Trust in Society

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WE ARE concerned as a nation about declining trust in doctors, lawyers, merchants, and priests, as well as in politicians, teachers, and scientists. Recent explorations of the topic of trust extend over a wide range of phenomena, including trust in teams, families, organizations, the professions, and various other social, political, and economic institutions. The chapters of this volume were written by scholars from a variety of disciplines who were brought together at a conference in Seattle and subsequently at various workshops in New York City to begin to identify the fundamental concerns of both the social scientists writing about trust and those in the society at large who seemed to be worried about matters of trust. Though work on the topic dates back several decades (if not earlier), its reemergence as a central topic of discussion across the social sciences in the 1990s can be argued to reflect the political, social, and economic realities of an increasingly interdependent, global world. This renewed interest also comes on the heels of massive, somewhat cataclysmic social and political upheavals in the world political scene, two of the most significant being the "fall of the Wall" in 1989 and the largely unanticipated demise of the Soviet Union. Such periods of uncertainty understandably occasion reflections on the breakdown of trust.

Our conferences and workshops focused on identifying the various forms of trust that are discussed in the social science literature and analyzing the functions of trust in society. We also focused on alternatives to trust. What social institutions and social customs emerge in the absence of trust or to handle new problems and contexts in which trust might be hard to establish? How effective are these institutions and customs? What link do they have to the decline in trust, and how is trust fostered

where it does not exist? What mechanisms replace trust, and at what cost? Other questions were also addressed in our discussions. These are identified more fully as we lay out the framework for this volume and discuss its contents.

This is the second volume in our series on trust sponsored by the Russell Sage Foundation, which funded the conferences and workshops that produced the papers we include here. The first volume is *Trust and Governance*, edited by Valerie Braithwaite and Margaret Levi (1998). It focuses more exclusively on the role of trust in good government and evaluates the ways in which trust and distrust form the basis for effective governing arrangements. That volume addresses some key questions: Is trust really essential to good governance, or are strong laws more important? What leads people either to trust or to distrust government, and what makes officials trustworthy? Can trusting too easily render the public vulnerable to government corruption, and if so, what safeguards are necessary? Many of the essays in this volume assume that regulatory institutions are necessary to protect citizens from the worst effects of misplaced trust. Too much trust in government may not be a good thing in democratic societies.

The Structure of the Book

This volume takes a broader sweep, moving from the psychology of trust to much more macro claims about the organizational, institutional, and cultural causes and consequences of trust. The book is divided into three parts. The three chapters in part I, "Conceptions of Trust," lay out several overlapping and sometimes competing orientations to trust. This part begins with a chapter by Russell Hardin, who compares his own view of trust as "encapsulated interest" with other conceptions of trust, including some of the formulations presented in this volume. Carol Heimer's chapter on solving the problem of trust focuses on two primary determinants of the degree to which trust is required in any social situation: the nature of the uncertainty in the situation and the degree of the actor's vulnerability. She provides a complex theory of the trust-related mechanisms used in differing social settings to reduce vulnerability and uncertainty. Her essay is followed by a chapter by David Messick and Roderick Kramer, who lay out the foundations for treating trust as a "shallow form of morality." Unlike the formulation outlined by Hardin (and developed more fully in his forthcoming book *Trust and Trustworthiness*), these authors view trust as the result of a specific decision often based on the presumed honesty and perceived morality (not the interests) of the trustee. Heimer's argument includes aspects of both Hardin's and Messick and Kramer's theoretical formulations.

The second part of the book, "Trust: Social Bases and Social Consequences," includes five chapters that focus on different bases of trust and

the significance of these bases of trust in various social settings. Toshio Yamagishi, for example, treats trust as based on social intelligence—a kind of intelligence that allows individuals to assess the degree of risk they may face in social situations when confronted with the possibility of interacting with strangers who might be the path to new and beneficial outcomes. He compares standard conceptions of differences between high and low trusters in their capacities for social intelligence and examines the implications of these differences for social interactions. Michael Bacharach and Diego Gambetta shift the focus to trustworthiness and our capacity (possibly based on social intelligence) to detect it in those we decide to trust. For Bacharach and Gambetta, the "secondary problem of trust," that is, whether we can trust the signs of trustworthiness we are confronted with prior to our decision to trust, is the *central* problem of trust. They highlight the analysis of signals, mimicry, and identity in an attempt to specify the precise conditions under which trust is justified.

Jean Ensminger's chapter also focuses on the determination of trustworthiness. She examines the use of "fictive kin" relations as a basis for social trust among East African herders. Hers is an interesting story (examined in more depth later in this introduction) about the use of pseudo-kin relations to solve a principal-agent problem among the nomadic pastoralists along the Kenyan coast near Somalia. Dietlind Stolle's chapter moves us from Africa to Europe, where she investigates involvement in social associations as a basis for the development of generalized trust in society. Stolle tests an argument made popular by Robert Putnam (1995) in the context of Germany, Sweden, and the United States. Her results are discussed in relation to the link between social capital and the emergence of general trust. Part II concludes with a chapter by Gerry Mackie, who argues that differing patterns of family formation may have been a significant basis for the development of different types of trust in different societies in Europe, moving from high-trust societies in the northwest to lower-trust societies in the southeast of Europe. It is an intriguing idea that needs further examination.

The third and final part of the book, "Trust: Network, Organizational, and Institutional Bases," comprises five essays that investigate the specific role of trust in the broader social context. Tom Tyler's chapter examines the role of trust in authorities in the production of voluntary deference in society. Gary Miller presents a theory and some evidence concerning the importance of trust inside organizations, particularly with respect to motivating productivity and cooperation apart from other forms of incentives. Robert Gibbons extends some of the work in Miller's essay to the larger society, using a repeated-game analysis of relational contracting within and between firms. Gibbons also investigates the role of the "self-enforcing institutions of political economy," the state being among

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the most prominent. The final two chapters look beyond organizations and the economy to examine the role of trust in socially diverse societies characterized by high rates of immigration. Jack Knight compares the effectiveness of social norms and the rule of law as mechanisms for building trust in socially diverse societies. Victor Nee and Jimy Sanders look empirically at how new immigrants to states like California (the Los Angeles area, for example) find access to needed social and economic capital and how they use trust relations, initially based directly or indirectly on kinship and ethnic ties, as the basis for economic and social advancement.

I describe the contribution of each chapter to the analysis of the role of trust in society more completely before drawing a few conclusions based on the work presented in this book. I begin with the more conceptual pieces.

Conceptions of Trust

In the first chapter Hardin lays out a framework for analyzing current conceptions of trust. A major contribution of this chapter is that it also makes clear the distinction between trust and related concepts of trustworthiness, confidence, and the act of entrusting something to someone. In clarifying the conceptual ground he identifies several major confusions in the work on trust. Perhaps the most common flaw in much of the literature on trust is the failure to distinguish discussions of trust from discussions of trustworthiness. If everyone we interact with were trustworthy, there would be no problem of trust. Much of the concern with trust in the popular literature can best be understood as concern over the lack of trustworthiness in society. When we attempt to produce mechanisms for making people more trustworthy, we are trying to solve the problem of trust by creating conditions under which it is much less risky to trust. At the extremes, if you are 100 percent trustworthy, I would be taking no risk in leaving my valuables in your possession; the act of "trusting" in this context is thus not at all problematic. In fact, for Hardin this kind of act would not fit well under the rubric of trust. For him it is simply the class of actions in which we choose to take or not take risks. For Heimer (chapter 2) I would not be particularly vulnerable in such a situation, given your high degree of trustworthiness; thus trust would not be much at stake in the interaction. For her trust comes into play in situations involving both the vulnerability of one party to the other and uncertainty.

Hardin develops briefly what he calls the encapsulated-interest conception of trust. He defines trust as a three-part relation: A trusts B to do X. It is a dyadic conception, focused on specific actions. All three parts are necessary. It does not make much sense in his formulation to

state that A trusts B. Implied in this statement is a list of specifics that A trusts B to do. A might trust B to do X, Y, and Z, but not S and T. So I might trust you to manage my money while I am away on vacation and to handle my mail, perhaps even to feed and take care of my cat, but I might not trust you with my car or my child. Understanding trust, Hardin argues, entails clarifying the underlying logic of the trust relation and being precise about what we mean.

"Encapsulated interest" refers to the idea that A trusts B with respect to X when A believes that B has some reason to act in A's best interest or to take A's interests fully into account. This can occur through B's close identification with A, such that A's welfare is highly valued by B. Or more simply in many cases, perhaps B has good reason to take A's interest into account because B wants to maintain the relationship with A. Though some will object to Hardin's use of the term "interest," it is important to note that the definition fits many of the cases we would want to include under a definition of a trust relationship, including mother-child relations and relations between intimates. Excluded from the definition are acts of "pure" altruism in which an action is taken on behalf of another for purely moral reasons—that is, it was the "right thing to do." In practice, however, many of the situations we might at first wish to identify as pure acts of altruism often have, on closer analysis, more affinity with the encapsulated-interest account.

Heimer provides a more general framework for the analysis of problems of trust. From her perspective, the core elements in trust relations are uncertainty and vulnerability. In solving problems of trust, she argues, actors select strategies that reduce uncertainty or decrease vulnerability depending on the particular social context in which the problems emerge. In more traditional societies people attempt to reduce uncertainty about the intentions and competence of others. In modern societies, she argues, efforts to reduce vulnerability are more common. Mechanisms for reducing vulnerability in the face of increased contact with strangers include enforceable contracts and insurance schemes, among others. Reducing uncertainty entails reputational effects and efforts in traditional communities—for example, a by-product of controlling behavior normatively is to shift the uncertainty to relations between communities rather than within communities.

Heimer identifies the characteristics of four types of trust relations: faith, confidence, legal trust, and trust/distrust. Trust problems, for her, encompass a broad array of dimensions. For Hardin trust issues are to be distinguished from problems of faith, confidence, and regulatory control (legal mechanisms). Heimer's perspective places trust issues firmly under a broad umbrella of concepts linked closely to her underlying notions of uncertainty and vulnerability. Insurance, she claims, is a particularly effective technique for managing vulnerability under uncertainty.

She suggests that such strategies—ones fundamentally based on distrust (or the lack of trust)—can lay the foundation eventually for the formation of trust relations: "Distrust is in important ways a minimax solution in which people try to control losses." Mechanisms put in place to limit loss from distrust based on the lack of information regarding intentions and competence may generate the conditions under which trust can emerge if they allow people to collect information and take tentative steps toward establishing trust where none previously existed.

Woven throughout Heimer's chapter is the story of the "Jane" organization, set up a few years before the *Roe v. Wade* decision in 1973 to help women terminate unwanted pregnancies at a time when abortions were not legal. The case is interesting precisely because trust was a central element in the relations involved. The organization established a network of ties between physicians willing to perform abortions and those women who wanted them. Women in support of the "right to choose" were the agents for the women in need. All of the participants in this informal network were concerned about trust. Could the physicians trust their clients not to reveal their identity? Could the women who received abortions trust the physicians to deliver high-quality care? Could the women who connected the clients with physicians trust that they would not be betrayed in their efforts to offer an illegal service at some risk? In various respects all of the parties involved had to deal with both uncertainty and vulnerability, the key elements in Heimer's analysis of trust relations. Understanding how the parties dealt with uncertainty and vulnerability allows her to make interesting generalizations about the kinds of behavior and social structures that are likely to emerge under such conditions. For example, good information on the reputations of the physicians was crucial to the survival of the organization. The women who used Jane's abortion services were debriefed after the event by members of the organization in order to determine their perceptions of the competence and trustworthiness of the physicians involved. Since many unqualified physicians were also offering such services underground, it was critical for Jane to protect itself by establishing its own assessment of the competence of physicians serving its clients. Other strategies were also adopted that helped the participants deal with both the uncertainty of the times and their own vulnerabilities. Trust is certainly a central element in this story, but even more important in many respects is the establishment of the trustworthiness of others, a theme present in many chapters in this volume, especially Tom Tyler's chapter on trust and social identity (chapter 9).

In this volume Messick and Kramer (chapter 3) come closest to including morally motivated actions in their account of trust, though they define trust in terms of a "shallow" form of morality. Using this term, they imply that acts of trust are decisions in situations of interdependence in

which the potential costs involved in the interaction depend on another person's actions. In an interesting twist to the standard decisionmaking literature, they treat the decision to place trust in someone as based on an assessment of the degree to which that person will abide by "ordinary ethical rules," or what they refer to as a "shallow" form of morality. Will the person act honestly? Will she abide by her promise? The failure of trust thus becomes a violation of these simple ethical rules, generating a moral tone to the failure to be trustworthy that is reflected in much of the extant literature on trust.

The underlying argument made by Messick and Kramer is that the decision to trust follows many of the same principles of cognitive miserliness that other decisions do. For example, decisionmaking heuristics are often applied in complex decision situations in order to help us "satisfice" in arriving at an acceptable decision. Given information limits, we often satisfice. One way in which we cut corners in such situations is to use as proxies for more complete information ascriptive characteristics of individuals as the basis for our assessments of trustworthiness. As argued by Messick (1991), Messick and Kramer (this volume), and Tyler (this volume), common group membership is invoked in order to provide relevant information about the probable trustworthiness of the other party. Marilynn Brewer (1981) refers to this as "depersonalized trust"—trust based on category, not personal information or experience. Messick and Kramer explore the implications of their view of trust for embedded relations in different organizational settings, including in temporary work groups (on "swift trust," see also Meyerson, Weick, and Kramer 1996).

The Social Bases and Consequences of Trust

The chapters by Bacharach and Gambetta and by Yamagishi deal more directly with how we decide whom to trust and what the differences are between high trusters and low trusters in society. What signs or signals allow us to determine who is trustworthy, and how do we sort out mimicry from truth-telling in this context? Bacharach and Gambetta set out to examine how people solve the primary problem of trust—that is, answering the question "Can I trust this person to do X?" They locate the source of the uncertainty in the truster's lack of knowledge concerning the payoffs of the trustee and the extent to which the trustee will in fact turn out to be trustworthy. They label this latter problem the "secondary problem of trust"—the problem of determining whether to "trust" the signs that someone is trustworthy.

Bacharach and Gambetta analyze in detail the significance of signs of trustworthiness for the "primary problem of trust"—deciding when and whom to trust about what. Using signaling theory and game theory, they work out some of the specific conditions under which trustworthi-

ness is accurately communicated and trust therefore justified. The problem to be resolved in this analysis is the potential for opportunism and mimicry of trustworthiness. While Hardin's approach addresses the question "When is it rational to trust someone to do something?," Bacharach and Gambetta deal with the related problem: "How can I, who am trustworthy, convince the truster that I am?" Much of the game-theoretic literature on trust actually deals more successfully with the latter concern. The focus on credible commitments (such as "hostage posting") is only one example.

Signaling theory proves to be a powerful tool enabling Bacharach and Gambetta not only to frame the problem of trustworthiness more precisely but also to answer questions concerning when, and how much, false signaling will occur. They develop a more in-depth analysis of the role of identity signaling in situations in which the actors must decide whom to trust. In this way their work is closely linked to the approach taken by Messick and Kramer, who also treat the primary trust problem as falling within the domain of more general decisionmaking principles. Another commonality in these chapters is the focus on understanding something about the person to be trusted. Is he or she trustworthy? Answers to this question can hinge on assessments of the extent to which the truster either believes the trustee will follow simple ethical rules (like honesty) or makes a direct assessment of the trustee's trustworthiness based on the truster's own belief, derived from experience, that the trustee's qualities make him or her a good bet. Identity, both sets of authors argue, often "signals" trustworthiness since it is a sign of a more mundane quality that is known to be correlated with trustworthiness (for example, same clan, hometown, gender, or ethnicity).

Yamagishi's chapter on trust as a form of social intelligence develops the argument that high trusters are not more gullible, as some have argued, but in fact more discerning in their attitudes toward others. Contrary to popular wisdom, the experimental evidence that Yamagishi presents suggests that high trusters are more capable of detecting and processing proper signs of risk in social interaction, whereas low trusters tend to avoid such risks. This argument, while interesting at the individual level, is even more intriguing in its implication for groups or societies generally characterized by high and low trust (see, for example, Fukuyama 1995). Yamagishi speculates that the people in societies that are generally distrustful are less likely to enter into risky social interactions and more likely to interact in relatively closed circles, even at the risk of giving up new opportunities. Development of generalized trust under these circumstances, he goes on to argue, is not easy: not only does distrust breed distrust, but individuals in these societies must make conscious efforts to develop the social intelligence required for detecting risks and taking risks when appropriate. For Bacharach and

Gambetta the person making such an effort would need to increase his attention to sign detection and develop mechanisms for detecting mimicry or false signals of trustworthiness. Yamagishi and his collaborators have demonstrated that high trusters in various settings are more accurate in discerning which partners are likely to defect and which are likely to cooperate. A natural extension of this work would be to explore further the specific mechanisms by which high trusters come to develop this cognitive capacity (which may well be what Bacharach and Gambetta refer to as "sign detection"). What about those who are low in trust? Here the picture is more dismal. The evidence suggests that they are more likely to make mistakes in sign detection; it is thus more prudent for them to assume the worst about human nature to avoid being victimized. Breaking out of this equilibrium state is difficult, since these individuals take fewer and fewer risks, and then only to discover that the costs of misplaced trust are often high.

When the costs of misplaced trust are high, individuals often try to solve the problem of trust by relying on family members or other kin, assuming them to be more trustworthy than strangers. Embedding the act of trust in a network of social relations is a move that often reduces both uncertainty and vulnerability. It also increases the extent to which the trusted has an incentive to fulfill the trust. The use of family relations to "solve" the problem of trust is so common that in some cultures it has been extended by creating kinlike relations as the basis for trust in significant economic endeavors. Ensminger provides a particularly compelling example. The Orma of northeastern Kenya, where Ensminger does fieldwork, have evolved a "fictive kin" system for treating some hired herders as if they were sons. Ensminger argues that this system has evolved to solve a problem of trust that involves both uncertainty and vulnerability, to use Heimer's terms. In the cattle-dependent Orma economy, cattle are one of the most significant family resources. The cattle in this area are often herded on remote camps to take advantage of lush lands for grazing and watering. The practice has grown with economic changes in the country, necessitating further concern over securing the livelihood of the herd owner, who must entrust his herd to those in the camps. In the past the herders were sons of the herd owner, but sons are now being educated and are less available for labor. To reduce "agency costs" the Orma develop very close personal ties with their non-kin herders, even to the extent that some are treated as "adopted" sons. This allows them to generate trust relations that reduce the necessity for monitoring.

The puzzle that Ensminger sets out to solve is how this mechanism for solving the problem of trust evolves and how effective it is as a substitute for supervision. She also attempts to clarify within the context of economic agency theory precisely how kin relations (or kinlike relations)

reduce transaction costs, a key argument in the work of Robert Pollak (1985) and others. Reciprocity (and what some theorists have called generalized exchange) comes to characterize the relations between Orma herd owners and herders. This entails looser accounting over time and development of a sense of loyalty or commitment to the relation itself (see also Lawler and Yoon 1998). Ensminger's fairly detailed account of the Orma herding relationships in the end fits in well, she argues, with Hardin's encapsulated-interest account. The primary mechanism by which trust is generated is the practice of employing herders at above-market wage (or at what is called an efficiency wage by Shapiro and Stiglitz 1984). This practice not only signals to the herders the value of their relation to the owner but also increases for them the cost of obtaining other employment (giving up a higher-than-average wage). The workers, Ensminger argues, are also less likely to risk job loss by engaging in shirking or other forms of opportunism. She goes on to argue that it is this practice (and various reputation effects) that puts the parties to the relation on the "escalator of increasing trust." Other cases in which trust eventually replaces the need for close supervision and monitoring are common in the interpersonal and organizational literatures, but few have empirically documented the precise nature of the transformation of an economic relation into a social relation. The Orma case is paradigmatic in this respect.

In the absence of kinlike relations or access to family members, people often turn to close associates or fellow group members for assistance. Political scientists have recently argued that trust is a kind of social capital that facilitates cooperation and civic-mindedness and makes democracy work (Putnam 1993). Arguably one source of this kind of generalized trust is the voluntary association. Membership in such associations, in which we exercise our civic spirit, forms the bedrock of cooperation in society, in part because it extends beyond the confines of the family. The general social capital framework developed and advanced in the work of Robert Putnam (1993, 1995) is now being examined in even greater empirical detail by many scholars in the social sciences. Each is attempting to evaluate not only the theoretical message but also the adequacy of the empirical evidence for the claims about the role of social capital in modern democratic societies. Dietlind Stolle, in her chapter for this volume on the benefits of joining an association, takes a closer look at the causal mechanisms that may underlie the claim that association membership is good for society at large because it generates a kind of generalized trust that then facilitates even more positive cooperative interactions. However, if this "generalized" trust is based primarily on the membership networks formed through social association, the question remains: How does this network-based trust become generalized to strangers in the society?

The empirical research on which Stolle reports comes from a survey she conducted in Stockholm, Berlin, and Philadelphia of one thousand members of various voluntary associations, including bowling leagues and choral groups, to address some of Putnam's claims concerning the role of group membership in fostering generalized trust and civicness in the society at large. Stolle examines the extent to which voluntary group membership affects civic values and behavior at both the group level and the societal level.

To examine the effects of membership in voluntary groups on civicness, Stolle compares the values and behaviors of relatively new members with those of longtime members. This comparison is her proxy for longitudinal analysis of these effects over time. What complicates the picture is that there are potential selection effects that cannot be ruled out, and they confound the results as well as the interpretations of the results. One selection effect is the possibility that those who join such groups in the first place are more civic-minded. Without longitudinal data (studying the same people over time in these groups and organizations) there is no way of fully investigating the additional impact of years of membership or of evaluating the extent to which there are selection effects in the findings. In this chapter Stolle examines both private (group-related commitments and ingroup trust) and public social capital—that is, the impact of membership on behaviors and attitudes that benefit the society at large (such as voting in local elections and involvement in community projects as well as rating high on generalized trust and openness to strangers).

The actual results that Stolle reports are quite interesting since they challenge some of the assumptions of the social capital perspective on the role of voluntary association involvement in fostering the mobilization of civic spirit in democratic countries. In general, the findings suggest that length of membership is associated with greater participation, commitment, and socializing with group members outside of group events in all three countries, but it is less clear that such participation extends to life in the larger society as indicated by voting in local elections and community involvement. In the United States and even in Germany there is some positive association, but it is quite weak in Sweden, where there is a negative association between length of membership in voluntary associations and community engagement outside of the group. In addition, the results suggest that generalized trust and openness to strangers do not increase with longevity of group membership. Rather, generalized trust appears to be affected more by personal resources and characteristics (for example, age, income, personal experiences of betrayal). The findings raise interesting questions about the more general claims of social capital theorists and, in particular, the specific nature of voluntary association membership in fostering civic-mindedness and generalized

trust. Additional empirical work, most likely including panel data, will be required in various cultural contexts to evaluate such claims fully.

Taking a broad sweep, Gerry Mackie attempts to explain differences in the patterns of declining social trust in the countries of Western Europe. In a provocative essay he links patterns of trust to differing styles of family formation. Mackie presents *Eurobarometer* data on trust levels from 1980 to 1996 for twelve Western European nations. Despite some variation in the overall pattern of results, in general trust levels are lower for the countries in the southeastern quadrant than in the northwestern quadrant. In addition, trust levels are somewhat stable across countries as well as time. Mackie attempts to explain this pattern of trust results, or what he calls the "social trust gradient," across Europe.

Mackie argues that different marriage strategies and styles of family formation are the primary explanatory factor. He draws on various forms of evidence to support the hypothesis that fundamental differences in family structure account for differences in social trust at the macro level. In particular, he compares the tendency for neolocal residence, nuclear households, and late age at marriage (especially for the first marriage of women) in the northwestern countries (Switzerland, the Netherlands, Sweden, Denmark, Belgium, and Norway) with the tendency for patrilocal residence, joint households, and early age of female marriage in the southeastern countries (Spain, Portugal, Greece, and Italy). Drawing loosely on game theory, Mackie presents these dominant modes of marriage strategy as social conventions (to use the term employed by Schelling 1960) that solve particular coordination problems in the society. Institutions and traditions are viewed as stable within this framework when they serve as useful coordinating mechanisms. Aspects of family structure, Mackie argues, are conventions of the same sort: they coordinate the interdependent interests of the parties involved. Regulation of access to reproduction (through age of marriage) is the main focus of convention. Neolocality and patrilocality are alternative modes of establishing residence that tend not to coexist and in Mackie's terms represent different Schelling conventions or equilibria for societies. Mackie ventures additional evolutionary arguments for these conventions. Social conventions often become institutionalized.

Network, Organizational, and Institutional Bases of Trust

Other ways in which specific social institutions, organizational arrangements, and social networks form the background for the development of trust relations are examined in part III of the book, beginning with Tyler's analysis of authority relations.

What work does trust do in society? Tyler argues that one of its central roles in any society is to foster the willingness of citizens to obey the au-

thorities they trust. Tyler presents data from surveys in several settings, including various organizations in different cultures, that indicate that trust in the benign motives of authorities encourages voluntary deference to their decisions and also increases the extent to which citizens feel obligated to obey social rules. Tyler focuses especially on the trustworthiness of officials, and it is this factor that leads to his results. Belief in the trustworthiness of others yields trust in this account.

The identification with groups in society and the desire to maintain affiliations with group members form the basis for what Tyler calls "social trust," a kind of trust that is non-instrumental in character. Social identity and the treatment one receives from the group or an authority who represents the group are viewed as critical in the emergence of social trust. Group members trust those who are respectful, caring, benevolent, fair, and trustworthy. This is the kind of information, Tyler argues, that individuals infer from their treatment by authorities, especially when those authorities are members of their own group or represent groups relevant to their social identities. For Tyler group identification represents a form of "social capital" that facilitates the functioning of social groups.

While Tyler attempts to link the emergence of generalized trust at the societal level with interpersonal and group-level trust, Miller takes a closer look at the work done by trust in organizations. In addressing this question, Miller reveals the moral hazard of profit maximization in the context of organizations. Taking on standard conceptions in economic theory, he challenges the notion that rational self-interest generally replaces trust or that trust can be reduced to a set of rational expectations, as well as the idea that contractual solutions to the principal-agent problem eliminate the need for trust. Miller argues more generally that there is reason to take the concept of trust more seriously in the context of organizations (see also Kramer and Tyler 1996) and to attempt to understand how mutual expectations of what he calls "self-denying" behavior can bridge hierarchical differences between superiors and subordinates. Reviewing the standard literature on principal-agent problems, team production, the role of ownership, and theories of incentives, he explains how research on trust can help us address questions in organizational behavior literature that strictly economic notions of behavior fail to answer. With interesting examples he provides insights into how businesses run more smoothly and productively when trust is part of the human equation. Citing Southwest Airlines CEO Herbert Kelleher's clever leadership techniques that build loyalty, Miller argues that, "with a leader they trust, employees provide enormous levels of nonmonitorable, noncompensated effort." Southwest, he notes, is the most consistently profitable airline in the nation.

Instilling trust of the employer in the employees is partly a function of leadership, as the Southwest Airlines example demonstrates; it is also

a result of various strategies related to implicit contracts, long-term employment, and commitment mechanisms that bind workers to their organizations. The problem for employers who seek to obtain significant efficiency improvements over the long haul but who also engage in deferred compensation schemes (paying workers low wages during their early years and higher wages as they attain seniority in the firm) is employee suspicion. As Miller points out, "Employees must be willing to trust the owners not to renege on an implicit contract—one that is not enforceable in courts." He goes on to discuss evidence regarding the kinds of firms that are more likely to be viewed by their employees as making credible commitments to them over their career in the firm and the kinds of mechanisms that work to constrain the profit-maximizing orientation of the owners. Miller sides with those, such as Kenneth Arrow (1974), who argue that trust has real, practical economic value in the form of increased efficiency. His conclusion is that the interdependent technology typical of many modern organizations "requires cooperation by a variety of stakeholders—cooperation that is inhibited by the unilateral commitment of the firm to shareholder profits." Constitutional development of the firm must be guided by more factors than the simple maximization of shareholder influence. Trust is essential for efficiency purposes in the long run and for the continued development of human capital—the kind that is increasingly critical to the overall success of firms in a complex, technologically interdependent economic and political world.

Gibbons reexamines the role of trust in what have traditionally been viewed as strictly economic transactions. Acknowledging that many transactions do not fit neatly into the simple one-shot or spot-market conception, Gibbons explores the ways in which repeated-game models are being used across the social sciences as a representation of economic reality. In particular he uses repeated games to investigate relational contracts both within and between firms. Social structure affects relational contracts in his model depending on whether the parties involved are integrated (for example, vertically integrated). In the "spot" social structure or one-shot game the parties will not see each other again. In what Gibbons calls the "relational" social structure the parties will continue to interact into the foreseeable future; hence, repeated-game models are appropriate. Extending Oliver Williamson's earlier work on markets and hierarchy, Baker, Murphy, and Gibbons (1999) develop a typology of governance regimes based on whether asset ownership is integrated and whether the social structure involved is a one-shot interaction (i.e. "shot") or relational. These two dimensions combine to produce four types of regimes: spot and relational outsourcing versus spot and relational employment.

Following the lead of theorists such as Douglass North and Avner Greif, Gibbons moves beyond the focus on economic transactions to ex-

amine self-enforcing institutions in addition to the state as the ultimate producers of social order. This analysis also draws on repeated-game models of the underlying processes. One obvious role of the state is in the enforcement of contracts, since individuals are likely to prefer relational contracts that are backed by law. In his chapter Knight, however, notes some of the limitations of reliance on law. Gibbons sets up the framework for future analytical work on the provision of social order, comparing models of the role of the state with models of the role of other institutions that emerge, are self-enforcing, and produce cooperation. In this account trust plays a minimal role, unless it is equated with repeated interaction and the "calculation" that in a repeated game you might "trust" me not to yield to short-run temptations. Although this calculation might indeed involve trust, it need not.

The role of norms and other institutions in fostering trust at the societal level is the focus of the chapter by Jack Knight, who challenges the reader to examine more carefully the nature of the linkages between norms, trust, and the law. If trust is essential to political and economic performance in society, as Robert Putnam (1993, 1995) and Francis Fukuyama (1995) argue, then we must begin to understand more fully just how it is produced and what work it does in the production of social cooperation. In Knight's view, the confounding of trust and cooperation in much of the existing literature makes the claim that trust produces cooperation vacuous. Knight reviews trust's potential roles as an explanatory concept, differentiates trust from cooperation, clarifies the basis of generalized trust in society, and examines the relations between formal mechanisms imposed by law and informal mechanisms for producing cooperation, including trust. He addresses three questions: Is trust independent of cooperation? What are the factors that make trust more or less possible in society? Can we foster trust through formal, legal institutions, and what is the precise nature of the link between trust and the rule of law?

Knight takes as the problematic case the role of trust in a socially heterogeneous society in which there are intergroup conflicts of interest. He treats this case as paradigmatic of the future. Analyzing the role of social norms in producing generalized expectations of behavior, he anticipates that achieving consensus across groups will be complicated, especially in settings in which the different groups have asymmetric access to valued resources (that is, settings in which there is what he calls distributional inequality). Without consensus, the expectations of the likelihood of cooperation across group boundaries will be low; the basis for trust is therefore also low. In such situations Knight presumes that the intervention of formal institutions—in particular the law—will be required to establish the grounds for cooperation. Despite the rather pessimistic conclusion, that informal mechanisms such as trust across

group boundaries will be ineffective, he takes a very pragmatic approach to legal solutions. While recognizing the potential downside to legal solutions—that they may actually spoil the seeds of cooperation (see, for example, Taylor 1982)—he develops the more positive theme that the cooperation of diverse groups in the formation of law and other types of dispute resolution procedures may provide the basis for mutually beneficial cooperation at more informal levels, a kind of translation of skills from one arena to another. Knight acknowledges that this will entail a balance of power and the willingness to resolve complex political problems regarding fundamental conflicts of interest. The key empirical question is whether the rule of law can produce as a "by-product" informal mechanisms of social cooperation and the basis for generalized trust in a large, socially diverse society.

One of the major consequences of increasing economic interdependence in the global economy is the migration of people to the more advanced capitalist societies. Nee and Sanders look at this flow of human capital across national boundaries as one of the major social movements of our time. Problems of trust arise in the host societies as a by-product of this flow of labor, mainly into the urban centers. In this chapter the incorporation of recent immigrants into the United States is viewed as a major determinant of the economic trajectory and evolution of the society. Analyzing the incorporation of immigrants, Nee and Sanders move beyond assimilation theory to present a more comprehensive look at the diverse paths taken by immigrants to establish economic viability. They view the family as the key institution that provides a basis for trust and for collective action among contemporary immigrants.

The family becomes a source of social capital by making available to kin a multidimensional array of resources to facilitate their incorporation into the larger society. In an empirical investigation of samples of Chinese, Filipino, and Korean immigrants in the Los Angeles area, Nee and Sanders demonstrate how different modes of incorporation tend to be adopted by the various immigrant groups. These differences are a function of the differential access of these groups to social, financial, cultural, and human capital. Although the samples are not large enough for the authors to study each immigrant group extensively, they do examine overall patterns in access to resources and its effects on the extent of incorporation into the larger society. They use event history analysis to examine the residential and job histories obtained from extensive interviews with the three groups of immigrants. Specifically, they examine the transition of immigrants into ethnic entrepreneurship and self-employment.

One major reason immigrants rely on family capital is that for them these relations form the basis of both interdependence and trust in a

world of strangers where, at least initially, they have no access to the resources they need to enter the mainstream.

Conclusion

Because trust relationships are fundamental to the stability of democratic societies and to the orderly conduct of social and economic affairs, they have become a central topic of concern in the social sciences. The contributors to this volume come from a wide array of disciplines: social psychology, sociology, anthropology, organizational studies, economics, and political science. Although there is no clear consensus among them on the precise meaning of the term "trust," all would agree that trust plays a significant role in the functioning of social groups and societies. In the absence of trust, what are often fairly complex systems must be put in place to protect against exploitation and opportunism and to produce close monitoring and effective sanctioning. Even the law is a blunt instrument that cannot efficiently produce the kind of social order that comes from the existence of trusting relations in a group or society. The chapters in this volume provide a broad overview of the many ways in which trust works in society to provide the bedrock for social cooperation.

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