

PART I

THEORIZING DISTRUST

Chapter 1

Distrust: Manifestations and Management

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MOST OF the contributions to this book assume, either explicitly or implicitly, that trust is cognitive, that it is de facto an assessment of the trustworthiness of the potentially trusted person or group or institution. If, on your own knowledge, I seem to be trustworthy to some degree with respect to some matter, then you trust me with respect to that matter. Similarly, if I seem to be untrustworthy, then you distrust me. If trust has grounds of particular kinds, we may expect distrust to have correlative grounds. Moreover, distrust is, like trust, a three-part relation: A distrusts B with respect to X. A might trust B on many matters but not on others. Like trust, distrust is also a matter of degree. I may distrust Ruth on some matter more than I distrust George. Finally, far more than could be true of trust, I might distrust a large number of people with respect to virtually everything. I typically would not trust many, if any, people with respect to virtually everything. It is sometimes important to recognize this asymmetry, not only for groups (as addressed in chapters 6, 8, and 12) but also for institutions and government (as in chapters 2, 3, 8, 10, 11, and 13).

One might think of distrust as the complement of trust, so that if I do not trust you with respect to something, I distrust you. Here distrust is commonly treated, most explicitly in chapter 3, by Edna Ullmann-Margalit, rather as the negative of trust with a somewhat neutral state in between. If I trust you, I have specific grounds for the trust. In parallel, if I distrust you, I have specific grounds for the distrust. I could be in a state of such ignorance about you, however, that I neither trust nor distrust you. I may therefore be wary of you until I have better information

on you. Sometimes, I can create the grounds for trust by giving you incentive to be trustworthy, as Deborah Larson (chapter 2) and Rod Kramer (chapter 6) argue for international relations in the era of nuclear deterrence. If you then fail, I might sensibly thereafter distrust you and, therefore, avoid putting myself at risk from further attempts at cooperative endeavors with you. Unfortunately, I may have no choice in the matter and may be forced to deal with you even in matters on which I strongly distrust you. We may then have to secure some degree of cooperation through the use of such devices as Kramer, Larson, and Margaret Levi, Matthew Moe, and Theresa Buckley (chapter 5) discuss.

Apart from those by Gabriella Montinola (chapter 13), Patrick Troy (chapter 9), and Ullmann-Margalit, the following chapters do not specifically discuss distrust of government by its own citizens. There is a massive and growing literature on the claim that trust in government is declining in at least some democracies, especially the United States (see Pharr and Putnam 2000). Much of that literature supposes that such a decline is bad in that it is harmful to the working of government. That is a surprising supposition for the United States, whose Constitution frames a set of institutions explicitly designed to block government power as much as possible in order to deal with the fact that liberals of the era of James Madison and the other authors of the Constitution assumed that government cannot and should not be trusted. They thought that a good government is one that has extremely limited power to intervene in our lives.

Liberal political theory was largely founded on distrust of government, which David Hume, Madison, and to a lesser extent John Locke thought was the only intelligent stance for citizens to take toward government (Hardin 2002a; Bailyn 1967; Morgan 1999; but see Wills 1999). Theirs is a theory of liberal distrust. As Edmund S. Morgan (1999, 39) quips, "Between 1776 and 1789 Americans replaced a government over them with a government under them." The contest of views between contemporary advocates of trust in government and liberal theorist advocates of distrust in government is not of concern to many of the authors in this volume, who are more directly interested in the distrust that can color interactions between various parties who might, with less distrust, enter into cooperative relationships of many kinds. For many of these issues, the fact that government is there to help back up various interactions enhances the possibilities of developing trust relationships between the relevant parties.

Many of the contributions here are concerned with cases in which there is limited or no scope for government regulation of relevant interactions or in which government has failed to regulate them. They focus on intergroup, economic, political, and international relations. Higher-level government plays an active role in chapters 5 and 9, but it is not an

active participant in many of the interactions here. Its failures in the studies of Unni Wikan (chapter 8), Vadim Radaev (chapter 10), Troy (chapter 9), Montinola (chapter 13), and myself (chapter 12), and its absence in the studies of Margaret Brown (chapter 7), Cynthia Horne (chapter 11), and Larson (chapter 2) are crucial and are the source of much of the distrust in these contexts. As Montinola argues, the executive, legislative, and judicial branches of government in emerging democracies must have the incentive and the capacity to hold one another accountable to block corruption and abuse of power. Only if liberal distrust is alive and well can citizens in new democracies be expected to have confidence in their governments.

It is a peculiar implication of the commonplace thesis that trust is inherently moral and of much of the current literature on the need for trust in society that distrust must evidently therefore be bad. But distrust is sometimes the only credible implication of the evidence. Indeed, distrust is sometimes not merely a rational assessment; it also is benign in that it protects against harms rather than causing them. For example, parents who do not entrust the safety of their children to unworthy caretakers, woefully including such institutionally selected caretakers as priests, or international institutions that do not act as though all nations are benign in their treatment of one another or even of their own populations, are acting morally according to almost any morality. Because distrust is benign whenever it is justified, it is implausible that trust is inherently a moral notion—as some authors suppose (see Hardin 2002b, 74–78). Brown argues, against a substantial tradition, that not even within familial relations is trust clearly grounded in moral commitments.

Relations between individuals are discussed in several of these chapters (2, 3, 6, 7, 8, and 10), but these relations are often embedded in larger contexts that drive the analyses or their analysis is used to extrapolate to collective and institutional behaviors. Of the contributions here, only those of Ullmann-Margalit and Brown focus primarily on interpersonal relations, but all generally extrapolate from such relations even when they address more complex relations involving collectivities and institutions. Most of the psychological work on trust has focused on individual-level interactions. Much of the sociological work has focused on trusting professionals. And most of the work in political science has focused on trusting government and political leaders. Montinola focuses on a major institution of the Philippine government, its Supreme Court, and gives a complex, nuanced account of how citizens and lawyers can know enough to distrust it as an agency often conspicuously hostile to their interests. Increasingly, scholars in all these disciplines have begun to study relations between groups, perhaps especially between racial and ethnic groups, and three of the chapters here (6, 8, and 12) focus on intergroup relations.

An important question about any conception of trust and distrust is whether it translates to diverse cultures. Contributions in this volume go some way to answering that worry. They deal with cases in Australia, China, France, Italy, Japan, Madagascar, the Philippines, Russia, the European Union, formerly communist nations, and the multicultural societies of Sweden and the United States, as well as interactions between some of these. The authors here do not all have identical notions of distrust, but they come close. Let us briefly lay out extant theories or conceptions of trust in the fast-growing literature on it.

Theories and Conceptions of Trust

Usually, to say that I trust you in some context simply means that I think you will be trustworthy toward me in that context. Hence to ask any question about trust is implicitly to ask about the reasons for thinking the relevant party to be trustworthy. Elsewhere (Hardin 2002b, chap. 1), I canvass the several most common reasons for thinking someone trustworthy. One of the most important and commonplace is trust as encapsulated interest, which I assume in the present discussion. On this account, I trust you because I think it is in your interest to take my interests in the relevant matter seriously in the following sense: You value the continuation of our relationship, and you therefore have your own interest in taking my interests into account. That is, *you encapsulate my interests in your own interests*. My interests might come into conflict with other interests you have, and those interests of yours might trump mine, and you might therefore not actually act in ways that serve my interests. Nevertheless, you at least have some interest in doing so. A minimal core part of a remarkable array of trust relationships is that there is a clear, fairly well defined interest at stake in the continuation of the relationship. For the issues of terrorism I address in chapter 12, this is surely the relevant account of trust to bring to bear.

Both the relatively limited relationship between yourself and a local merchant and the relatively rich relationship you might have with a friend involve trust as encapsulated interest. This is not merely to say that you and I have the same interests. Again, it is to say that you have an interest in attending to *my* interests because, typically, you want our relationship to continue. At a minimum, you may want our relationship to continue because it is economically beneficial to you, as in the case of your relationship to your merchant. In richer cases, you may want our relationship to continue, and not to be damaged by your failure to fulfill my trust, because you value the relationship for many reasons, including nonmaterial reasons. For example, you may enjoy doing various things with me, or you might value my friendship or my love, and your desire to keep my friendship or love will motivate you to be careful of my trust.

Note that *our merely having the same interests with respect to some matter does not meet the condition of trust as encapsulated interest*, although it can often give me reason to expect you to do what I would want you to do or what would serve my interests (because it simultaneously serves yours). The encapsulated-interest account does entail that the truster and the trusted have compatible interests over at least some matters, but such incentive compatibility, while necessary, is not sufficient for that account, which further requires that the trusted values the continuation of the relationship with the truster and has compatible interests at least in part for this reason.

Two other articulated theories of trust are common in the literature. One depends on an assessment of the trusted's moral commitments to be trustworthy. The other depends on an assessment of the trusted's psychological disposition to be the kind of person who is trustworthy. These might be important matters for individual-level trust relations. They are less likely to fit most trusters in the social contexts of most of the chapters of this volume. For example, relations between labor and management, emerging Russian markets, and relationships of citizens to governments cannot typically be motivated by beliefs that the potentially trusted party (management, other firms, or government) is morally motivated or primarily concerned with living up to some psychological disposition to have a trustworthy character. Virtually by definition, these two theories of trust fail in contexts in which distrust dominates trust. In the chapters here, neither of these theories is at issue.

Trust is, of course, a term of the vernacular, and in the vernacular it has manifold meanings. Perhaps the bulk of all academic work on trust in recent years is based on more or less vernacular uses of the term. For example, surveys ask people whether they trust a particular agent or virtually everyone. Surprisingly, much of this literature seems to have as its purpose merely to show that people do or do not trust in some vernacular sense. We might wish rather to explain a person's trust or to use the level of a person's trust to explain actions, such as cooperation, or at least taking a risk on cooperation. Often, the only explanations from levels of trust that are offered are correlations between changing levels of trust (such as supposedly declining levels of trust in government in the United States in recent decades) and some other change in the society. If such correlations are to be of any interest, they must be coupled with mechanisms that give a causal account of how levels of trust affect relevant other things. It is a great strength of the three theories of trust noted here that they can give explanations of important phenomena. It is similarly a strength of the chapters here that they give many such explanations. Atheoretical vernacular accounts have arguably yielded no compelling explanations of anything to date.

In this discussion, I have assumed that trust is a cognitive assessment of the other's trustworthiness. A large literature, mostly in psychology, treats it as a problem of the *psychology or traits of the person who trusts*. Some people are said to be high trusters and some low trusters. To measure such trustingness in the abstract—that is to say, independently of any particular relationship in which one might trust or not trust—Julian Rotter (1967) proposes an interpersonal trust scale. Thomas Wright and Richard Tedeschi (1975) break Rotter's scale into three orthogonal factors: political trust—beliefs that politicians and the media are trustworthy; paternal trust—beliefs that benign authorities (parents, experts, professionals) are trustworthy; and trust of strangers—beliefs that potentially exploitative, anonymous others are trustworthy. The implication of this finding is that the general trust scale is less predictive of risk taking in some domains than are the specific factors (see Cook, Hardin, and Levi 2004, chap. 2). One might speculate that there are different conceptions of trust in these realms.

In general, trust depends on two quite different dimensions: the motivation of the potentially trusted person to attend to the truster's interests and his or her competence to do so. One might therefore wish to have a broader range of questions for these scales in order to weigh the contribution of concerns with the motivations of the potentially trusted person versus judgments of the competence of the other. In most discussions of trust, as in many of the chapters in this volume, the relevant competence is taken for granted, although lack of such competence is often a major problem.

In the contributions to this book, there is substantial consistency in the conception of trust. In part that may be because the idea of distrust is inherently specific to a person or other agent or to some generalized collection of these. There is no aura of morality or of deep psychological commitments in distrust, which is almost necessarily grounded in a reading of the intentions of the object of distrust. I distrust *you* because of things you do or interests you have that conflict with mine. One might read backward from distrust to say that the conception of trust should mirror it. Accounts that make trust somehow part of the morality or the psychology of the potential truster do not mirror natural accounts of distrust. All of us sometimes distrust specific others for reasons we can articulate. Such instances of distrust in the midst of many trusting relationships cannot be part of our standard, almost fixed stance toward the world, whether moral, psychological, or rationally self-interested.

If we analyze distrust, therefore, we must either leave it untheorized (a common move when the discussion is at the vernacular level) or we must see it as something like the negative side of the encapsulated-interest theory of trust. The latter is what the contributions to this volume do, although the authors were not specifically asked to do any such thing.

It comes naturally to see distrust as a three-part relation (A distrusts B with respect to X) and as grounded in a reading of the other's motivations toward oneself, typically including the other's interests. This is one of the strongest lessons of these chapters taken together. If we think trust and distrust are conceptually tied together, we may be forced by the understanding of distrust to see trust as encapsulated interest. In a conversation many years ago, Robert Merton said I should analyze distrust if I wanted to get a clear understanding of trust. He then sent me several clippings on distrust. The authors of this book have implicitly shown the wisdom of Merton's advice.

Theorizing Distrust

In chapter 2, Deborah Larson analyzes the relations of the United States and the former Soviet Union, and subsequently Russia, by extrapolating from individual-level relationships and psychology. She notes that distrust varies across domains and that in any domain it may vary in degree. A central problem with trust and distrust is that they are essentially cognitive assessments of the trustworthiness of the other party and may therefore be mistaken. Hence they may be subject to type I (false positive) or type II (false negative) errors. The principal issue for nations is that misplaced trust can lead to grievous harms, so that a nation may be inclined to hedge its bets and, out of mere prudence, to act as though it distrusts another even more than it actually does. In some contexts, this makes for instability because it provokes the other nation to suppose it is distrusted and therefore to fear defensive actions. Prudential defensiveness can then produce instability and bring about the harms that are feared but not actually expected. In the development of the nuclear deterrent system, however, the United States and the Soviet Union actually secured a kind of institutionalized distrust that stabilized relations.

In the immediate postwar era, the United States distrusted the Soviet Union because the latter openly believed in the impossibility of peaceful coexistence with the capitalist world. (This stated view might have been provoked by Western hostility to the early communist regime immediately after World War I. Distrust can beget distrust.) This stance was renounced by Eduard Shevardnadze in 1988, thus setting the stage for the possibility of growing trust between the two adversaries. It took fairly dramatic events to change the atmosphere between the two nations. If they had been too trusting, they would quickly have had evidence that they were mistaken. As Larson says, misplaced trust is a self-disconfirming prophecy. If they were too distrusting, however, they would have been unlikely to enter into cooperative relations, and they therefore would have had less opportunity to notice that they

were mistaken. The depth of the distrust between the Soviet Union and the United States made it difficult for them even to see that in many areas they actually shared interests and that they should have cooperated in those areas even while keeping a defensive posture in other areas. In Larson's term, the two nations were primed for hostility.

For nations, as for individuals, "favorable traits are hard to acquire but easy to lose, while unfavorable traits are easy to acquire and hard to lose." In military contexts, what seems defensive to one side might equally well seem offensive to the other side. Hence a state that distrusts another is apt to signal its distrust by stationing troops and weapons and refusing to negotiate on arms control or even to enter into trade agreements. These distrustful actions will quite likely be taken as hostile, and both sides may spiral their potential conflict into open and potentially disastrous confrontation. In the long run, distrust might block many potential small improvements in relations, improvements that would be advantageous to each side. We suffer such an accumulation of losses out of fear that, if we act as though we are trusting, we will incur enormous losses.

One of the great benefits of a well-enforced law of contracts is that parties to a contract can be secure in the expectation that especially large losses from the default of the other party will be blocked by courts. Hence the parties can deal with details in a far more trusting and amicable way. Where there is no such background of protection against large losses, nations might insist that the details of any treaty be carefully specified. Hence the treaty may be difficult to negotiate. If two nations in conflict can invoke the protection of a third party, such as the United Nations, they might more readily be able to reach a mutually advantageous settlement of their conflict. For the United States and the Soviet Union, there was neither a court with enforcement power nor a third party with the power to back any settlement.

The impasse between the United States and the Soviet Union was surmounted primarily by the extraordinary actions of Mikhail Gorbachev in renouncing control of central Europe and building down the Soviet army and nuclear forces. As in the much smaller world of the wayward husband in Brown's chapter 7, taking a step outside the range of ordinary expectations helped to secure the building of trust in the other party. Both that husband and Gorbachev reduced their own capacities for cheating on their other party. We might wish that many more people had the insight and strength of character to risk taking such steps.

In chapter 3, Edna Ullmann-Margalit supposes that to say I trust you means I believe you have the right intentions toward me and that you are competent to do what I trust you to do. The right intentions are to want to take my interests, as my interests, into account in your actions. Note here that the right intentions make you trustworthy for me. You

and I could have coincidental interests, so that, while acting in your own interests, you happen also to serve mine. If I know this and no more about your intentions, I can be confident of your actions, but I cannot be said to trust you. Distrust must have a similar logic. If I distrust you, that is because I think that your interests oppose my own and that you will not take my interests into account in your actions. In this view, trust and distrust are cognitive notions or, in Ullmann-Margalit's term, they are epistemic terms. That is, they are in the family of terms that includes knowledge and belief.

Ullmann-Margalit is concerned with negations of trust and distrust. These help to define the full range from trust to distrust, with lack of trust and lack of distrust somewhere between them. The negation of trust includes both distrust and this in-between range. At either end of the full continuum, Ullmann-Margalit speaks of full trust and full distrust. These categories are meant to fit the three-part relation A trusts (or distrusts) B with respect to X because full trust (or distrust) is restricted to X. One of Ullmann-Margalit's examples of the possibility of full trust is in the relationship between a lawyer and her client. She supposes that the client could be confident in the lawyer because, among other things, the lawyer is ambitious and will become rich and famous from successfully defending her clients. Ullmann-Margalit does not count this as trust, however, because the lawyer's actions are not from the right reason to qualify as trustworthy—namely, from the reason that the lawyer's actions are directly motivated by the client's interests (Larson makes the same point in chapter 2). Ullmann-Margalit says, "When I fully trust my lawyer . . . I have good reason to believe that even in the case of a conflict of interests she will take my side." Here the trust is restricted to the specific matter of the defense of the client; it is not full trust in some more expansive sense that the lawyer could be trusted with respect to everything and anything.

Ullmann-Margalit then applies her conception of distrust and trust to the possibility of trust in institutions and other collectivities. Montinola (chapter 13) argues cogently that citizens cannot typically trust government because they cannot have the knowledge that it would take to define trust (see further Hardin 2002b, chap. 7). But they can have enough knowledge to distrust specific institutions that are, for example, demonstrably corrupt. Montinola astutely notes that when higher-level officials seem to take no action against openly corrupt officials, *they give citizens reason to distrust government generally*. Ullmann-Margalit takes a different tack. She questions whether it makes sense to say that institutions have intentions in anything like the way persons have intentions. Because we generally think such collective bodies do not and cannot have intentions in the ordinary sense, we cannot say that they can be trustworthy in the ordinary sense.

There are two ways that we might rescue the notion of trusting an institution. We could redefine intentions to accommodate institutional intentions, or we could eliminate the requirement of intentions for assessing trustworthiness. The latter change seems to wreck the meaning of trust and to reduce it to mere expectations. So how about redefining intentions? Ullmann-Margalit suggests that we might take certain leading figures in an organization to represent the trustworthiness of the institution. Hence if we trust the president or prime minister, we might be said to “trust” the government. A similar move would be to take a representative agent to stand in for the whole institution. I cannot attribute intentions to the institution, but I might have enough information from my own interactions with a particular agent of some government organization to trust that agent. Neither of these moves can work in any strong sense. They are shorthand devices that cannot meet the complaint that institutions do not have intentions. They also do not work for the knowledge that is required for trust. Therefore, Ullmann-Margalit concludes, that it is, strictly speaking, a misnomer to talk of trust of an institution.

There is one last move we could make to give some sense to the idea of an organizational intention. We might suppose that the incentive structure of an organization is adequate to get agents of the organization to act in ways that make the organization trustworthy. We could stipulate that the intention of the organization is whatever that incentive structure would bring about. But this move runs up against the grievous difficulty that few citizens, if any, could possibly know the incentive structures of various institutions, such as government and its agencies.

In these contexts, the knowledge constraints for distrust are much less severe than those for trust. Ullmann-Margalit cites the cases of the ultraorthodox and the Arab Israeli minorities in Israel. These communities, she says, want to be understood as imputing intentions to the Israeli government. She supposes that this is a natural response to apparent, pervasive unfairness. Here she is in general agreement with Montinola, who notes that I can know of the widespread corruption of an agency and can know that it seems to benefit relatively well defined groups of insiders and not ordinary citizens. That would be sufficient for me to conclude that the agency does not work in my interests, so that I can say it is untrustworthy toward ordinary citizens such as me.

Power and Trust

In a novel contribution to the theory of trust, Henry Farrell (in chapter 4) argues that trust and power have a close relationship. If neither party to a relationship had any power to withdraw from the relationship, their necessary mutual reliance would be sufficient to explain their cooperation, and neither would need to trust the other. This is not unlike the

conditions of life in small, close communities, such as those of distant earlier times, where all are more or less stuck with one another and are subject to sanctions such as shunning from all others if they behave badly in their relationships with any other (Cook and Hardin 2001; Hardin 1999). On the other hand, if one party has a great panoply of alternative partners or has little need of the other party's continued cooperation, that party's power must disrupt the possibility of trust and trustworthiness and may even instill distrust. Hence modest power entails the possibility of trust, while great power asymmetry may commonly entail active distrust, and lack of power by either party blocks concern with trust altogether.

Moreover, if there is a moderate asymmetry of power, the more powerful party may be able to trust the less powerful party more (and over a wider array of issues) than the less powerful can trust the more powerful party. Indeed, this is an important way in which power is advantageous. It is useful not only in coercive relationships but also in fairly straightforward exchange relationships. In general, the relationship between power and the possibility of trust relations is curvilinear. If I have no power to withdraw from our relationship, you have no need of trust in me. If I have some power to withdraw, you may hope to develop a trust relationship. And if I can withdraw at will without cost to myself, you cannot trust me. Indeed, in this latter case, my interest does not encapsulate yours at all, so that the encapsulated-interest account of trust cannot apply. Farrell's measure of one's power in a relationship is essentially the level of cost one will incur if one unilaterally withdraws from the relationship. Low cost of withdrawal implies high power; high cost implies low power.

One party to a potential cooperative relationship may have such great power over the relationship that it can withdraw at will while the other party can withdraw only at great cost. Still, as Farrell argues, the more powerful party may be able to convince the other that it will be trustworthy if it can bind itself with credible commitments. Farrell defines these as "commitments that you know it is in my interest to fulfill once I have made them." This recalls Thomas Schelling's remark that the "right to be sued" may eventually turn out to be a liability, but it is a prerequisite to doing business in the first place (Schelling 1960, 43; Hardin 2002b, 46). The odd right to be sued is the power to make a commitment; it also helps us establish that we have a strong commitment. The Russian entrepreneurs whom Vadim Radaev surveys (in chapter 10) have only very weak power to make such a commitment because contract enforcement in their legal system is of limited effectiveness. The power of the English monarchy was enhanced in the long run by its capacity to bind itself to the repayment of loans that it sometimes needed, for example, in times of war or external threat.

Farrell applies these insights to three cases of industrial relations between suppliers and end-producers or “converters”: in the weaving industry in Japan, machine production in France, and the packaging machinery industry in Italy. In Japan, there are long-term relationships that make for trust as encapsulated interest despite asymmetries of power. In his French case, end-producers strive to keep suppliers from depending too heavily on them, so that they are not threatened too severely by the clear power imbalance. This is a wise long-term policy because it helps to establish genuinely cooperative relations with the subcontractors (and it perhaps keeps the suppliers in business to compete with one another, to the collective advantage of the end-producers). This reduces the likelihood that subcontractors will hedge their own commitments and perform below standard.

In the Italian case, Farrell argues that increasing concentration in the packaging-tool industry has disrupted prior relations between suppliers and the end-producers. With great concentration, there cease to be many alternative partners for the suppliers, and they begin to be vulnerable to exploitation by the few end-producers. A given supplier may do almost all its business with a single end-producer and may therefore have almost no alternative partners if that company drops it, so that its financial security is almost entirely under the control of the single end-producer with which it primarily deals. Concentration in the end-producer industry has evidently led the end-producers to emphasize power over trust in their dealings with subcontractors. Farrell gives us an elegant array of relationships that show the broad range of interactions between power and trust.

In chapter 5, Levi, Moe, and Buckley study the workings of the National Labor Relations Board (NLRB) to determine how it affects relations between unions and employers. Their account is a study of the institutional creation of at least partially cooperative behavior by an institution that governs relations between the two potentially hostile parties. Because they need each other, arrangements that enable labor and management to reach agreements on wages and related matters can be mutually beneficial. There have surely been cases of employer-employee trust and trustworthiness, but these are probably common only in small firms in which the trust is *de facto* on an individual level. In early years in the United States, unions were denied the legal status of corporate persons (a status that was granted to joint stock companies), and they therefore could not sign legally enforceable contracts with employers, who could insist on individual contracts with each worker rather than a contract with a union. Hence collective bargaining was a weak device for labor. In that era, on Farrell’s account of the relationship between power and trust, it would be wrong to say that the two parties could have trusted each other. Unions had little or no power of with-

drawal from relations with relevant firms if firms could hire with impunity replacement workers from the reserve army of the proletariat and, in most years, from the ready pool of immigrants. Hence workers and nascent unions could have distrusted employers but could not have trusted them.

In firms with large workforces into the thousands of workers, as have arisen mainly in the past century, workers face a harsh logic of collective action that would make unions very weak if they were not given legal support (Olson 1965). In a study from relatively modern times, worker participation in union activities and, we may presume, worker solidarity were found to be greatest for shop sizes around two hundred, which was the size of the largest firms when Karl Marx wrote about the development of class consciousness on the factory floor. In both smaller and larger shops, solidarity falls off (Lipset, Trow, and Coleman 1956, 170–200). (That typesetters union has since been heavily affected by technological change that displaced labor.) Possibly, it is the individual-level interaction of workers with management in small shops that engenders trust relations that undercut commitment to a group bound by solidarity and hostile to management. Additionally, small shops might develop more diverse jobs and human capital that is specific to the firm, so that small-shop employers cannot replace all workers with trivial ease. For larger shops, the logic of collective action may be overwhelming, so that conflict between workers themselves over free riding undercuts solidarity. In the larger factories of the present time, solidarity may be difficult to build, so that legal protection of union prerogatives is a large part of the story of their success.

Relations between unions and firms in the United States changed when the National Labor Relations Board was created in 1935 to give unions greater power in their relationships with employers. If there is a curvilinear relationship between power and trust, we might therefore suppose that there is now some chance of trust between the two parties. The full story is complex, however, because we must keep in mind that trust is a three-part relation. Hence the two parties could trust each other with respect to some things while distrusting each other with respect to others. In particular, there could be trust in any context in which there is a mutual advantage in cooperating but not in any context in which there is only conflict.

Let us consider the range of possibilities. There is mutual advantage in cooperating at some level so that workers receive pay and firms receive labor. Both parties want to go to the bargaining table. (This was not so often true before the Wagner Act, which created the NLRB, and its regulation of employer-employee relations.) But there is a potentially wide margin of *de facto* pure conflict in the range of deals—all the points on the contract curve—all one of which would bring about a mutual advantage

resolution. Suppose workers would quit if not paid at least \$20 an hour and the firm would be unprofitable if it had to pay as much as \$40 an hour, so that the contract curve for negotiations is the range of wage settlements between \$20 and \$40 an hour. Reaching agreement to be on the curve, and therefore coming to the table, is mutually advantageous.

But there is a \$20 range over which there might be essentially pure conflict. There could be complexities in this argument. For example, if the quality of labor is affected by wage incentives, then this range is not entirely one of pure conflict because profits might increase as wages rise and give incentive for better performance over some part of that range, or worker quality might trade off with the number of workers. Still, both parties might reasonably suppose that part of their wage settlement is about how large are the shares that go to workers and employers from at least some of the difference between \$20 and \$40. For that part of their settlement, there can only be distrust because workers and employers can be confident that the interests of the other fully conflict with their own. All that they can trust each other to do, if the NLRB stands in the background to help equalize power, is to seek some settlement that will allow them both to continue in their worker-employer relationship.

On this account, the NLRB is not about overcoming distrust but about equalizing power relations, principally by giving unions recourse against certain actions by firms. Indeed, it does not overcome distrust except in the sense that it manages contract settlements over the pure conflict range. Any settlement at all allows the two parties to continue together. Primarily, however, the NLRB blocks strategic ploys by both employers and unions on side issues, such as unfair labor practices, and it is sometimes the venue and the timekeeper for contract negotiations. On these matters, its interventions might often be to the mutual advantage of both parties.

Levi, Moe, and Buckley say that the outcomes of NLRB activities serve the mutual advantage of both parties. This might be true at the margin of a particular interaction, but to show it is true overall would be difficult. There is apparently contrary evidence, which they cite, that effective unions lower profitability, so that NLRB activities and the legalization of union bargaining might seem not to serve the interests of firms (Freeman and Medoff 1984). Some scholars suppose that the overall effect of unions is a healthier economy. Perhaps one could argue that each individual firm would like to free ride on the system that produces a healthier economy and to negotiate much stricter settlements while other firms are more generous to workers. These are large and complicated issues that may not be settled convincingly. It seems likely, however, that if major employers had their way, the NLRB would have its powers curtailed substantially. If that is true, then on the views of employers, the NLRB generally serves not mutual advantage but pri-

marily the advantage of labor. Depending on the party in power in Washington, however, unions commonly assert that the NLRB does not serve their interests.

Note that conflicts between union and management mirror intergroup conflicts in some ways. In particular, the parties to both kinds of conflict are collective entities. But unions and management have hierarchical structures that enable them successfully to negotiate almost as though they were individuals. Perhaps there would be something to learn from comparing the two forms of conflict and the roles of trust and distrust in them. Political and ethnic conflicts in many contexts combine hierarchical and relatively anarchic organizations. For example, Israel is hierarchically well organized and can respond systematically to actions by Palestinians, whereas Palestinian suicide bombers are more nearly anarchically organized. If they were hierarchically organized, they might long since have been defeated by Israeli forces. This is the reverse of the history of unionization: workers gained power from hierarchical organization.

In chapter 6, Rod Kramer seeks to understand the intensity of conflict between many groups as the result, in part, of problems of individuals' reasoning about other groups. He views group members in social contexts as "intendedly rational, vigilant, and discerning." They can be reasonably wary of other groups, although the psychology of heightened awareness might lead them to exaggerate difficulties and to undervalue positive possibilities. Wariness or suspicion is an important cognitive component of distrust, of the judgment that another is not trustworthy or is, in Ullmann-Margalit's phrase, in between. Kramer analyzes the dynamics of intergroup distrust from a social information-processing perspective. On this account, trust and distrust are cognitive. Hence he wishes to understand the factors that get in the way of an objectively correct understanding of the likely motives or trustworthiness of others, especially as these are exacerbated by in-group versus out-group relationships.

A major obstacle to trusting out-group members or an out-group as a whole is collective paranoia, which Kramer defines as "collectively held beliefs, either false or exaggerated, that cluster around ideas of being harassed, threatened, harmed, subjugated, persecuted, accused, mistreated, wronged, tormented, disparaged, [or] vilified . . . by malevolent others." Kramer explains how such beliefs arise and are maintained and then discusses devices that groups and their members can use to overcome the failure of beneficial cooperation with a seemingly hostile out-group. Among the reasons for paranoid perceptions are self-categorization in a separate group, perceptions of being evaluated by others, and uncertainty about social standing. Collective paranoia can have both cognitive and behavioral consequences. Among the former

are hypervigilance in processing information, a tendency to dwell on negative readings of events (dysphoric rumination), a tendency to over-attribute hostile intentions to others (the sinister-attribution error), a tendency to organize one's personal history in a self-serving way (biased punctuation of interactional history), and exaggerated perceptions of conspiracy.

Devices that would overcome collective paranoia are implicitly devices for overcoming distrust and enabling cooperative relations. Among the most important of such devices are unilateral initiatives that show a willingness to take risks of cooperating with the other group, the use of third-party mediators, and structural devices for improving the accuracy of knowledge and thereby enabling trust relations. Sometimes, however, the more efficacious move is to reduce reliance on trust. In other chapters in this volume, both Larson and I discuss instances in which unilateral devices seem to have worked. Kramer's compelling example is the use by President John Kennedy and Premier Nikita Khrushchev of the so-called GRIT (graduated reciprocation in tension reduction) strategy, which Larson also discusses and which involved efforts to reduce tensions in the nuclear deterrent regime by taking unilateral, reciprocated steps toward reducing the risks of nuclear weapons and weapons tests (Osgood 1962; for discussion, see Hardin 1982, 209–11).

One can imagine going in the opposite direction, from some degree of trust to an increasing degree of distrust. For example, if their relationship is rocky, marital couples tend to avoid focusing on contentious current issues. This wariness about confronting ongoing issues in the relationship, perhaps out of fear that confronting them is to confront each other, "removes the opportunity to restore trust by showing concern and caring. As people pull back, diminished evidence of concern by one person is likely to be reciprocated by the other, creating a reality that mirrors their fears" (Holmes 1991, 95; also see Hardin 2002b, 90–93). Instead of taking chances on the relationship, distrustful parties put more effort into securing themselves against its breakdown by use of devices outside the relationship—and this reduces dependency on the partner. Hence distrust is circularly reinforced by the actions it provokes. Such reactions might eventually even lead to paranoid cognition, as in the awful superpower standoff that lasted four decades.

It is a commonplace that relations within families are grounded on moral commitments rather than rational or calculative commitments. They would therefore seem to be a poor context for the development of trust as encapsulated interest. Margaret Brown (chapter 7) argues, on the contrary, that distrust can pervade family relationships and that the devices to overcome distrust in families are not unlike those for overcoming distrust in other contexts. She focuses on three different kinds of intrafamilial relationships in a small community in Madagascar. All

of these relationships are essentially economic: handling joint income in a marriage, buying property, and jockeying for inheritance. In that community, market institutions are weak or nonexistent, so that there are few alternatives to kin ties for economic opportunity, and formal institutions for handling relevant conflicts are weak. Brown's argument is that people will expend energy and resources to stabilize weak but important ties. In general, in her cases, the less trustworthy party typically must find informal devices to establish a commitment to being fair within the relationship. Indeed, Brown supposes that her villagers have to expend so much effort on securing familial ties that they have relatively little room to work on trust relations with nonkin. Hence, contrary to a standard view that the strength of family ties gets in the way of extending networks beyond the family (Banfield 1958), it is the weakness of even important family ties that forces all resources into maintaining them so that other networks cannot develop.

Although trust is strictly relational in Brown's account here and in the encapsulated-interest account (Hardin 2002b, chap. 1), what I can trust you to do cannot far exceed what others in like circumstances can be trusted to do. You can do something extraordinary to show your commitment to going beyond usual expectations. If the general communal context is one of distrust over the range of issues with respect to which I might wish I could trust you, you will have to make such a commitment, and it will have to be credible or I will not trust you. In Brown's community there is widespread distrust that comes from the fragility of marital relations. Extramarital affairs and divorce are common. Hence spouses distrust each other, and the children of mixed parentage distrust one another over property inheritance. The errant husband in one of Brown's cases establishes an unusually strong commitment by exceeding the demands of the community's norms governing food taboos, which differ by family. Although he is not expected to do so under prevailing norms, he takes on his wife's taboos to show that he is really committed to her despite his bad behavior. As Brown notes, that they share a value system does not lead to strong trust. "In fact, it signals to both parties the limits of their trustworthiness." That is, they cannot reliably be expected to go beyond prevailing norms.

In dealing with his siblings, a wealthier brother is careful to base his transactions with younger siblings on cash so that there can be no distrusting of the value of their exchange, as there might have been had they bartered his steer for part of their land. In this case, the wealthier brother has greater power in his relationship with his siblings than they have. As in Farrell's analysis of the effects of unequal power, this power is a clear source of heightened distrust. A common anthropological assumption is that family members engage in generalized reciprocity, without careful accounting of how much each gains from every exchange.

Brown's siblings, however, specifically want to avoid the potential for exploitation that such exchange permits. The fairly general distrust among siblings suggests that all exchanges even among themselves should be carefully calibrated and that, ideally, they should be in monetary terms.

Brown's third case involves intergenerational transfers of property. The promise of property in the future tends to secure good relations in the present. But children might prefer the gift of property now to block its partial inheritance by half siblings.

In Brown's study, the sometime view that trust is inherently moral is shown to be wrong. In her community, even family members base their relations on rational considerations. It is often supposed that strong moral ties make some societies kin based. Yet Brown's distrusting, calculative society has a kin-based organization. In her account, there is an absence of reliable alternatives to kin, and her villagers depend on only weak family ties. Such organization of society might suggest that the society would have an easy time making a transition to other forms, such as market organization. Alternatively, it may be that the difficulty of managing relationships, even among kin, impedes development of other bases of social and economic organization. If wives in Brown's village require an organization of the economy that enables them to monitor all cash flows to keep their husbands from cheating, economic change may be difficult. And if family members are more or less constrained to sell inherited land only to their own family members, they may make less investment in the land, and thus the land will be less productive than it could be. More generally, the pervasive distrust of her villagers even of their own kin may make the establishment of trust relationships with nonkin especially difficult. Strong norms over some activities seem actually to get in the way of better outcomes, as in Unni Wikan's study, in which divergent norms lead to extremely hostile conflict.

In chapter 8, Wikan presents the extraordinary and painful story of an intense clash of cultures that entails distrust on many levels. Fadime Sahindal is one of several young women who have been murdered in so-called honor killings in Scandinavia for violating their parents' cultural norms of arranged marriage with, usually, cousins from the homeland of the parents. In these cases, there is distrust between youths such as Fadime and their parents; between such parents and the state (in Fadime's case, Sweden); between imams and youngsters; between Muslims and non-Muslims; and even between different groups—more liberal or more conservative—of Muslims. The central problem is that illiberal immigrants to a liberal society may attempt to impose their own cultural order on the next generation of their own families, a generation that has grown up in a radically different society from that in which the parents reached adulthood. Some of the women who have suffered from

familial impositions of cultural norms have even been born in the liberal society in which the family attacks them, and they know virtually nothing of the homeland of their parents. In the movie, *East and West*, a Pakistani man who has married an English woman and lives in England wants his half-Pakistani children to marry Pakistanis, and he even attempts to arrange a marriage for one of his sons. The children are English, independent, and liberal, and they want no part of these customs.

The cultural practices of the Islamic Kurdish community from which Fadime came are inimical, as Wikan says, to human rights—most especially to the rights of the child. These are rights that virtually define the Swedish social welfare state. Yet relevant government ministers have been reluctant to act against the violence of some of its immigrant societies because they feared that such action would fan racist sentiments. As Wikan notes, one minister balanced her concern for the welfare of immigrant girls with concerns about the racism and discrimination that immigrants might suffer if the state enunciated positions hostile to the immigrant cultures. One can see the likelihood of the collective paranoia that Kramer describes in the lives of the older generation of immigrants, who must feel isolated in their adopted communities and who presumably came to Scandinavia seeking their own freedom and prosperity. Yet once there, new immigrants often choose to live in isolated communities in which their women can be kept secluded. As Wikan observes, the problem of honor killing is a collective, not merely an individual, problem, because honor is joint. If Fadime is, by her father's lights, a whore, then by the community's lights so are her sisters, and even her brothers are shamed. Fadime's father may have pulled the trigger to kill Fadime, but many stood behind him when he did so, and many may have enabled him to find her.

One might note that the young women in these cases have torn allegiances. Are they members of the group of immigrants or of the group of Scandinavians? Having grown up in Scandinavia, they cannot escape the enticements of Scandinavian freedom and autonomy of choice, especially in such an important aspect of their lives as marriage. Their parents seem unable to see this conflict. Fadime, in a public speech, declared that she had to choose between freedom and her family. As Wikan notes, there is a problem of cultural translation when a father says in open court that, "If you had a daughter like this Fadime, you would have wished to shoot her too!" All of the Swedes in that courtroom must have recoiled in horror, and many of them must have thought Fadime an exemplary woman. In the end, Fadime could trust neither her family nor the Swedish state to care for her. Ironically, her family, as is true of perhaps most immigrants from the third world, left behind governments that could not be trusted at all, and their response to liberal governments is possibly as hostile and distrusting as their response to the

governments of their homelands had been. Fadime and her sisters in Scandinavia face relatively generalized distrust of particular groups and institutions and not merely of specific individuals in those groups and institutions.

The Politics of Distrust

Patrick Troy notes, in chapter 9, that citizen distrust of government is more likely to arise with respect to those functions in which citizens frequently encounter government than those in which they seldom do so. One might suppose, therefore, that the successes of the introduction of safe drinking water and good sewerage systems have largely passed from public consciousness, while public awareness of continuing urban development can be a continuing source of public irritation and therefore distrust. Citizens might say they are confident in the water supply, but this is not likely to be a conscious thought unless they are surveyed or otherwise specifically asked about it. Governmental successes such as this one are often bygone and largely forgotten by the citizenry. Some of those successes were, after all, achieved by distant past governments and require little effort on the part of current governments.

A common, quasi-libertarian argument against government regulation is that citizens should make their own decisions about such things as how safely to build their homes. Troy's obvious response to this is that in urban contexts there are external harms that individuals typically would not care about in undertaking their own activities. Urban regulations and even urban services, such as the provision of clean water and good sewerage, are essentially collective problems that can be handled best if they are done for everyone at once. If individuals controlled their own building standards, Troy argues cogently, the result would be increased distrust between citizens, who would have to monitor one another's activities. Moreover, the introduction of regulatory standards in these contexts helped to secure the common law and led to fairer treatment of individuals who would have been at risk from the poor standards followed by others.

There is frequently a painful consequence of collective provision of early amenities such as clean water and good sewerage. Typically, all are treated more or less equally in what they will get, and all might even be forced to pay more or less equally. But the poor must generally place a lower value on such amenities than do the wealthy. Hence unless taxation for such provisions is carefully contrived to distribute the costs unequally, the poor de facto pay to help the wealthy achieve their interests less expensively than they could have done without collective provision. There is evidence from many contexts that this de facto redistribution from the poor to the well off is a common result of public

provision. This result is called Director's law, from the early observation of Aaron Director that such public amenities as parks and many other facilities, supported by general revenues, benefit the well off far more than the poor (Stigler 1970; for further evidence, see Hardin 1982, 87–89). The wealthy of Sydney, Australia, tended to live in higher areas built on rock, where the costs of providing sewerage were much higher than in areas where lower-income citizens lived, and they may therefore have benefited from redistribution of costs to the poor.

A commonplace claim of recent work on trust in government is that trust in one area of a person's life might spill over to other areas. Hence if I find people in my daily life generally trustworthy, I might also think government, the church, and business trustworthy. There is little or no evidence to back this view, which arguably has roots in the writings of Alexis de Tocqueville. Troy suggests a more limited claim: that distrust of government in some areas may corrosively affect the level of distrust in other areas, which is also the argument of Montinola for the especially corrosive effects of untrustworthy, corrupt courts.

There seems to be a trend in the developments toward increasing distrust of local authorities on at least one of Troy's four main issues: urban planning (the other issues are regulations for structural safety, fire safety, and public health through, for example, public sewer systems). Troy argues that government's activities in regulating urban development result from three sources: regulations get out of date, developers and others sometimes evade regulations, and people are frustrated in their work by regulations that then seem invasive. He also discusses the general problems of the inherent discretion in applying regulations, especially in decisions on urban development, which can provoke a sense of unfairness, and the tendency for regulations to be excessive for normal circumstances, so that people think they are a matter of bureaucracy out of control. Still, Troy concludes that dissatisfaction with the results and procedures of urban planning has not had a significant effect on citizen's confidence in government in general.

On the positive side, Troy supposes that distrust of government is a healthy stance for keeping government regulations under review. Distrust keeps the system more beneficial than it would be if citizens were very trusting. Hence Troy shares with Hume, Madison, and many others the liberal theory that citizens are apt to benefit from distrusting their governments. Their arguments have mostly been principled rather than detailed, but Troy gives us a special context in which to see the force of liberal distrust. Urban regulation generally must, in a democratic society, be done in transparent and fair ways—it must be seen to be fair. Because virtually all of its detail is handled in agencies, it is apt to be less transparent than if those details were handled in open legislative sessions. Hence we have reason to distrust regulatory agencies, which

are a massive part of government that did not even exist in the era of the early theory of liberal distrust. (The value of transparency might be compromised by the increased costs of decision making when there is far more participation in the decisions.)

In chapter 10, Vadim Radaev discusses the hard problems of establishing a stable contract regime in Russia after its transition to a market economy with substantially reduced state control of economic relations. Radaev works from recent surveys of nonstate enterprise managers and entrepreneurs. When asked what attributes they want their potential partners in trade to have, they rank honesty and trustworthiness as far and away the most important. They develop relationships that build from smaller initial deals to larger deals, and they choose to maintain relationships that are successful rather than to develop new relationships. One might suppose that there would be standard bidding by firms for various goods and services and that the firm that asks for the bids would choose the best combination of price and quality. Quality, of course, might involve creativity, and price might involve motivation to produce efficiently. In a well-developed, stable contract system, these last two attributes might be expected to govern choices of business partners. Where contract enforcement is essentially not available through credible courts, however, the first concern seems to be the development of alternative bases for securing desired outcomes by developing ongoing relationships that will be reliable.

The view of Radaev's managers seems clearly to be that using the courts is a poor guarantee of successful business dealings. Only about a quarter of them would go to court even to deal with malfeasance; a majority would use informal means. Fully privatized firms, however, more frequently resort to the courts. Part of the problem with the courts is that they are part of the very government that is distrusted by businessmen. As Radaev notes, businessmen join in solidarity against the government. Hence the use of the state's courts can undermine interpersonal trust rather than giving it a secure minimal basis on which to build.

Having to focus so strongly on mere reliability might have deleterious effects on the developing Russian economy. For example, the concern for trustworthiness may drive out concern for innovativeness, so that firms take a conservative, fail-safe stance. Avoiding or protecting against contract infringement is evidently the major concern of entrepreneurs and managers. Interestingly, Radaev's subjects think that contract infringement in general is more common than it is in their own experience. This echoes evidence from American studies of citizens and their relations with government bureaucrats, as noted in the claim that agents of the Internal Revenue Service (IRS) treat taxpayers viciously. Citizens commonly think bureaucrats are generally poor or even awful, although their own personal experience has generally been satisfactory

(Klein 1994). Perhaps there has been more progress in establishing good interfirm relations in Russia than firm managers believe.

Radaev also finds that business dealings with relatives and other close associates are not immune to contract infringement and nonpayment for goods or services rendered. This finding suggests affinities with the experience of the *Frafras* in the trading places of the migrant slums of Accra, Ghana. As Keith Hart (1988, 190) says, "Kinsmen make poor borrowers since they equate their interests with those of the lender." This is not a good foundation for exchange.

So what devices do Russian managers use when seeking to find reliable partners? They use third-party references, they check up on the behavior of their partners, and, if they are lucky, they are good psychological assessors of their potential partners. The transition has been under way long enough that reputations are commonly well established. Managers start with a new partner with small deals and work up to larger deals as the partner proves reliable. Each manager also is part of a network, in which performance in one relationship is apt to affect the possibility of other relationships (see Cook and Hardin 2001). Instant communication of default can get a potential partner cut off from the entire network. As Radaev notes, affect-based trust is being replaced by reputation-based trust. One might conclude from his account, however, that the final stage is an ongoing relationship with the same partner, so that reputation ceases to play a role (Hardin 2002b, 93). In that case, trust depends on a belief that the truster's interest is encapsulated in the interest of the trusted because each partner needs a stable relationship with the other.

Cynthia Horne, in chapter 11, asks why, in its trade policy, the European Union (EU) treats nations of the former communist world very differently from other nations at similar levels of development. In particular, the EU invokes antidumping policies as a form of trade protection against many goods from formerly communist states, as it had done earlier before those states began their transitions to market economies. Dumping means that goods are being sold to the importing nation at less than fair value, which roughly means at lower prices than they would be sold at in the exporting nation. Hostility to dumping partially grows out of concern that a firm might attempt to drive competitors out of business in order to establish a monopoly, as domestic firms have historically been thought to do. This is a fear that might seem credible for a major producer in an advanced society but not so credible for firms in the developing world.

An antidumping policy does not mean that imported goods cannot be sold more cheaply than goods produced in the importing nation. Indeed, it is the policy of the EU that developing nations should be able to benefit from their lower prices if these are the result of lower costs of

various factors of production—especially labor—in the exporting nation. The EU implicitly supports development in poorer nations through the international division of labor. Comparing the price of a good, its “normal value,” in the exporting nation to the price offered in the importing nation permits competitive advantages to poorer nations. If that were the whole story, dumping policy might be simple. Unfortunately, it is far more complex than this because some firms produce only for the export market. The EU policy on dumping accommodates pricing of such export-only goods by requiring evidence that the costs of production genuinely are lower. This move opens many possibilities for obstruction.

Horne argues that the EU uses antidumping claims to block trade from formerly communist states. Its apparent objective is to affect labor, environmental, and other social policies in those states, although such purposes are explicitly denied to the European trade agencies. She presents data to support her descriptive claims that the EU is much harder on formerly communist states than on others and that it uses shadier tactics in dealing with them. When comparative prices for a good in the exporting and importing nations cannot be used as a measure of dumping, the EU relies on comparisons to supposedly comparable nations to establish the costs of production. This device is used deceitfully and very effectively when production costs in, say, Russia are compared with those in Canada or Norway, where labor costs are much higher and environmental protections are much more extensive. If the nation for which such comparisons are being made is, say, Thailand, the EU would more likely compare its costs with those in Indonesia, where costs are apt to be fairly similar, rather than to costs in Canada or Norway.

Horne supposes that the EU bureaucrats act unfairly toward the formerly communist states because they distrust those nations, and she cites derogatory comments from her interviews with EU officials in support of her contention. She concludes that this distrust leads to discriminatory trade policies and, in the long term, undermines the ability of the EU to establish institutions that would foster credible trade commitments. This is a relatively informal assessment of the degree of distrust, and the claim of distrust is therefore somewhat speculative. What, one might ask, is the source or object of the distrust? Is it a residue of the justified distrust of the days before 1989? Or is it sparked by doubt that the formerly communist nations have genuinely made a transition, perhaps still only partial, to market economics?

There are two alternative theses. First, the formerly communist nations (still officially called nonmarket societies by the EU) have no natural supporters in EU circles, while many former European colonies have strong natural supporters. For example, for the EU to go against

India is to go against the United Kingdom and development policies it wants for India; and to go against Indonesia is similarly to go against the Netherlands. Second, EU nations have long had much richer trade relations with the noncommunist world than with the communist world, toward which they were long extremely hostile. If this is part of the problem with current practices, one might expect that the formerly communist states will slowly begin to be treated more equitably as a new generation of bureaucrats comes to control EU decision making and as trade relations between the two blocks become better established. One might expect the same longer-term development if the issue is primarily distrust, because increased interactions over time might eventually induce trust.

Finally, irrespective of whether the European Commission distrusts formerly communist nations, those nations must now distrust the EU, as Montinola and Ullmann-Margalit might be expected to argue. Such distrust, if not warranted by the current Eastern regimes and companies, might provoke responses that make the distrust a self-fulfilling prophecy.

Wikan's issues of intergroup distrust may be exacerbated during the present era of exported terrorism, as discussed in chapter 12 on such terrorism. Unfortunately, these two issues are not unrelated in the accounts here: they both arise from strong commitments to rigid variants of Islam. The heightening of distrust between ethnic groups might be a distressing side effect of the terrorist attack on the United States in September 2001. Though terrorism in many contexts, such as anarchist terrorism in the early twentieth century, has been more or less purely politically driven, without heavy overtones of ethnic or religious conflict, the most violent terrorist movements today are generally religiously or ethnically motivated. Concern with terrorism in the United States today has immediately raised issues of the civil liberties of various groups and individuals, and the imported terrorism has probably provoked intergroup conflict and distrust. This conflict between civil liberties and security against terrorism is an especially difficult problem in the United States. The regime of civil liberties in the United States arose first in the context of distrust of government, as in the discussion of Madison and his fellow constitutionalists. After the Civil War and the abolition of slavery, that regime was slowly expanded to cover specific problems of racial discrimination. The culmination of the long-developing regime of civil liberties brings these two strains together.

The usual concern with police power that animates libertarians is exacerbated when the police act from racial prejudice. To counter racism by police forces and even the justice system, American law and civil libertarians have developed a strong view of the wrongness of racial stereotyping. This is a complex issue because you and I commonly

stereotype in many contexts to economize on the need for information and even investigation. More or less everyone must use stereotyping in varied contexts. If I am hiring workers, I will quite likely assume that some easy indicators are fairly good approximations to a more intensive assessment or testing of candidates. That might mean I make mistakes and treat some people unfairly. It is now legally prohibited under U.S. law to use mere race as a supposed indicator of performance. You might use such stereotyping in your private dealings with people, but you cannot do so when you are acting on behalf of a public agency or a large corporation.

To those who think such stereotyping wrong, Mayor Rudolph Giuliani's finest moment in office was when he told his fellow New Yorkers that we should not assume that our Arab neighbors had any responsibility for the attacks of September 2001. Yet if border control officials randomly checked those entering the nation to try to exclude potential terrorists, they would de facto harass people. Besides tourists, the largest single group of border crossers are Mexicans, who are coming to work and are extremely unlikely to be terrorists. Not to stereotype out of a concern for fairness to the different types would have perverse consequences of hassling vast numbers of people unnecessarily and of generally making air travel by tourists and others and border crossings by workers more cumbersome for everyone without greatly improving safety.

Americans may now face relatively generalized distrust of Arabs, who may be provoked into relatively generalized distrust of non-Arab Americans. That is a depressing effect of group identification in many contexts. Montinola and Troy, similarly, find relatively generalized distrust of whole institutions and not merely specific distrust of individual role holders in those institutions. As Montinola argues, generalized trust of these institutions can hardly make sense because individuals cannot know enough about them to trust them in any strong sense. At most they can be confident that an institution (or group) will continue to behave well, as it has done so far. They can distrust in a very general way because they can extrapolate to the contrary interests of many institutional role holders and of some ethnic or other group.

Such generalized distrust can be misplaced, as it arguably has been in the United States in the case of the IRS, which was loudly attacked in congressional hearings in 1997 and 1998 under the control of Republicans who evidently wanted to tarnish the image of government and who set themselves up as a kangaroo court to establish that the IRS had abused certain taxpayers. Unfortunately, as in typical kangaroo courts, they did not seek evidence from anyone other than complaining taxpayers. Afterward, independent agencies established that the taxpayers who gave testimony to the Senate investigating committee owed the

taxes that the IRS had concluded they owed. The lasting result of those cynical hearings has been a radical decrease in audits of wealthier taxpayers and, quite possibly, undue damage to the reputation of an agency that is probably remarkably fair rather than abusive (David Cay Johnson, "Investigations Uncover Little Harassment by IRS," *New York Times*, August 15, 2000, p. A1; "Phantom Rogues at IRS," editorial, *New York Times*, August 19, 2000, p. A14). Agents of the IRS were portrayed as mean and vicious, but this is implausible on its face. More generally, there is a fairly strong tradition of libeling government in the United States, possibly increasing citizen distrust of government.

Montinola sets up her account of the Philippine judiciary in chapter 13 by noting the dramatic differences in the public reaction to arguably unjustified and politicized decisions about the nation's political leadership in the Philippines and the United States. When the Philippine Supreme Court legitimated the ouster of democratically elected Joseph Estrada as president, it sparked violent protests. Montinola argues that in part the reason for such a reaction was the weak credibility and apparent corruption of that court, whose decisions carry limited legitimate force. She takes an institutional approach to corruption—the misuse of public office for personal benefit—arguing that we must look to the structure of incentives to determine the likelihood and explain levels of corruption. Many nations have seen less benefit from transitions to democracy and the market than had been expected by theorists. Commonly, the reason for the failures is corruption in government.

Because government controls the supply of many costly benefits, officials are often in a position to exact a "fee" for letting contracts or giving out licenses. The institutional approach suggests several devices for limiting corruption. These include increasing the transparency of all governmental activities through open bidding, clear standards, and surveillance by a free press; raising the cost of corruption, especially by giving key actors the capacity to expose and ensure the punishment of offenders; and, for politicians, open elections to increase accountability. For the Philippine Supreme Court, requiring decisions by the entire membership of the Court once increased the number of people who must be corrupted and therefore reduced the likelihood of success.

Montinola is especially concerned to understand the relation of corruption on the Court to citizen's confidence in government. She supposes that the asymmetrical nature of trust and distrust allows for ready distrust of institutions and the government in general, even though it would not allow for trust of such institutions. Knowledge of its corruption is sufficient for a citizen to distrust a government agency because the corruption clearly is against the citizen's interest, so that the agency cannot be said to encapsulate the interest of the citizen. In

the recent literature on trust in government, it is commonly supposed that trust can spill over from one arena to another, so that my trusting local organizations might contribute to my trusting the government. As noted above, there is little to no evidence of such spillover. With distrust, however, there might be a kind of spillover or generalization of distrust. If I know that government is broadly corrupt on many issues, I am likely to conclude that it is generally corrupt. Indeed, if I have knowledge of corruption, then those in high positions in government have access to much the same knowledge; and if they are not corrupt, they should take action against those who are. If corruption goes unpunished, I have reason to doubt the motivations of essentially all government officials. Trust does not similarly generalize by this logic. This is an important and apparently novel argument. Its conclusion seems likely to be reinforced by the apparent fact, noted by several writers here in addition to Montinola, that it is harder to repair distrust and create trust than it is to wreck trust and create distrust.

Finally, Montinola concludes that widespread government corruption tends to lead not only to distrust of government but also to lack of trust between officials within government and lack of trust—even distrust—among citizens. She spells out these relationships in her account of the Philippine Supreme Court. That particular institution most likely has more impact on these other relationships than do other governmental institutions because it is the foremost institution in establishing the rule of law that undergirds stable democracy. From a former status as apparently highly respected, the Court is now viewed by Filipinos as just another corrupt part of government. Its decline was driven by the politics of dictatorship under Ferdinand Marcos and the long transition to democracy. New rules for the organization of the Court in the 1987 constitution altered incentives for justices. The Court was given power to oversee political controversies, thus inviting corrupt entreaties; it was allowed to sit *en banc* in smaller groups, thus reducing the number of people who must be tempted into corruption on any given decision; it was given much greater autonomy, thus undercutting efforts at external control; it was given oversight over agencies that previously were under the Justice Department, including agencies that might have countered the Court in many arenas; finally, the process for appointments to the Court has been made less transparent and has largely been put in the hands of the president and the chief justice.

Newly emerging democracies, Montinola argues, must successfully design institutions that secure the liberal distrust of government. Otherwise, their governments will have such power as to be able easily to violate civil liberties. The new institutions must have the incentive and the genuine capacity to hold one another accountable. The consequences of failure and of corruption are pervasive distrust of government and,

therefore, pervasive distrust among citizens and among those, such as entrepreneurs, who might build a dynamic economy.

Concluding Remarks

What general conclusions can we draw from the contributions presented here? A very general positive claim we can make is that these chapters show the value of understanding the nature of distrust (and trust) and of rigorously analyzing its role in various social contexts. There is great diversity of contexts and yet strong parallels in the analyses here.

When we try to understand collectivities and institutions, often we can start from analogies to individuals. For example, to some extent, one can see distrust between two nations as a relative of distrust between two groups or two individuals. A significant difference generally is that individual citizens of one nation are not so likely to develop paranoid cognitions about individual citizens of another nation as are individual members of two hostile groups. It is genuinely at the national level that problems of distrust arise, rather than at the level of individual citizens. What my nation might do to yours is not analogous to anything I might do to you. Hence we can suppose that whatever distrust there is between nations is institutional in some meaningful sense. Two chapters here discuss distrust between nations that can be analyzed as distrust by officials of the nations.

Patrick Troy tells a complex story of the rise of public regulation of urban space and activities in Australia and of the interactions between government and citizens, who have strong interests in how their space is used and regulated. One way to read his story is to note that, when there are failures of outcome or of procedure in urban regulations, citizens can know enough to begin to judge the government as untrustworthy.

In general, it appears to be difficult for citizens to judge their governments as trustworthy; at best, they can judge that a government seems to be competent and that it produces apparently good outcomes (Hardin 2002b, chap. 7; chapters 3 and 13 in this volume). Hence citizens can be more or less confident in government. Although they cannot be said to trust in any strong sense of that word, as spelled out in the three extant theories of trust, they can develop generalized distrust in response to seeming failures. At that point, they could say that government is either incompetent or badly motivated, but they might not have evidence to decide which of these is the problem. (It would be seen as badly motivated if, for example, its policy were thought to be a response to pay-offs or to special interests.) If either incompetence or bad motivation is true of some area of government regulatory effort, however, citizens can

distrust the government with respect to that area. In such contexts distrust and trust are asymmetric. Mere confidence, however, may not be as sharply asymmetric because it can be based simply on evidence of how well government does its job generally without any real understanding of how it does the job within its agencies.

If government handles crises and disasters well, it can be given credit for its seeming competence even while it is held accountable for failing to prevent the crisis or disaster—as the U.S. government received widespread praise for its handling of the al Qaida terrorist organization after September 11 but has been heavily criticized for its prior failures to follow up on leads that might have prevented the disastrous attacks that day. Similarly, urban citizens can do little more than react to government's failures that might set up disasters and then react to its immediate handling of the crisis. Evidence that it has failed can often be glaring and inescapable and can lead to citizens' distrust. Lack of evidence of government failures, however, is not sufficient to conclude in favor of generalized trust in government in many regulatory areas.

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