in the student union during the Fall 2014 semester. The location and time of day was chosen due to the strongest student foot traffic and likelihood of participation occurring during that time frame. Information was requested from students regarding their (a) demographic characteristics including gender, parental education, family income, and race; (b) personal choices including field of study, media interest and sources of media information; (c) financial planning; (d) financial literacy; as well as (e) perceptions of the interrelatedness of honesty, hard work and wealth. After the data were cleaned, there were between 223 and 243 respondents for each of the individual questions. Almost all students responded to individual demographic information, with non-response bias a very minor concern in this dataset.

The main questions of interest were concentrated in category “e” above. In particular, we asked the following three questions:

Does hard work correlate with success?
  a. Yes

b. No

Brian and Peter have decided to help out a local high school by raising money for new computers. Brian, who is happily wealthy, and Peter, who is not as wealthy, have promised to ask their friends for donations. They are able to purchase 20 new computers for the high school. They keep the computers in a storage shed until they will drop them off at the school. The night before the event, the computers go missing. Two months later, the computers are found being sold on the black market. Only Brian and Peter had a key to the storage unit. Who do you believe is to blame for this?

a. Brian
b. Peter

Sarah and Emily both have similar wealth from trust funds. Emily has chosen to be a receptionist to stay busy, while Sarah is successfully running her late father’s company. They are good friends, and meet often for lunch to discuss the best ways to spend their trust fund money. Their most recent lunch conversation revolved around the best way for them to evade taxes while spending their trust money. While they each know it is illegal, they bounced the idea around for a while before their meals came. Who do you think brought up the idea to evade taxes?

a. Emily
b. Sarah

Empirical Estimation

Summary Statistics

Table 1 displays the means of the variables employed in this analysis.

Table 1: Summary Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Education father</th>
<th>Education Mother</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>65.43%</td>
<td>Some High School</td>
<td>4.17% 2.49%</td>
</tr>
<tr>
<td>Age</td>
<td>20.5</td>
<td>High School</td>
<td>19.17% 12.45%</td>
</tr>
<tr>
<td>Income</td>
<td>127,088.9</td>
<td>Some College</td>
<td>19.17% 26.14%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>17.80%</td>
<td>B.S./B.A.</td>
<td>29.58% 34.44%</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>60.25%</td>
<td>M.S./M.A.</td>
<td>12.08% 17.84%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MBA</td>
<td>2.92% 2.07%</td>
</tr>
<tr>
<td>Emily (versus Sarah)</td>
<td>38.36%</td>
<td>J.D.</td>
<td>1.67% 1.24%</td>
</tr>
<tr>
<td>Brian (versus Peter)</td>
<td>48.88%</td>
<td>M.D./D.O.</td>
<td>4.58% 1.66%</td>
</tr>
<tr>
<td>Hard Work Makes Success</td>
<td>91.63%</td>
<td>Ph.D./Ed.D.</td>
<td>5.00% 1.66%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Degree</td>
<td>1.67% -</td>
</tr>
</tbody>
</table>

As depicted in the table, the majority of the sample (65%) was Female, and, on average, they were likely closer to the end of their college career, with a mean age of 20.5. Family income (average $127,089 and median of $87,500) was significantly above the median levels for Broward county ($51,251) where Nova Southeastern University is located, as well as either Florida ($46,956), or the United States as a whole ($53,046). This likely reflects the high tuition at Nova Southeastern University as a 4-year private university. The racial variable queried here was a simple statement of whether the individual self-identifies as Hispanic or Non-Hispanic, to which 17.8% of respondents reported they considered themselves to be Hispanic. This is
somewhat below the representation in Broward County and Florida of 26.9% and 23.6% respectively, however, it is relatively close to national averages for Hispanic college enrollments (19%). It is also the case that, 60.25% of students reported that they had some form of financial aid, although it is difficult to know how significant this effect is without having included the amount of aid in the survey.

Parental education is also fairly typical for a sample of this form, with most parents of college students having themselves completed either some college, a Bachelor’s or a Master’s degree (combined, 60.8% of fathers and 78% of mothers), and less than 15% of mothers, or 25% of fathers, having only a high school or lower level of education. We also see fewer mothers versus fathers at the post-M.A. or at the professional levels of education (6.6% vs. 14.2%). Finally, turning to the variables of interest, we observe that 38.4% of students believed that Sarah (equally wealthy but also working at her father’s company) would be the more likely to bring up an illegal scheme than the receptionist Emily—perhaps reflecting the perception that if she works at a higher management level then perhaps Sarah will also consider illegal (white-color crime) schemes that Emily will not. Similarly, 91.6% of students were of the opinion that hard work is an essential for success. Opinions were split, however, regarding whether Brian or Peter would be more likely to engage in illegal activity, with just slightly less than half (48.9%) of students believing Brian (wealthier) would be more likely to engage in the illegal act.

Taken together, the data is generally representative of what we would expect to see on a typical college campus, with students being wealthier, having slightly higher levels of parental education, and a similar representation of the Hispanic population to other universities. The summary statistics also show a split in opinions regarding whether crime is more or less likely when the man is wealthier or poorer, but find it slightly more likely from the higher status and equally wealthy woman. How these characteristics are modified by the demographic characteristics of students is the focus of the regression analysis which follows.

Regression Estimation
For the empirical estimation, we employed a linearized regression model, since this made our results more likely to converge. In particular, we have for individual i:

$$\text{Perception}_i = \beta_0 + \beta_1\text{Gender}_i + \beta_2\text{Income}_i + \beta_3\text{Age}_i + \beta_4\text{Hispanic}_i + \beta_5\text{Major}_i + \beta_6\text{ParentalEd}_i + \varepsilon_i$$

Where Perceptions is a binary variable referring to either of the three questions of interest (Brian vs. Peter, Emily vs. Sarah, Hard Work for Success); and Parental Education as well as Major are added into the regressions in a progressive fashion.

Table 2 presents the regression results, with parental education employed in columns 2 and 3 of each panel and major employed in the third column of each vertically aligned panel. In this table, we observe the main correlate of perceptions as Race, with Hispanic individuals being more likely to both believe that hard work is necessary for success than non-Hispanics, and, as compared to the perceptions of non-Hispanics, to believe that the individual who is investing in her father’s business venture—rather than working in a lower status profession—is relatively less likely to be evading taxes. This is an interesting result, since it shows for the Hispanic population in our sample that individuals feel social status and class is relatively more “trustworthy.” Notice that none of the other variables is particularly significant in predicting these perceptions. Finally, various model variations were included with similar types of results. In particular, (a) controlling for the receipt of financial aid does not change the substance of results but does increase significance levels on the Hispanic variable—this was, therefore, left out of the analysis due to possible concerns regarding multicolinearity; (b) controlling for various measures of financial planning generally did not show an effect of any of the variables—with the possible exception of financial goals in the second vertical panel of regressions—and did not change the coefficients. For this reason, these iterations were not included in the main analysis.
Table 2:  
Demographic Relationships with Perceptions of Wealth and Trust

<table>
<thead>
<tr>
<th>Income</th>
<th>Parent Ed.</th>
<th>Major</th>
<th>Sarah Vs. Emily</th>
<th>Brian Vs. Peter</th>
<th>Hard Work for Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
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<td></td>
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</tr>
</tbody>
</table>

| Female | 0.106 | 0.122 | 0.113 | -0.107 | -0.132 | -0.086 | 0.009 | 0.026 | 0.026 |
| Age    | -0.007 | -0.004 | -0.006 | -0.005 | -0.003 | -0.005 | -0.002 | 0     | 0     |
| Hispanic | 0.158 | 0.187 | 0.21  | -0.13  | -0.104 | -0.123 | 0.09  | 0.101 | 0.087 |
| Constant | 0.445 | 0.352 | 0.701 | 0.706  | 0.707  | 1.382  | 0.976 | 0.875 | 0.873 |
| N      | 215    | 212   | 212   | 208    | 205    | 205    | 217   | 214   | 214   |

Conclusions

The present analysis has examined the correlates of the perception of individual hard-work, wealth, and trust. While not a causal analysis, this question is extremely important in addressing present concerns regarding who can be trusted and how inter-group relationships affect trust. The particular sample, being a group of relatively well-educated and high-income students, does have a very slight tendency, as expected, to trust the rich more, (Brian versus Peter) perhaps because both (a) they are more similar to them and (b) they are simply more likely to repay, as per the literature.

We do not find, however, that social class is trusted, and, quite to the contrary, it appears that those of higher social class and equal wealth are considered more likely to engage in illegal activities (Sarah versus Emily). In a unique instantiation, we have also found the interesting result that Hispanic, as compared to non-Hispanic individuals, are relatively more likely to trust those of a higher social class. This is a novel result and plays to the very interesting effect of both status and class as well as income in affecting trustworthiness and trust. On a related note, we have examined the perception of hard-work in affecting trust and found that, while hard work is considered important for success in our sample, being Hispanic exacerbates this effect.

We end by noting that we have examined several exciting new questions in the literature, and future work will endeavor to broaden the samples employed so that it will be possible to determine whether the effects observed here reflect a larger (causal) swath of student opinions throughout the United States.

References


