GV103: Introduction to International Relations

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Trust Problems

Introduction

- Two goals for this lecture
  - Provide general understanding of trust problems
  - Discuss how they explain why there isn't more cooperation

A Model of Trust

	allow	block
allow	β, β	βe_1, τ_2
block	τ_1, βe_2	0, 0

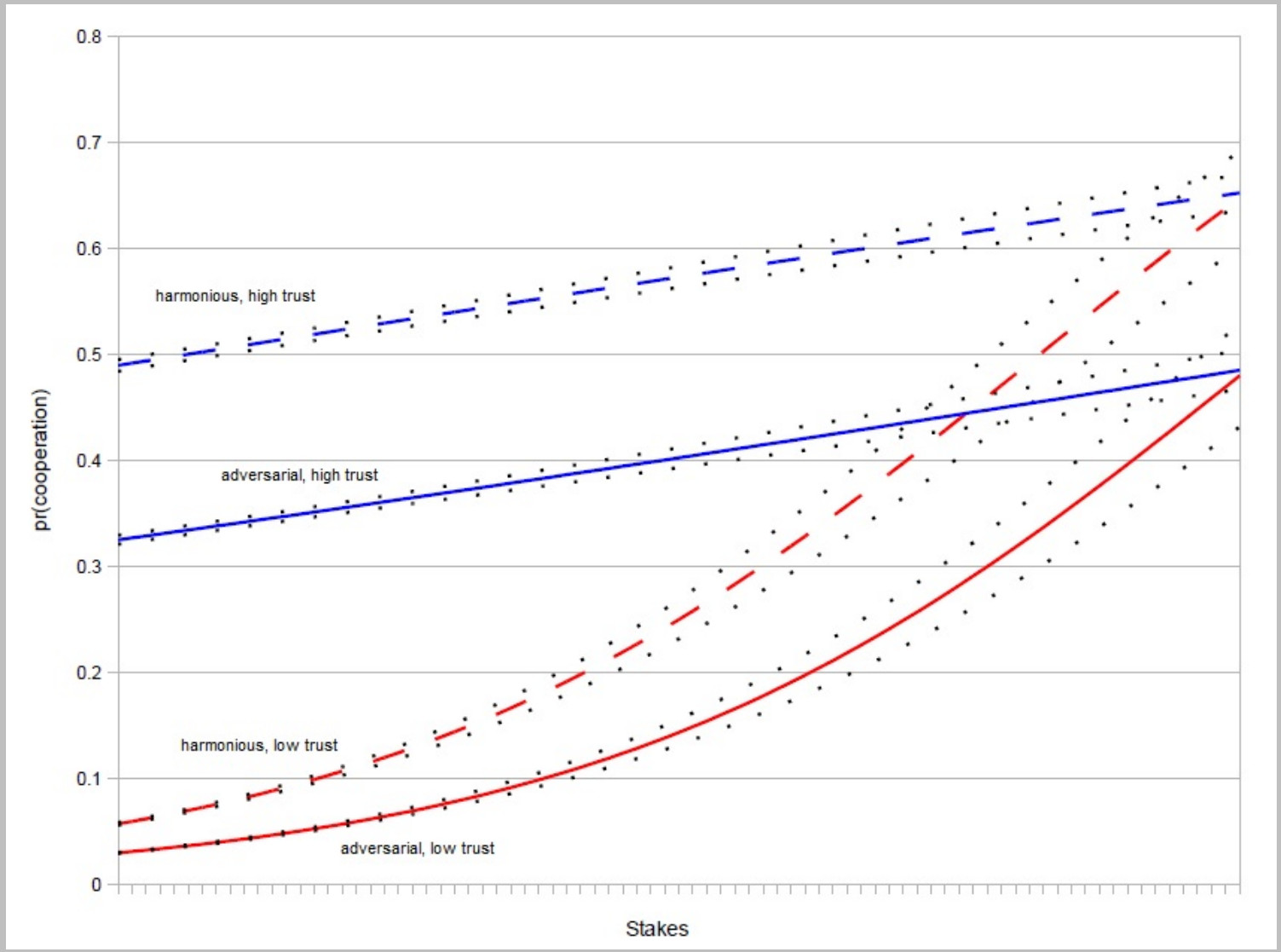
Analysis

- For blue type
  - Allow iff $\phi_j(\beta) + (1 - \phi_j)(\beta e_i) \geq \phi_j(\underline{\tau_i}) + (1 - \phi_j)(0)$
  - Must be true if $e_i \geq 0$
  - If $e_i < 0$, true iff $\phi_j \geq \hat{\phi}_j$
  - Where $\hat{\phi}_j \equiv \dfrac{\beta e_i}{\underline{\tau_i} - \beta + \beta e_i}$
- For red type
  - Allow iff $\phi_j(\beta) + (1 - \phi_j)(\beta e_i) > \phi_j(\overline{\tau_i}) + (1 - \phi_j)(0)$
  - Cannot be true if $e_i < 0$
  - If $e_i \geq 0$, true iff $\phi_j > \hat{\phi}_j$
  - Where $\hat{\phi}_j \equiv \dfrac{\beta e_i}{\overline{\tau_i} - \beta + \beta e_i}$

Data

- Observations: all dyad-years from 1870 to 1913, 1950 to 2005
- y: cooperative trade relations
  - Equals 1 iff 3 conditions met ($\approx$ 35% of cases)
  - 1: Imports from 1 to 2 above modest threshold
  - 2: Imports from 2 to 1 above modest threshold
  - 3: Neither side importing too much more than other
- xs: trust (ϕ), harmonious (e), potential benefits (β)
  - Trust equals 1 iff 1 has embassy in 2 and 2 in 1
  - Harmonious based on diffs in energy consumption per capita
  - Potential benefits based on population, distance

Results


0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
pr(cooperation)
harmonious, high trust
adversarial, high trust
harmonious, low trust
adversarial, low trust
Stakes