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Chapter 14

Institutionalizing Distrust, Enculturating Trust

JOHN BRAITHWAITE

WE HAVE all experienced how distrust can sour interpersonal relationships, how heavy-handed managerialist distrust can destroy a work environment. Yet the more trust there is in the world, the greater the opportunities for its breach. Corporate crime (Shapiro 1987, 1990), abuse of state power (Finn 1993; Grabosky 1989), and the abuse of women and children in families (Widom 1989) are preeminent examples of the centrality of breach of trust to the biggest problems contemporary societies face. This chapter explores how we might structure distrust into contemporary societies to protect against violation of trust. The idea is that if we can structure distrust deeply enough into our institutions, then in day-to-day life we can be maximally nurturant of trust; in short, we would institutionalize distrust so we can enculturate trust.

While citizens have good reasons for distrusting business and government, recent scholarship has helped us better understand how trust increases the efficiency of both (Casson 1991; Fukuyama 1995; Putnam 1993). Trust is undersupplied in contemporary societies, particularly in those that suffer from the deepest problems of poverty and corruption. How then do we maximize the benefits of trust while limiting the extent to which we fall victim to it? We will not resolve this dilemma by killing interpersonal trust with distrust, since that would deprive us of the benefits of trust. Moreover, I will argue that trust is the most important resource for combating breach of trust.

The solution proposed to the dilemma is to institutionalize distrust while seeking a culture that maximizes interpersonal trust and thereby

sustains a viable level of citizen trust in business and government. Institutionalizing distrust does not mean cultivating distrust of institutions; it means deploying sound principles of institutional design so that institutions check the power of other institutions. Both timidity about maximizing interpersonal trust and failure of robust institutionalization of distrust are paths to poverty, corruption, and maladministration.

A common mistake is to institutionalize distrust by making certain institutions weak because they are judged untrustworthy. When all the key institutions of a plural democracy are strong—state institutions, market institutions, and institutions of civil society—they are best able to nurture trust and exercise countervailing power against abuse of trust within other institutions.

The plan of this chapter is first to juxtapose two conceptions—trust as obligation and trust as confidence. I show that these are mutually constituting. As a result of the positive correlations among different types of trust, disaggregating them is not always analytically strategic, and in nonexperimental research, it is methodologically difficult. I then argue that trust, conceived both in the aggregate and in its various disaggregated forms, is undersupplied in contemporary societies. Finally, I discuss how interpersonal trust can be maximized while distrust is institutionalized behind the backs of actors.

Two Conceptions of Trust

Legal conceptions of trust are strangely peripheral to the social science literature. The most important of these legal conceptions is of trust as a moral obligation of power: directors as trustees of shareholders, legislatures as trustees of the people (Finn 1993). Trustworthiness is the social science conception that comes closest to this legal conception. But trustworthiness is for most social scientists a thin concept. Trustworthiness can be a mere statistical probability that the trust we place in the trustee will be honored, excluding any notion of obligation or duty, which is included in the law's thicker conception. I call the legal conception trust as obligation. I take trustworthy actors to be those who cognitively accept that they have obligations and who act to honor them.

The dominant social science conception is of trust as confidence, as opposed to trust as obligation. In its thin version, trust as confidence means little more than the expectation that someone will do what we want. In its thicker versions, trust as confidence attributes goodwill, social solidarity, even shared group identity to the trustee (see, for example, Tyler and DeGoey 1996). Again, I propose that these thicker conceptions of trust as confidence are positively correlated with thin

trust as confidence, because social solidarity or friendship builds bare confidence (thin trust) in others, while breach of confidence undermines friendship (thick trust). It is useful for certain analytic purposes to disaggregate trust into thicker and thinner conceptions, because thick and thin trust do perform different kinds of work in enabling social and economic systems to function. This chapter, however, is about the analytic advantages that can be secured by aggregating the competing conceptions of trust.

Trust as obligation and trust as confidence are mutually constituting. This is the claim I now flesh out. Both conceptions of trust have cognitive and behavioral counterparts. I can believe I should honor an obligation, or I can honor it behaviorally without believing it to be an obligation. I can be confident in my cognition that a person is worthy of trust, or I can act as if I trust him even though I do not believe that trust is justified. Both the cognitive and the behavioral counterparts of trust as obligation and trust as confidence are of empirical significance, as will be seen in the following exploration, under three propositions, of how one kind of trust constitutes the other.

1. *Trustees who honor their trust as obligation increase trust as confidence among their trusters.*

The City of London became a major financial center because investors could have confidence in the sense of obligation of chaps who went to the right schools and belonged to the right clubs (Clarke 1986). Its financial institutions were built by people who had been enculturated in these schools and clubs to believe in their obligations and to act on them. Conversely, in the 1980s when corporate crime scandals enveloped Australian entrepreneurs such as Alan Bond, investment confidence in Australian companies dropped for a time.

Trustworthy trustees are more likely to be trusted by trusters. An experimental psychology literature supports this hypothesis (Merluzzi and Brischetto 1985; Messick et al. 1983; Schwartz and Bless 1992), particularly studies of promise keeping in prisoner's dilemma games (Gahagan and Tedeschi 1968; Ayres, Nacci, and Tedeschi 1973; Schlenker, Helm, and Tedeschi 1973).

2. *Trusters who communicate trust as confidence in trustees will thereby increase trust as obligation among trustees.*

Toni Makkai and I found empirical support for this claim in research on nursing home regulation in Australia (Braithwaite and Makkai 1994). Nursing homes are fiduciaries for our most vulnerable, least powerful citizens. As Joel Handler once said, even prisoners can riot, but nursing home residents have neither muscle nor voice and rarely have effective power to vote with their feet by moving to an-

other facility. In the worst cases of abuse of this trust, residents are tied up, drugged to keep them quiet, physically maltreated, and allowed to die from neglectful care. The trusteeship of nursing homes is held accountable by government inspections; Australian proprietors are required to comply with thirty-one quality-of-care standards, including standards about empowering and respecting the rights of residents.

One of the important findings from our multivariate analyses of compliance with these standards by 410 Australian nursing homes concerned trustees' believing that they are trusted. When chief executives of nursing homes believed that they were treated as trustworthy by inspectors, their nursing homes experienced a significant improvement in compliance with the law during the two years following that inspection (Braithwaite and Makkai 1994). These were chief executives who agreed with the attitude statement "[The inspectors] treated me as a person who could be trusted to do the right thing." Conversely, when chief executives agreed that "[The inspectors] treated me as someone who would only do the right thing when forced to," their compliance with the law was reduced. We found that trust as confidence increased compliance even after controlling for what we assessed to be the objective trustworthiness of nursing homes. This finding generalizes to trust as *self-confidence*. My colleague Anne Jenkins (1994) found that managers with high self-efficacy—that is, high confidence in their own ability to meet the standards—are more likely to actually meet the standards, after other influences on compliance are controlled. We concluded that trust by others and self-trust build cognitive capacity to meet fiduciary obligations to nursing home residents. The psychological theory our research team draws upon here is the social cognitive theory in Albert Bandura's *Social Foundations of Thought and Action* (1986).

3. *When trust as confidence increases among trusters, trust as obligation is increased after the trusters themselves become trustees.*

All of us participate both in roles where we trust others and in roles where we are trusted by others. Child abuse is a simple illustration of what can happen when trust as confidence is crushed. When parents abuse their trust as parents through violence against their children, those children are much more likely themselves to become violent adults (Dodge et al. 1990; Dutton and Hart 1992; Widom 1989). So a cycle of parental abuse of trust is passed from generation to generation, particularly among males. John Scholz, in chapter 6, reports compliance with tax law to be higher among upper-middle-class New Yorkers who agree that "we can trust the government." I trust therefore I pay. This is also a message in Margaret Levi's histori-

cal analysis of tax compliance and resistance in twentieth-century Australia, republican Rome, renaissance France, and elsewhere (Levi 1988). Scholz found high tax compliance not only when the government was perceived as trustworthy but also when other taxpayers were perceived as trustworthy. When citizens believe that other citizens can be trusted to pay their taxes honestly, they are more likely to be honest taxpayers themselves.¹ These findings are an obverse of the nursing home results, which show that trust *by* the state increases citizen trustworthiness; the tax results show that trust *of* the state increases citizen trustworthiness.

To summarize so far, the social science literature provides a variety of kinds of evidence that trust as confidence increases trust as obligation, and vice versa, and that the trustworthiness of trustees increases the trustworthiness of trusters, and vice versa. These findings lead in turn to a general characteristic of trust that distinguishes it from most other assets studied by social scientists: Trust is not a resource depleted through use. In fact, trust is depleted through not being used (Gambetta 1988, 224–25; Hirschman 1984, 91–92). There are important qualifications of this general claim; these arise from the fact that in an environment of low trust as obligation, while trust as confidence still increases trust as obligation, trust as confidence is more likely to be crushed when the trust as confidence is proved to be misplaced. I argue, however, that we can protect trust as confidence from sliding to a low-trust equilibrium by sensible institutionalization of distrust (as well as by nurturing trust as obligation).

The proffering of trust can transform what looks to the rational-choice theorist like a low-trust equilibrium into a high-trust equilibrium. As Valerie Braithwaite explains in chapter 3, citizens have multiple selves. In contexts where people's untrustworthy or exploitative selves are to the fore in an encounter, switching tactics are available to persuade them to switch to a trustworthy or public-regarding self. Trust as confidence is a most important switching tactic. The more it is transparent that an exploitative self dominates in a particular situation, the more trust as confidence will be seen as an act of grace. Turning the other cheek can be conceived as a switching technique for reversing a situation that is spiraling toward a low-trust equilibrium. The most fruitful research strategy on trust is to study situations with the lowest possible levels of trust—a meeting between a mugger and his victim, for example—to discover the conditions for rituals that flick the switch from tracking down to low trust to tracking up to a high-trust equilibrium. This search has been at the center of our research on nursing home regulation and conferences for criminal offenders and victims (Braithwaite and Mugford 1994).

The most important mechanism for enculturating trust is deadly

simple; it is to trust others. Societies do better with an interpersonal associational order that provides venues for the proliferation of this interpersonal mechanism. This means a rich civil society. We learn to trust and be trustworthy by being trusted in families, schools, churches, community groups, sporting clubs, and institutions of civil society generally (Putnam 1993).

It follows from this perspective that trust should be seen as a virtue. Our presumption should be to trust until others give us reason not to. Institutions such as families, schools, and clubs enculturate trust by teaching our culture's stories about trust as a virtue. But more important than teaching us the story of the prodigal son, they enculturate trust simply by extending trust to us as we grow.

The Undersupply of Trust

The previous section has showed how both trust as confidence and trust as obligation can contribute to controlling the abuse of power, be that tax cheating, child abuse, traders failing to honor their word, or the neglect of vulnerable nursing home residents. A feature of most standard means of controlling abuse of power is that they reduce power and involve a cost. Auditors-general and courts tackle the abuses of bureaucrats by limiting their power; they are also an expense to taxpayers. Trust differs from such institutions because trust increases both power and wealth as it does the work of controlling abuse of power.

For example, trust increases the power of traders in markets. You will become an influential trader if you are trusted by others who give you power. London continues to be a center of financial power out of proportion to the economic and military might of its host state because of the fabric of trust of the City. Lloyd's of London might have experienced shaky times, but Lloyd's is in fact a good example of a nuanced, informal architecture of trust that could not be erected at all in Moscow or New Delhi. We should wonder less at why its foundations have been shaky at times, more at how it can work at all. It is a miraculous thing to stand on the Lloyd's trading floor and observe within a matter of minutes the reinsurance of something as risky and massive as an off-shore oil rig, efficiently transacted on the floor through a process in which people who trust the signature of fellow agents agree to share huge risks. I trust you to be a "respected lead" underwriter on oil-rigs; you trust me to be a "respected lead" on oil tankers.

Japanese corporations may have a comparative advantage in the modern world because intra-corporate and intra-keiretsu trust have deeper cultural roots than elsewhere.² Equally, many Third World

businesses may be hindered in the acquisition of power because, although trust works well in their cultures among kin or tribal affiliates, it does not work when those affiliations are lacking (Gambetta 1988, 229; Hart 1988). Hence, Kenneth Arrow (1972, 357) contended: "It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence" (357)—that is, the undersupply of trust. Lord Vinson has cited as one of the ten commandments of his successful entrepreneurship; "Trust everyone unless you have a reason not to" (*The Economist*, Jan. 7, 1994, 93). Yet prior to the emergence of merchant codes of trustworthiness in eighteenth-century England, this may have been bad advice to the English entrepreneur.

John Maynard Keynes understood the importance of trust (Barbalet 1993, 235–38). In *The General Theory of Employment, Interest and Money* (Keynes 1936), he lamented the theoretical neglect of confidence, and the discipline of economics has perpetuated this neglect by ignoring this aspect of the *General Theory*. Keynes's theory of the marginal efficiency of capital turns on subjective expectation of yield, which renders confidence critical to the propensity to invest. It follows from Keynes that economic growth depends in part on a rationality based on trust rather than on certainty of calculation—"spontaneous optimism rather than on a mathematical expectation" (Keynes 1936, 161). Yet contemporary economics is about mathematical expectation, leaving the study of business confidence to journalists and political practitioners. Sociologist Jack Barbalet (1993) thinks economics must grapple with how architectures of trust generate emotions and cognitions of confidence that enable actions like investment. As we recover from the deregulatory excess of the 1980s, which was a myopia of mathematical expectation, we now see once again that prudential regulation is about prudence, that securities regulation is about security. Regulation is partly about mooring emotions like panic against the turbulent currents of the market.

Transition in Eastern Europe has also helped us see what social scientists had been blind to in the West. A tragedy of Communism was that it set out to destroy the institutions of civil society—all those institutions intermediate between the individual and the state. It is in these institutions—professions, industry associations, unions, self-regulatory organizations, business schools, churches, families—that the fabric of trust is woven (Krygier 1996). When we destroy the institutions of civil society, trust and many other forms of civility are destroyed. Once the fabric of trust unravels, a society suffers in two ways—from abuse of power and from a want of the confidence necessary for a flourishing economy.

Put more optimistically, by nurturing institutions of trust we can

empathy in the abstract, a capacity to imagine injustice that builds from the stories and perspectives of those who know it best. It is to recognize that governments have a crucial role to play in asserting their responsibility and their capacity not only to take action in the interests of justice but to represent these stories and perspectives in the public realm. Advertising distrust of the disadvantaged—which includes implicit endorsement of recent media attacks on “work-shy” unemployed youth, scheming single mothers, and a supposed crisis in welfare fraud—is an irresponsible form of governance (McDonald 1995b). It undermines the willingness of other citizens to recognize their bonds with the poor and is likely to increase rather than decrease the perception that governments are incapable of doing anything about fundamental social problems.

Unfortunately, almost every message citizens now receive from cost- and debt-conscious governments is that people must now look after themselves, that self-interest is a benefit even if it becomes selfishness, that the powerful and the wealthy can be trusted but the powerless and the poor cannot, that “public” means substandard and backward, that those with everything are under no obligation to share what they don’t want to give. Governments more frequently assert their incapacity than their capacity. Ultimately, then, the task is to rehabilitate our notions of governance to focus on what it is that only collective means can achieve and prevent. That is why I am arguing for trust, for investing in the initiative and strength of disadvantaged people, for listening to their voices. Telling the stories of these hundreds of people is, I hope, some way of building that sense of imaginative connection, empathy, and trust that is crucial to effective governance and to real social welfare. It means saying again and again that the poor are “us,” not “them,” that they are strong, resilient, and capable people, coping in a world of rocks and hard places, and that they are among the best of us, not the worst.

I wish to thank the participants in the Trust and Governance workshop for their comments on the preliminary draft. Margaret Levi, Graeme Davison, and the two reviewers of the manuscript provided written comments that were invaluable in reshaping this paper.

Notes

1. Because individual respondents have not been able in all cases to authorize the use of their words, interview transcripts are referred to by a number and an identifying letter (B=Broadmeadows, E=Elizabeth, I=Inala, and MD=Mount Druitt) and the relevant page.

2. There is a further complication; because I grew up in Elizabeth and published a book on its history during these interviews, my position in regard to my respondents was neither simple nor straightforward. People in all four suburbs, traditionally and understandably wary of outsiders and “experts,” would always want to know my story. In Elizabeth, I am known and responded to as someone who shared part of this past; in the other suburbs, I think my past allowed people to bring into their speech assumptions about shared understandings of the world, shorthand expressions and narrative structures laying out “the world as it is” that I was expected to comprehend more easily. I was not an insider; even in Elizabeth, the fact that I had left for good at the age of seventeen meant that I was no longer really a local. But neither was I a real outsider. The role of memory and place and of my ambivalent status as insider/outsider is discussed in Peel 1995a.
3. The Jobs, Education, and Training (JET) scheme was jointly managed by the Department of Social Security and the Commonwealth Employment Service. It provided intensive counseling and support for sole supporting mothers and allocated each client to one worker who managed all aspects of the client’s involvement in training, further education, and job placement (Evans 1993). The conservative government elected in 1996 is trying to privatize and streamline employment services, and the JET approach seems likely to disappear.

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