

## FRAGMENTATION OF TRUST. ECONOMIC GROWTH, SOCIAL INEQUALITY AND THE NEW INTERFACE OF THE INDIVIDUAL FEARS

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**Abstract:** *According to the Edelman Trust Barometer 2020, beyond the presence of a strong global economy and a very low level of unemployment, people not longer trust institutions. In their opinion, even in the current favorable living circumstances, they see the future more uncertain than ever. In their vision, a first step would be that the trust in institutions, now undermined by the proliferation of inequity and inequality, to be “granted” only on the basis of “two criteria”: **competence** (the institution has “the ability to deliver on promises”) **and ethical behavior** (the institution “acts correctly and contributes to change for the better of society”). The people phylosophy is a new one: they have interests not only in the application of technical knowledge (**what you do**), but especially in the ethical meaning of behavior in the social actions (**how you do**). Moreover, the people is increasingly interested in slowing down and in stopping the vehicle of social polarization and then in forcing the start of debates centered on social inequality. (Edelman Trust Barometer, 2020)*

**Keywords:** *competence, ethical behavior, inequality, institutional trust, risk of poverty, social action, social inequity, social mobility, social polarization, social stratification, world sistem*

**JEL Classification:** *A14, I32, Z10*

### 1. Social Inequality

According to the Dictionary of Sociology, social inequality is a “notion that highlights the differences between the positions occupied by individuals or social groups on a hierarchical scale, attached to a social characteristic” and

which “can be seen as a particular aspect of social differentiation, its specificity consisting in the fact that it assumes a comparison between hierarchical elements”.

The dictionary distinguishes between natural hierarchies (consequences of innate factors) and hierarchies enshrined by society, through institutions, norms (moral and legal), values, etc. Even if apparently only the latter seem to serve to the concept, sociology provides a fairly wide space for analyzes that come to refute the firm cleavage between the two types of inequalities.

The theoretical papers that come to explain sociologically the emergence, magnitude and role of social inequalities are among the most varied, from those that give it a destabilizing role (generating conflicts) to those that attributed stabilizing roles (inequalities are sometimes necessary even indispensable for the functioning of social systems).

It should also be said that in general the issue of social inequality has a distinct place of treatment, especially in the sociology of social stratification and mobility, the sociology of education or the sociology of culture (Vlăsceanu, Zamfir, 1998: 292-294).

Inequality has multidimensional roots. There are two key dimensions that contribute most to the measuring it: inequality in income distribution and inequality of opportunity (another important dimension that can be taken into account is gender inequality, which can bring to the fore interesting data on women’s participation in the labor market).

The inequality in income distribution circumscribes the thematic area of how the income obtained in an economy is distributed to the population. It is calculated at the household level, being a result that depends on the number of household members and their age. Practically, “it is calculated as the ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile)”.

The income inequality measures “outcomes”, but it is also a consequence of the combination of several variables: a) the chances held by a person at birth (path dependence); b) the sum of the choices made by the person throughout life; c) chance (luck).

## **2. Inequality of income distribution in EU countries**

The effects of the economic crisis at the beginning of this century seem to have been much deeper. The sharp rise in inequality or the reversal of the convergence of living standards have vitaminized a new face of the individual

fears. Basically, the signs of generalized uncertainties are also felt in the Edelman Barometer, the distrust in institutions gaining alarming values.

The European population seems to be the first to emerge from the anesthesia of the promises of a perfect postmodern world. The European population indirectly signals that if the current philosophy of the modern world system is not changed any strategy to reduce inequality will be ineffective

All over the world, but especially in Europe, there are growing concerns about the increasingly non-inclusive nature of economic development. Concerns that practically derive from the fact that the growth of the Gross Domestic Product is no longer favorable for inclusion.

There is now more attention on how income in the economy is distributed to the population or on the exaggerated increase in the inequality in income distribution. Both have deep meanings in the area of equal access to goods and services produced in a national economy. This attention is increasingly being converted into social signals that have recently seemed to invite governments and decision-makers to a paradigm shift in how to address the issue of inequality.

The increasingly categorical message of a part of the population of the most developed European countries has more than ever the vocation of a last warning: the huge level of inequality undermines not only the trust in institutions, as the last Barometer Edelman says, but also social equity.

As part of the current mechanism of wealth distribution, the current dimension of inequality, is seen by more and more Europeans as an unfortunate accident of history, which must be corrected, because it has already significantly eroded social cohesion and the common sense of belonging. Both are much more visible given that the increase in inequality is mainly due to the large number of people living in poverty.

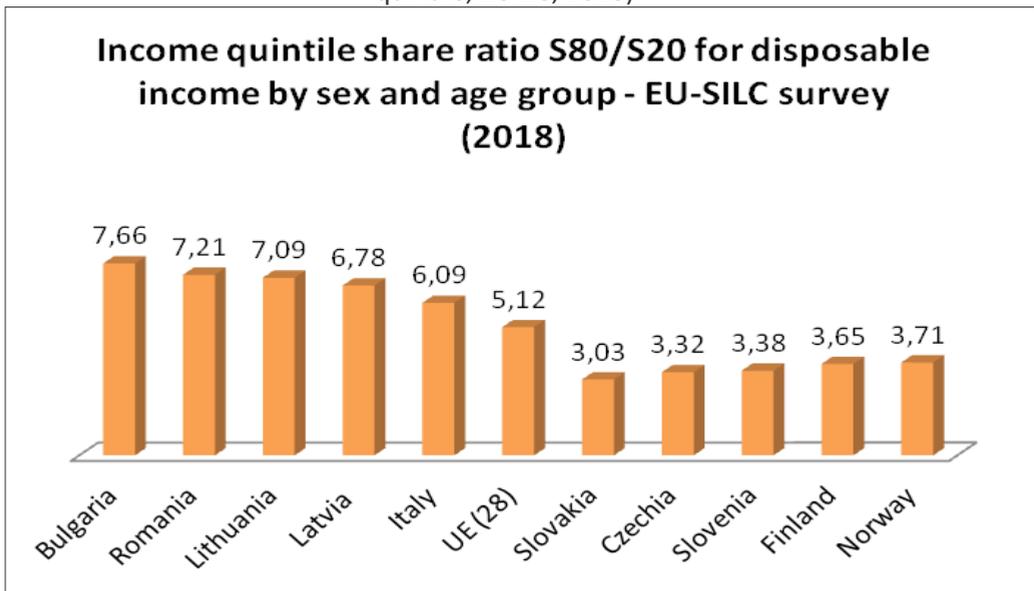
Through the Europe 2020 Strategy, the EU has set out to increase social inclusion in order to ensure that European citizens have equal access and opportunities throughout their lives. The projection was for a Europe in which the benefits of development could be felt in all its regions, thus strengthening the process of economic, social and territorial cohesion.

Inclusive growth, however, requires, among other things, the launch of a strong mechanism to combat poverty and social exclusion. And its efficiency cannot be articulated in the absence of a very serious analyzes of inequalities in society, regardless of their economic or social nature.

Beyond the good intentions specific to any strategy of this kind, Figure no. 1 is rather relevant to describe the mosaic structure of the inequality of income distribution across the European space, the data showing for 2018 the following:

- There are very big differences in the distribution of income at EU level (EU-28, 2018);
- The percentage of 20% of the population with the highest disposable income in the EU in 2018 obtained an income 5.12 times higher than the percentage of 20% from the other end of the spectrum;
- The ratio varies widely at EU level, from 3.03 in Slovakia to 7.66 in Bulgaria (according to the latest Eurostat data in 2019 the ratio increased in Bulgaria to 8.10);
- In Romania, the ratio was 7.21, increasing in 2018, decreasing significantly in 2019 to 7.08.

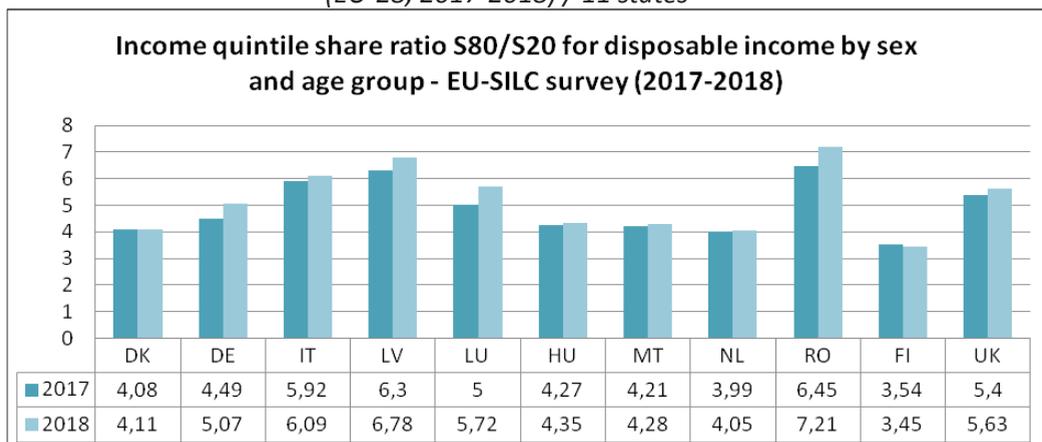
Figure no. 1 - Inequality of income distribution (ratio between upper and lower quintile, EU-28, 2018)



Source: Author (see Eurostat (ilc\_di11))

According to Figure no. 2, Eurostat data point out that in recent years there has been an increase in the ratio at EU level. Thus, no less than 11 states recorded increases in 2018, the EU average increasing from 5.08 in 2017 to 5.12 in 2018.

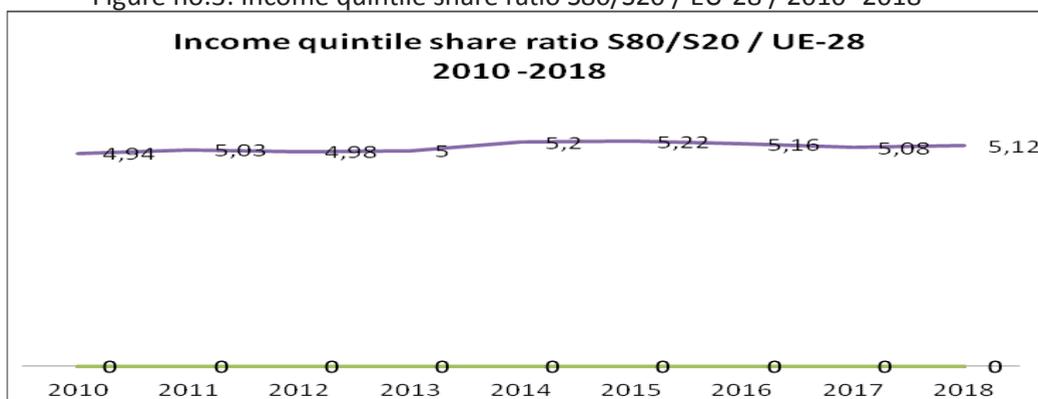
Figure no.2 – Increasing income inequality (ratio between upper and lower quintile) (EU-28, 2017-2018) / 11 states



Source: Author (see Eurostat (ilc\_di11))

The graph in Figure no. 3 shows that beyond the strategies aimed at a growth favorable to social inclusion, the evolution of this process is a sinuous one, with advances but also returns, with successes but also failures (2010’s report was more favorable than 2018’s report: 4.94 / 5 12).

Figure no.3: Income quintile share ratio S80/S20 / EU-28 / 2010 -2018

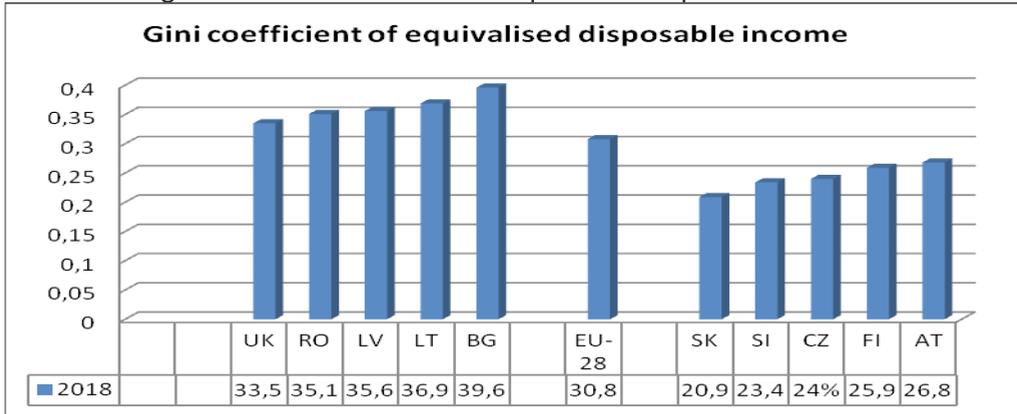


Source: Author (see Eurostat (ilc\_di11))

The inequality coefficient (Gini index), which measures the inequality among values of a frequency distribution, is also in a structural trend of global growth. The figures below are edifying in this respect for the EU-28 area. According to Eurostat data, at the beginning of 2019 the countries with the highest level of the Gini index were Bulgaria (39.6%), Lithuania (36.9%), Latvia (35.6%), Romania (35.1%) and United Kingdom (33.5%). At the opposite pole were

Slovakia (20.9%), Slovenia (23.45), the Czech Republic (24%), Finland (25.9%) and Austria (26.6%). Eurostat data showed that at the beginning of 2019 the average of EU states was 30.8 (see Figure no. 4).

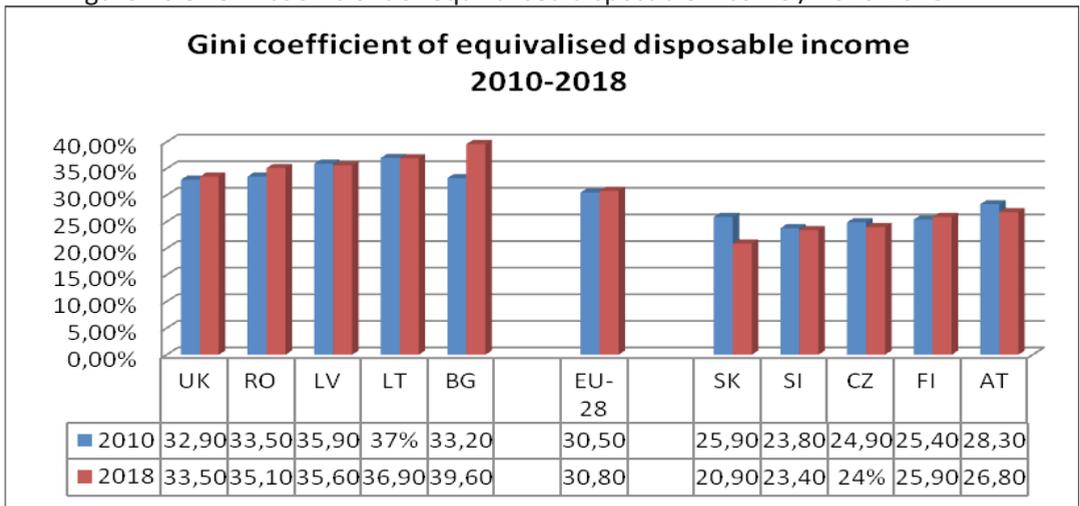
Figure no.4: Gini coefficient of equivalised disposable income



Source: Author (see Eurostat (ilc\_di12))

Really interesting are the Eurostat data presented in Figure no. 5: in the period 2008-2018 the Gini index increased as a European average from 30.5% to 30.8%, a situation that is characteristic of many EU Member States (for the others there are no so dramatic declines, rather improvements in income distribution).

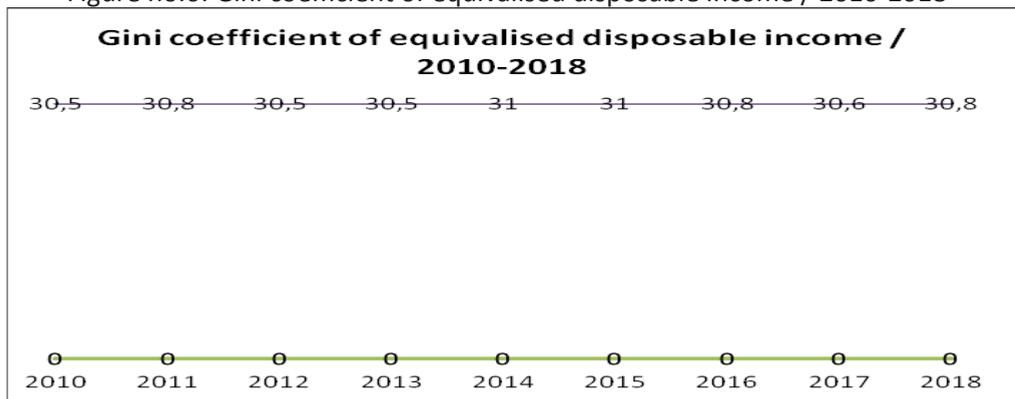
Figure no.5: Gini coefficient of equivalised disposable income / 2010-2018



Source: Author (see Eurostat (ilc\_di12))

If we look carefully at the below graph (see Figure no. 6) we notice that after each period of decrease of the Gini index follows another period whose characteristic is the return of the upward trend.

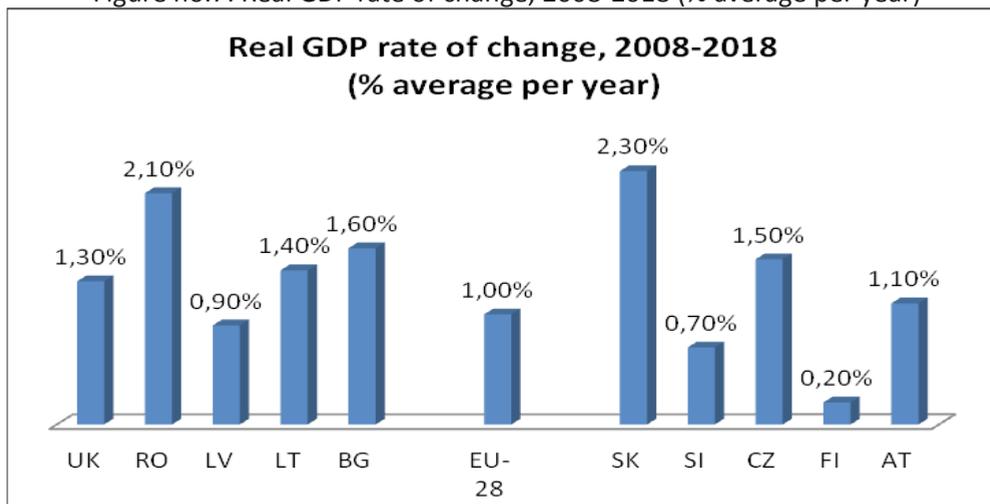
Figure no.6: Gini coefficient of equivalised disposable income / 2010-2018



Source: Author (see Eurostat (ilc\_di12))

Given that inequality is growing or it is maintaining a constant level, while the GDP of each state has also grown steadily, the surplus from this increase was certainly unevenly distributed. The figure below is relevant in this regard: GDP in the EU-28 increased in 2008-2018 period (an annual growth of about 1%); moreover, GDP in the EU-28 increased in 2018, the sixth year in a row.

Figure no.7: Real GDP rate of change, 2008-2018 (% average per year)



Source: Author (see Eurostat online data code naida\_10\_gdp)

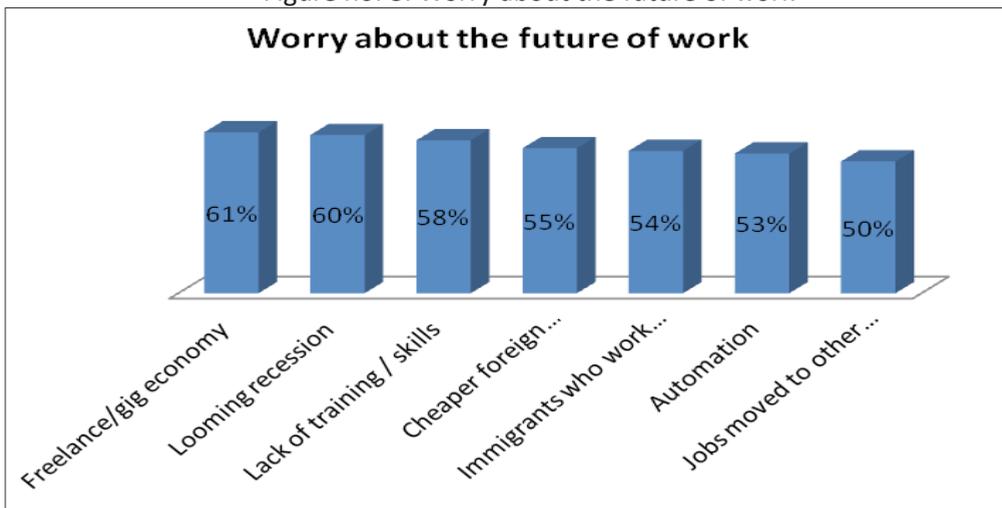
### 3. Fragmentation of trust. The new facets of individual fears

This explains the fact that although the economy is experiencing considerable growth and unemployment is in continuous decline, the citizens from the most developed countries do not expect to have a better situation in the next five years. (*Edelman Trust Barometer, 2020*)

Even though on average in the EU-28 each nation's wealth increased each year, including by creating new jobs, employees are very poorly paid. Otherwise, it is not explained why the Gini index still signals the acute disproportion in the distribution of income.

The spectrum of rapid automation is a real concern for 83% of employees from worldwide, amplified fears of immigration, unfair competition, insufficient training or a new major economic crisis.

Figure no. 8: Worry about the future of work



Source: Author (see *Edelman Trust Barometer, 2020*)

More than that:

- For 61% of respondents the pace of technological change is too fast;
- An higher percentage (66%) express their fear that technology will make it impossible at some point to distinguish between what is real and what is fiction;
- A cohort of 61% believe that the governments do not enough understand emerging technologies to regulate them effectively;

- About 57% believe that the read media is likely infected with contaminated information (unreliable), while about 76% are concerned that the fake news will be use as a weapon;
- 66% do not trust that current leaders will be able to successfully solve current problems;
- 57% are worried that they will lose the respect and dignity they once enjoyed in their countries (the highest values in European countries are: Italy - 67%; Spain - 64%; France - 62%; Germany - 52%).

But what seems very worrying is the process of fragmentation of confidence in a very large number of countries:

- On the one hand, there is a very large gap (14%) between the informed public (65%) and the large mass of the population (51%). Thus, for the informed public three from the four institutions subject to attention are trustworthy (government, media and business). For the large mass of the population no institution passes the test of trust (government, NGO, media and business);
- On the other hand, a very large number of countries register a huge fragmentation of confidence (large gaps in 23 countries), the most significant being in countries such Australia (23 points), France and Saudi Arabia - 21 points, Germany - 20 points, Great Britain - 18 points, Spain - 17 points).

In terms of competence, the business environment occupies the best place, being at a distance of 54 points of government as institution that is good at what it does (64% / 10%). In terms of ethical NGOS have a fairly high lead compared to the government (31-point gap) and the business environment (a 25-point gap). But no institution (government, business environment, NGOS, media) seen as both competent and ethical. Only business seen as competent. Or only NGOS seen as ethical. But institutions seen as unfair.

Currently, the business environment is the institution with the highest confidence (58%), which takes over the role of global governance. From this elitist reservoir, the global world is waiting for the birth of a CEO to cover the lack of a leader capable of bringing about change. If approximately 92% of employees believe that the CEOs should address current issues more firmly, about 75% of the world population is ready to support the gradual takeover of the change process by them.

## Conclusions

The results of the Edelman 2020 Barometer highlight the installation of a serious crisis of institutional confidence. No institution (government, business environment, NGOS, media) is seen as both competent and ethical, the battle to regain trust will be probably decided by acquiring of a ethical institutional behavior. Perhaps an ethical business environment, modeled axiologically, with much more important roles than those currently assumed (only increasing profit), would have the chance to model new solutions appropriate to the today's major social problems.

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