



ELSEVIER

The Journal of Socio-Economics xxx (2007) xxx–xxx

The Journal of
Socio-
Economics

www.elsevier.com/locate/econbase

Trust—The importance of trustfulness versus trustworthiness

Jan Tullberg*

Stockholm School of Economics, P.O. Box 6501, 113 83 Stockholm, Sweden

Received 24 November 2006; received in revised form 28 June 2007; accepted 6 October 2007

Abstract

Trust is analyzed as a concept with two components, trustfulness and trustworthiness. This approach combines the attitude of one actor with the characteristics of another actor. Many analyses stress the importance of being trustful. In the idealistic tradition, faith and social education nurturing positive expectations are the keys to trust and cooperation. However, the present analysis finds trustworthiness to be the crucial factor. Overoptimistic or deceitful promises will fool and disappoint the trustful actor, making him distrustful, while experience of trustworthy partners will enhance further cooperation. Hence, the degree of trustworthiness is the central factor for whether trust increases or decreases.

© 2007 Published by Elsevier Inc.

JEL classification: P51; M14

Keywords: Trustworthiness; Trustfulness; Vertical trust; Horizontal trust; Rational distrust

1. Introduction

Discussion of trust has had a high intensity for many years. One factor encouraging the debate is that several influential writers such as Fukuyama (1995) and Putnam (2000) see a decline in trust, implying a significant looming problem for modern societies. Other writers see a more positive picture (Inglehart, 1997, 2003; Hardin, 2002). The concept of trust has been penetrated to understand its psychology and also the ethics involved. Experiments have been useful tools in such efforts (Ostom and Walker, 2003).

Trust can be seen as a compound of several elements, but this article focuses upon one distinction that, it is argued, is helpful when looking into the problems of trust. One aspect of trust is trustfulness, the capacity to take a risk that the other person will not behave according to a special agreement or to general rules even if promising to do so. The other aspect of trust lies less with the agent and more with the potential cooperator. Is that person or organization trustworthy?

This paper will penetrate the relative importance of these two components. In different evaluations, one or the other has been considered the most important. The Salomonian suggestion might be saying that they are both important and there is no point in fielding one versus the other. I disagree. In ethics one easily ends up with interminable lists of virtues or obligations. No one can do everything, so it is of both theoretical and practical importance to reach a reflective priority.

The alternatives are not only complementary, but sometimes in conflict. Disappointed trust tends to reduce trustfulness and raise demands for trustworthiness. High demands for trustworthiness have the result that the leap of trust, by

Q1 * Tel.: +46 8 736 94 52.
E-mail address: jan.tullberg@hhs.se.

1 1053-5357/\$ – see front matter © 2007 Published by Elsevier Inc.
2 doi:10.1016/j.socec.2007.10.004

35 being trustful, is taken less often. There is both a need to leap forward and a need to land often on firm ground. When
36 trust is absent, the question is whether the task of bridging the gap should place the priority on becoming trustful from
37 one side or on becoming trustworthy from the other.

38 The discussion of trust has often been focused on the public domain, not least because political scientists are
39 important participants in the debate. This article presumes that the market, with employees and consumers as actors,
40 is an interesting environment. Trust is not only expected to be important for the functioning of the market. There are
41 also ideas as to how the experience of the market influences the level of trust in other spheres of society.

42 The paper's outline is as follows. In the first section, the concepts of trustfulness and trustworthiness are elaborated
43 a bit more. The second section focuses on the influence of trust in the economy. In the third section, the anatomy of
44 trust is developed further by making other conceptual distinctions. In the fourth and final section, the discussion is
45 brought to a conclusion. Has the distinction trustfulness–trustworthiness been helpful for penetrating the issue of trust?
46 What conclusions seem reasonable following the analysis?

47 2. Trustfulness and trustworthiness

48 A penetration of concepts cannot discover inherent messages in the terms themselves, but different definitions
49 indicate different ways of analyzing the issues and what problems to give priority.

50 2.1. Trustfulness

51 Many people see morals and trust as something in the eye of the beholder. In addition to behaving morally, my most
52 important contribution might be to expect others to behave morally. There is a potential for positive as well as negative
53 dynamics. A suspicion can lead to hurt feelings and mutual suspicion: “if you do not trust me, I have no intention of
54 trusting you”. Measures of control might lead to countering efforts of fouling the control.

55 Correspondingly, being trustful can constitute the leap of faith that becomes a self-fulfilling prophecy. Etzioni
56 (1988) argues for the merits of “having faith in faith”. If you are seen as a person trusting others, they will be more
57 inclined to reciprocate your trust. They read your character as trusting and then respond by trusting you. Faith and
58 moral ideas about a duty to give are linked to a psychological inclination to reciprocate; if I am trusting you, you might
59 trust me. Oscar Wilde wrote that a happy marriage is built on a mutual misunderstanding. An overrating stimulates a
60 corresponding overrating, creating a positive *folie à deux*.

61 Frank (1988) presents an experiment of the Prisoner's Dilemma in which the test persons were asked about their
62 expectations of the other person's behavior. Of those who thought the other person would contribute, 83% decided to
63 contribute. The share of contribution among persons who thought that the other person would not contribute was only
64 15%. The same pattern has been shown by researchers such as Dawes et al. (1977). This experiment also shows that one
65 explanation for the difference is that the expectations partly are rationalizations of a chosen decision. Such behavior
66 indicates normative support for a symmetric outcome. People do not want to be suckers/saints and neither do they want
67 to be free riders – they want to be cooperative if there is a good possibility for success, and non-cooperative when the
68 other person does not contribute. To get a symmetric result, they adjust their own behavior or their expectations of the
69 other player's behavior.

70 Another angle, which is more of a semantic alternative than a real objection to the concepts of this article, is to
71 use trust in the sense of trustfulness and define trustworthiness as an alternative rather than as a component of trust.
72 The Oxford English Dictionary makes the following description of trust: “Confidence in or reliance on some quality
73 or attribute of a person or a thing or the truth of a statement”. Ingemar Torbiörn defines trust as the “willingness
74 to be vulnerable”, which is an informative way to capture the essence of what is asked in one of the parts of the
75 potential relationship (Torbiörn, 2002). Other writers with the same basic categories as mine label them “trust” and
76 “trustworthiness” (e.g. Hardin, 2002).

77 Such an alternative terminology rephrases the research question as “What is the most important, trust or trustwor-
78 thiness?” I consider it an advantage to include the two major components and their relation in the concept of trust. The
79 terms are then set in a proper way for investigating relative importance of the eyes of the beholder and the characteristics
80 of the be-eyed. This is an advantage that can be obtained with other terms such as “willingness to trust” instead of
81 trustfulness. But letting the word trust stand just for trustfulness gives a semantic bias to one part of the relationship
82 obscuring the other.

Sejerstedt (1995) suggests another terminology with the focus on the content of trustfulness. “Pragmatic trust” is based on being trustful when factual criteria support expectations for trustworthy behavior. This trustfulness is based on rational grounds. In contrast, “moral trust” is based on the feeling that someone “is behaving decently and openly”; that kind of trustful judgment is built more on faith. Other writers make the same distinction with other words. Often, trustfulness of the idealistic kind is termed trust and the more well-founded trustfulness is given a term such as “assurance” (Yamagishi, 2003) or “confidence” (Luhmann, 1980).

These definitions draw attention to the non-rational components in trustfulness; the risk is dominated by elements of hope and duty, not only a rational calculation. After this self-destructive potential in the definition, many writers turn to its advantages; being trustful for no good reason is the way out of social traps, since one receives trustfulness from others by being trustful.

There is a link between seeing trustfulness as an essential virtue and the high regard of faith in religious thinking. For religion, there is an evident general attraction to this position since, in the absence of proof, believing is necessary. With scant proof for the religious ideas, there is a need and demand for belief. That position has further linkage to the choice between trustfulness and trustworthiness. The potential existence of a punishing God has a more direct effect. A believer has strong incentives for following the divine instructions on how to behave in cooperation. Furthermore, the belief of a potential cooperator in a God that condemns and punishes deceit is relevant. If you believe that a potential cooperator believes she will be punished if cheating on you, this is a reason for you to be trustful. God as a punisher of norm violations might be more essential than God as a lawmaker. There are connections between a faith in God and a faith in trustfulness.

2.2. Trustworthiness

When defining trust more specifically, it is not always trustworthiness that is excluded, but sometimes faith-based trust. One reason is that faith does not always show sufficient interest in estimating the risk; a will to know is missing (Blomqvist, 1997). In a game situation, a person trying to cooperate even when believing the other will not cooperate is not classified as a trusting person, but rather as a person feeling an obligation independently of trust for the other person. Stack (1978) defines trust as feelings of trustworthiness.

Dasgupta (1988) defines trust as correct expectations of the actions of others when one has to make one’s own choice before monitoring the actions of the other. Thus, unfounded beliefs in the other person’s good behavior are excluded from trust. This is unusual, but it highlights the need to discuss the negative side of excessive trustfulness.

Excluding some factors from the concept is one way to make it clearer; another way is to specify the factors that constitute the core of the concept. Barber (1983) makes a distinction of expectations into two kinds: expectation of competence and expectation of responsibility. Trustworthiness requires them both, so the component with the lowest level of capability and responsibility determines the level of trustworthiness.

In a cynical atmosphere, the actual trustworthiness might be underestimated. Skepticism can turn demands for verifying trustworthiness into too high demands, and it is hardly a good policy never to offer the benefit of a doubt. A risk-averse attitude that leads to lots of demands on the other party for proving that he is trustworthy easily leads to corresponding demands. What are the good reasons for my trusting you? Skepticism and suspicion might bring up so many reasons for caution that a potential agreement seems out of reach. The balance tilts towards dismissal of good opportunities, compared to avoiding fraudulent claims. Expressed in more economic terms, the transaction costs are increased to a level that makes much cooperation less rewarding, and some is inhibited.

2.3. Trust and distrust

Trust is used for a situation when two parties enter some kind of interaction without specifying which of the components – trustfulness or trustworthiness – is the most crucial. Similarly, distrust describes a situation when the link is missing without specifying in the definition which component is most important. That issue is the one to penetrate.

One interesting idea is that socially competent persons with ability to discover a lack of trustworthiness can be generally more trustful. A person lacking this discriminating ability keeps down his cost of being cheated by being more generally negative – and thereby also misses some opportunities. Rotter (1980) and Yamagishi (2001) found that more trustful people were not easier to fool. This finding is an argument for increasing trustfulness according to a rule: be trustful if there are no special reasons to question the trustworthiness of the potential partner. In experiments, “low

131 trusters” were more inclined to support arrangements with bonuses and punishment than “high trusters” (Yamagishi,
132 1986). When psychological skills are limited, additional instruments are vital. These complementary methods seem a
133 most rational way to improve trust.

134 It is most understandable that there is often a negative attitude toward distrust. “Do not delay or complicate – just
135 trust me.” Such an attitude is convenient for both private and public authorities. Also in private relations, an easygoing
136 positive attitude is attractive to display even if the trustworthiness is weak. As a countervailing force to such popular
137 – but overoptimistic – presentations, there is a need of distrust. Bok (1994) uses a metaphor that indicates a more
138 balanced view of trust: “To be sure, a measure of caution and distrust is indispensable in most human interaction. Pure
139 trust is no more conducive to survival in the social environment than is pure oxygen in the earth’s atmosphere” (1994,
140 p. 13). Russian novelist Joseph Brodsky made a more radical claim: a higher degree of civilization is indicated by a
141 higher degree of cynicism (Brodsky, 1986).

142 Barber (1983) uses the concept “rational distrust”. In many situations it is realistic to have low expectations about
143 the other agent’s responsibility and/or competence. If the problem is rational distrust, an increase in trustworthiness
144 seems to be the remedy from both practical and moral perspectives.

145 There are, of course, also cases of “irrational distrust”. If we have nothing to fear but fear, being hopeful is the
146 remedy. In addition to its limiting the possibilities of cooperation, there are further disadvantages with irrational distrust.
147 Empirically, high degrees of distrust cause psychological stress (Gurtman, 1992). It can be argued that realism is not
148 enough. To consider oneself skillful when successful, but suffering bad luck when unsuccessful, motivates, in a very
149 biased way, a high self-esteem, while a more realistic attribution to skill and luck respectively can be destructive for
150 mental health. Some overestimation of ego supports motivation and avoids the risk of “depressing realism” (Dykman
151 et al., 1989). Correspondingly, some overestimation of others might be necessary. Is there a need of optimism about
152 the behavior of others to avoid depressing realism? However, not only the saint, but also the crook, promotes mistaken
153 trust as a virtue and rational distrust as a vice.

154 It might be helpful to summarize the connection and dynamics between the different concepts in a simple model.

- 154 A ~~Disappointed trust brings decreasing trust~~
- 154 B ~~Rewarded trust brings increasing trust~~
- 154 C ~~Missing trust brings missing trust~~
- 154 D ~~Positive expectations generate trust~~

155 Proponents of trustworthiness generally prefer the adage “better safe than sorry” and see disappointed trust as
156 the main danger (A). The method to increase trust is (B) – an accumulative process of successful interactions with
157 trustworthy agents. Proponents of trustfulness see the vicious circle of missing trust reproducing missing trust as a
158 social trap from which it is hard to break away (C). To solve this problem it is necessary to take a leap of faith. It
159 is a social virtue to err by choosing mistaken trustfulness rather than by making the opposite misjudgment, mistaken
160 distrust (D).
161

162 3. Trust in the economy

163 This section aims to bring up problems and possibilities of trust in the economic sector of society. What threatens
164 trust and how is trust sustained?

165 3.1. Criticism of the ethics of the market

166 There is a long list of widely supported complaints: high prices, low wages, over-paid bosses, *et cetera*. This is often
167 exemplified in scandals and generates a general negativism. Actually, buying implies some trusting, and many times
168 the goods and services prove to be trustworthy. The morals of the market – the workday ethics to be distinguished from
169 the Sunday ethics – might be considered low, but also reliable. However, it is fair to say that there is still a common
170 distrust of business. Companies are rightly suspected of increasing prices whenever they can. Therefore, it might be
171 better to be honest and admit that prices are kept down by threats of losing the customer to the competitor, rather than
172 that price increases are restricted by the company’s dedication to the interests of its customers.

173 In the morality of the market, there is little regard for the unselfish utopianism of the New Testament and socialism.
174 Many leftwing authors attack this lack of traditional virtues in capitalism. Egocentrism, envy and self-pity and other

low values also support criticism of materialism and wealth. However, the moralistic criticism of business has not resulted in a high level of trust for journalists or politicians. Business executives get low ratings – in one survey 22% rated them high or very high – but politicians got even lower marks (Carroll and Buchholtz, 2003). The low regard for politicians has a foundation in disappointment with their capacity to deliver; do-good talking followed by disappointments undermines trust. The dilemma of the politician is that if he lacks this optimistic attitude, he may not be elected in the first place.

In politics the desired goods will normally not be charged to the receiver, but to somebody or something else – such as the very rich, less bureaucracy, or economic growth. The company is not tempted to the same degree of undisciplined optimism. It can abstain from telling the price, but this does not cause expectation of anyone paying the bill other than the customer himself. The message “there is no such thing as a free lunch” has made its impact on expectations. There is a clearer distinction between the “puffery” of advertising and real promises. If a company proclaims that its gel is giving eternal youth, this message might avoid complaints because consumers will not understand the claim as a factual promise, but as an ambitious attitude. But if the company claims a product is of stainless steel, it had better be stainless, because this will be considered a factual claim. Companies ought to beware of risks with ambitious claims that can be perceived as real promises. Therefore, companies should beware of saying that they are “good” in a Christian sense. If they do, they might be helped by this message being received, not as a serious proposition, but as emotional sales talk.

3.2. Trust in business interactions

Commerce becomes slow if buyers insist on getting the good before paying and sellers want the money before delivering. Since not everything can be verified before a transaction is taking place, risk is not eliminated and there is a need for trust. Kenneth Arrow expressed the following judgment: “A great deal of economic life depends for its viability on a certain limited degree of ethical commitment” (Arrow, 1973, p. 313). Crucial in this judgment are both “certain” and “limited”. There is a base level that has to be secured.

The market is not only impersonal exchange. A lot more is person-to-person interaction than the non-personal clearings of the financial markets. Therefore, even the market’s proponents might overstate its amorality, as in David Gauthier’s characterization “the market is a moral free zone” (Gauthier, 1986). Rather the company has taken the place as the model organization of society; it is hardly in the Boy Scouts or the church organizations that people are socialized. When joining an organization the prevailing morals, “morals in use”, are important for an adaptive trainee. Considering the secular dominance and aristocratic abdication, modern society would be a terrible place if company morals were as destructive as described by Jackall (1988). Despite all criticism, some positive construction must take place.

In several respects the modern corporation seems to nurture some virtues. To disappoint the trust of others will bring negative consequences, and there is seldom a significant advantage. An employee rarely has any good reasons to risk his own reputation for bringing the company an advantage. He is following a written and an unwritten contract, as well as work routines promoting desired behavior.

The core of ethical behavior might be as in the following quotation from Russel Hardin: “Most of us are somewhat like bank tellers: we are secured in our normal honesty by institutional arrangements that make significant dishonesty risky, even difficult. Much of what looks like honesty is essentially self-interest at work” (Hardin, 1991, pp. 203–204). I think that he is right, but there is no need of casting honesty versus self-interest. The point is that this is honesty in line with self-interest, rather than self-sacrificing honesty, a kind of honesty that can be expected to be rare. In the prevailing situation, it is rational to trust the bank teller; she is trustworthy.

There is a justified high trust for ordinary behavior in the market. You might get robbed in the park, but not in the supermarket. Packages are seldom empty or products defective, and the people providing service might be ignorant but they mostly try to be helpful. There are conflicts in the workplace, but generally most people try to avoid making problems for others. Without special reasons, people can be expected to act according to ordinary social rules.

Company communicators are expected to suppress shortcomings of the company, while focusing on and exaggerating strengths and good news. However, it is possible that balanced information will better support a brand in the long run than unsubstantiated claims followed by consumer disappointment; it is a virtue not to let the image run away from the accomplishments of the company. The marketing guru Ogilvy (1983) suggested the following as a commandment for marketing: “Do not advertise your aspirations.” This is a good moral and it might also be successful marketing, if banking on Ogilvy’s reputation.

225 Giving false information includes some risk, so avoiding problematic issues and only mentioning strengths might
226 be more prudent, even if not praiseworthy, behavior. But there are other disadvantages with a “no-comment” policy.
227 Frank (1988) discusses the full-disclosure principle. If the company is mute, consumers often choose the most negative
228 interpretation of the silence on this subject. To avoid such a situation, it might be better for the company to show its
229 cards on the issue even if this record is not so impressive; a mediocre result is better than the suspicion of having a
230 dismal result. This logic illustrates that sometimes distrust breeds more honest and trustworthy behavior. Suspicion
231 might be a ground for improvement.

232 3.3. Remedies to failure

233 Compensation is much easier in business than in politics. What can a politician say after promising 100,000 new
234 jobs when his term in power has resulted in a loss of 100,000? Either “I am sorry it did not turn out the way I hoped
235 and expected” or “This policy did generate approximately 100,000 new jobs, but unfortunately other negative factors
236 more than offset the gain”. For the next campaign, this politician will need a new theme.

237 Personal relations might indicate that a measure of forgiveness is a crucial element when restoring a damaged relation.
238 Q2 Experience from business demonstrates the effect of correcting and compensating others for your mistake. Reichheld
239 (1994) and many practitioners verify that even a weakness in ability to deliver a functioning product right away may
240 be corrected by a responsible and adequate action, so the relationship grows even stronger than for the customer who
241 never experienced a problem. It is not outside the scope of the consumers’ imagination that competent companies also
242 produce “Monday products”, and there is a nagging doubt whether the company will treat such a situation properly.
243 Perhaps it will deny the problem by referring to its general good quality. A policy to correct mistakes impresses the
244 pessimistic consumer more than an improvement from 97% to 98% with no faulty products.

245 One popular policy can be summarized in the slogan “the customer is always right”. The core is to please the
246 consumer rather than to determine whether his claims are worthy or unreasonable. The expectation is that such a policy
247 also makes life easier for the employees. As a member of the board of a clothing chain, I was drawn into a discussion
248 about discontent among the employees with a new “the consumer is always right” policy. They saw it more as a loss of
249 empowerment than a means of avoiding conflict situations. Their professional judgment was ignored and the customer’s
250 claim was accepted even when the customer obviously was cheating. One example was a customer coming back to
251 a store and claiming that the sweater previously bought had the wrong color, while the employee considered the real
252 reason to be an egg lost on the sweater – a reason for product exchange that seems poorly qualified for acceptance.

253 In the short term, few consumers will misuse the situation, but bad rules breed bad behavior. When companies are
254 inattentive to exploitation by some customers, the ordinary customers may begin to suspect that they pay a higher price
255 to compensate such losses. Some generosity when applying judgment might be advisable, but the central ambition
256 should be fairness. Giving in to unfair claims is likely to alienate both employees and customers, and create much more
257 severe problems than the minor ones that are avoided by general acceptance.

258 The popularity in the US of litigation is a good example of the sense of justice taking the backseat when the incentives
259 of overcompensation support a process further fuelled by greed, envy and self-pity. Trust is a potential victim when
260 there are such high incentives to outsmart your previous supplier and make a great gain at his expense (for a discussion
261 of the problems on this issue see Tullberg, 2006).

262 When failure occurs, providing compensation and correction has more appeal than asking the consumer for for-
263 giveness. However, it is fair to demand that the customer also behaves in a trustworthy way. Unfair generosity is an
264 invitation to further exploitation by the receiver, and undermines the moral spine of responsibility and balance between
265 seller and buyer.

266 An important issue for the trust to companies is to avoid hypocrisy that can undermine the belief that the company
267 is serious in its claim. There should be a clear line between ambition (never a problem) and promises (a two-year
268 warranty with fast and competent correction). The present attraction of being a good company might undermine the
269 trustworthiness of companies.

270 3.4. Trust and economic effects

271 Several researchers have theoretically and empirically shown the desired social effects of trust. A cross-country
272 study by Knack and Keefer (1997) estimates that the effect of a difference of one standard deviation in trust corresponds

to a difference of half a standard deviation in economic growth rate. Considering such effects it might be argued that it is advisable to promote trust, making it a civic virtue to be trustful to each other. But there is, of course, the question about causality.

This investigation also tested one theory about what stimulates social trust. Economic growth was analyzed in relation to the number of socially independent groups. Putnam (1993) suggested that the large number of social groups in Northern Italy at the time of the Renaissance was a crucial factor explaining the take-off in economic growth. This theory was tested as a correlation between economic growth and “Putnam groups”. Knack and Keefer (1997) also tested growth versus another kind of groups, the “Olson groups”. These were named after Mancur Olson who in his book *The Logic of Collective Action* focused on more selfish groups like union and parties, with a mission to promote the interest of their members rather than having less antagonistic and more benevolent purposes like the groups classified as Putnam groups. The result of this comparison was that the Olson groups had a more positive effect on economic development. The most reasonable explanation is that these groups were more frequent because of more liberal rules, then freedom and competition-generated growth, and also trust. When there was a need to be trustworthy for competitive reasons, companies adjusted and trust increased.

A very large research project, “Economic Freedom of the World”, involving 11 different research institutions and research foundations, was presented in Gwartney et al. (1996) and updated in Gwartney and Lawson (2004). In this project the degree of economic freedom was measured and compared to data about economic level and rate of growth. The economic freedom index is composed of five factors: low taxes, protection of property, freedom of contract, free trade and monetary stability. The correlation between economic freedom measured by this index and economic development was very clear-cut. The six groups of different degrees of freedom showed the same hierarchy regarding income; a low degree of economic freedom was correlated with low income and a low level of growth. A more detailed analysis showed that economic freedom generates wealth, not the opposite – that economic wealth generates more economic freedom. Changes within specific countries show strong effects in income depending upon whether the economy was liberalized or not. The 16 countries that had changed their policies in a less liberal direction during the period 1975–1995 even had a decreasing GNP (Gwartney et al., 1996). During the period 1980–2002 countries with a high rate of economic freedom (index points 7–10) had an average annual growth rate of 3.7%, while those with a low score (under five) had only 0.4% (Gwartney and Lawson, 2004). Also this study sees the causality as building from institutions giving freedom of choice, to demands for successful interaction, and then to economic growth. If the structure for choices is eliminated, economic performance deteriorates.

In an analysis of the experience of 131 countries, Burkhart and Lewis-Beck (1994) found support for a causal relationship from economic development to democracy, but not in the reverse direction.

Inglehart (2003) analyzed the development of values from a number of studies and summarized his findings in a two-step model. The first step is that economic development generates a shift from survival values to self-expressive values. The latter set of values includes general trust as one of its components. Trust implies both tolerance of others disagreeing with one’s values and an increased willingness to disagree because the agent expects others to be rather tolerant. This cultural shift is essential for the second step to higher levels of democracy. In a study of 76 countries an index of self-expressive values of the population, including trust, showed a stronger correlation with actual democracy ($r = .830$) than an index of direct political democratic ideas ($r = .506$).

Combining these studies generates the following development:

- 1 Economic freedoms breed economic development
- 2 Economic development generates self-expressive values and trust
- 3 Self-expressive values bring increased levels of democracy
- 4 Experiences of trustworthy systems bring trustfulness

Trustfulness does not seem to be the cause, but rather an effect of more fundamental factors. Then it contributes to a climate that is more supportive to cooperation. The process can be reversed and the sequence seems to be first failing institutions followed by declining trustworthiness and then lower levels of trustfulness.

4. Other anatomies of trust

Trust is often discussed in two other dimensions that are most important for an analysis. The first concerns when and how trust is formed: is it primarily by education or by experience? The second dimension concerns the amount of trust at different social levels. How do these two issues relate to the distinction between trustfulness and trustworthiness?

4.1. ~~The issue of~~ formation of trust

The formation issue has the following three main candidates:

- Personal traits (genetic and early childhood).
- Socialization/upbringing, something generated by the culture (primary socialization).
- Experience of the social reality (secondary socialization).

Erikson writes that within two years of age a person needs to develop trust in at least one other person. That basic trust is fundamental for expanding trust to include more persons (Erikson, 1963). The issues of personal traits being genetically inherited or dependent on the experiences of early childhood are outside the scope of this article. But the relative importance of the other two is of high relevance and an issue to be discussed here. Etzioni (1988) writes that the idea that trust is built upon experience can be classified as a “Whig” opinion. The alternative – the “Tory” opinion – is that trust is based on education.

Many thinkers seem to follow the Tory line. Schumpeter (1943) saw modern liberal society as built on an aristocratic foundation. It was unrealistic to expect democratic society to stand by itself without this respectful tradition; the modern egocentric and anti-authoritarian attitude will in time undermine society. A contemporary thinker making a similar judgment is Francis Fukuyama, who sees a capability in traditional society to foster trust, whereas this capability is threatened in modern society. “But communities of shared values, whose members are willing to subordinate their private interests for the sake of larger goals of the community as such, have been rarer. And it is these moral communities alone that can generate the kind of social trust that is critical to organizational efficiency” (Fukuyama, 1995, p. 309). According to the Tory view (including both right-wing and left-wing supporters) there is more of social capital spending rather than social capital building in modern capitalist societies.

The saying “First we try – then we trust” covers a lot of the alternative idea, that experience is the prime factor. It implies not only that you have to “walk the talk” not to undercut your declarations, but that declarations and promises are of secondary importance to demonstrating behavior. The recommendation is to act trustworthily and you will be trusted. Kollock (1994) is one proponent of seeing trust as essentially a by-product of cooperative relations.

A classic example of trust-building through experience is the “ping-pong diplomacy” before high-level negotiations between the USA and the People’s Republic of China. The experiences from this sport competition were seen as better evidence for future behavior than an agreement directly aimed at these high-level political meetings.

The issue of education versus experience shows interesting connections with the main distinction in this article, between ~~trustful~~ and ~~trustworthy~~. The Whig opinion is close to trustworthiness with its judgment of continuous experience influencing trust. The Tory opinion is more linked to an inclination of ~~trusting or not trusting~~ established by upbringing. If you’ve got the faith, you are inclined to trust other people. Keeping the faith even when disappointed shows the strength of the attitude.

A central issue is whether experience of current society can maintain trust when the traditional educational foundation is shifting. Will individuals of a more secular, hedonistic and individualistic inclination feel the obligation to be trustworthy themselves, and avoid a crippling distrust of others? There are also doubts about such a problem presentation. Was the culture of the past so trust-generating, and if so, how? Yagi shares these doubts about this view: “Regarding trust as a manna given to a community from heaven, Fukuyama’s approach has strange loose ends” (Yagi, 2001, p. 22-). Harris (2006) looks into the expectation of problems following secularization. Comparisons both internationally and between different states in the USA indicate ~~the~~ criminality is positively, not negatively, correlated with religiosity. This undermines the frequent claims that faith in a God also brings faith in rules and decent human behavior.

4.2. The issue of social level

In another discussion the social level of trust is a major component. The following structuring into three social levels might be useful.

- “Private trust”. This term is used for trust of persons with whom the agent has a directly established personal experience: family members, friends, neighbors, and co-workers.

- 365 - “Vertical trust”, alias “Institutional trust”. This is the degree of trust in government and other institutions regarding
366 issues such as impartiality, competence and corruption.
367 - “Horizontal trust”, alias “Generalized trust”. This answers a question as to whether ordinary persons, people you do
368 not personally know, can be trusted to behave decently.

369 For a long time there has been both measuring of trust and a heated discussion about the results of these investigations.
370 One established method measuring horizontal trust is the *Philosophies of Human Nature Scale* (Wrightsmann, 1974).
371 Another method is the *Interpersonal Trust Scale* (Rotter, 1967). The latter method distinguishes between familiar
372 persons in one group and institutions and people in general in another. This implies that the first subgroup is private
373 trust and the second subgroup a fusion of horizontal and vertical trust. The correlation between the two scales is about
374 0.6–0.7 (Viklund, 2003). When measuring trust, it is often declarations of trustfulness that constitute the data.

375 In political science there is a discussion about the development of trust over time. Are modern societies suffering
376 from an erosion of vertical or horizontal trust? A major topic in political science has been to measure and analyze a
377 decline in trust in the USA, but also in other developed nations. A decline in vertical trust is observed in the period
378 from 1965 to the early 1970s. It has then stabilized according to some researchers, while others see continuous decline.
379 Miller (1974) saw this Western decline in trust as major and deep, while Citrin (1974) made the judgment that it was
380 shallow, only indicating “ritualistic negativism”. Putnam (2000) is a more recent proponent for a decay of trust and
381 Hardin (2002) a skeptic of such a decline.

382 A decline is surprising, considering the experience of emerging democracies. Inglehart (1997) found a generally high
383 correlation between the number of years with democratic institutions and the level of horizontal trust. Rich countries
384 also show higher levels of trust than poor countries.

385 In the discussion about trust and politics there is often a strong focus on the leaders. According to this view, it is
386 essential that the leader is perceived as trustworthy with a capacity to initiate hope and trustfulness in the electorate.
387 However, this leadership focus is at odds with an old liberal analysis. In 1656, James Harrington referred to the idea that
388 one should focus upon the choice of good leaders, who then would find good laws, as “the maxim of the demagogues”
389 (Schmandt, 1960). In that spirit the American Constitution argues for rule by law, not men. If this classical liberalism
390 is combined with current polls showing low regard for leaders, it seems justified to make a distinction between
391 different kinds of vertical trust. It seems both possible and common to have high trust in the institutions of modern
392 democracies combined with distrust of the political leaders. This might be called “system trust” (Luhmann, 1979). As
393 real phenomena, both democracy and the market economy have many enthusiastic proponents who simultaneously are
394 highly skeptical of the persons in the offices of power. Seligman (1997) writes that vertical trust used to rest on horizontal
395 trust, but that is no longer the case; trust has been organized and regulated. The persons in the system and the system
396 itself have become separated, and so has the issue of trust. The less respectful way of perceiving persons in positions of
397 authority will therefore do limited damage to vertical trust. There can be quite a few rotten apples in the barrel before
398 the tree is seen as the culprit. Institutions of control and correction limit the harm caused by deceitful individuals.

399 Fukuyama (1995) finds a correlation between trust and the share of GNP for the 20 largest companies, and argues
400 that there is a conflict between horizontal trust and private trust. The latter becomes a substitute solution, according
401 to Fukuyama, which hinders horizontal trust and larger organizations. My judgment is that horizontal trust is built on
402 private trust. There is no conflict, but a safeguard; even in a corrupt society some amount of trust at the private level can
403 survive, rather than the Fukuyama thesis that “amoral familism” is crowding out other kinds of trust. When institutions
404 and people in general are trustworthy, the individuals will expand their trust. When you cannot trust family members,
405 you will hardly be inclined to trust strangers. If trust stays limited to private trust, it indicates disappointments at the
406 horizontal and vertical levels. A Czech proverb says more about the corruption of the communist state than about
407 ruthless family loyalty: “Everybody who does not steal is stealing from his own family” (Zsolnai, 2002, p. 76-).



408 This expansion – or contraction – of trust is the result of experiences. If expectations are met, individuals or
409 institutions are seen as trustworthy, which strengthens trustful expectations. Positive and negative experiences are
410 generalized. Good experience of the customs also influences the perception of the police. There seems to be some
411 robustness in the view of vertical trust. When the issue is trust in a politician, the general public seems sensitive to
412 what it sees as failures of trustworthiness. A common judgment is that trust takes a long time to build but is spent fast
413 and with ease. The impact of failures of trustworthiness seems strong.

414 It also seems more reasonable to view the development of vertical trust as linked to experience of trustworthiness
415 of these institutions than to the education factor. A dominant idea is that the authority in education has decreased with

10
J. Tullberg / *The Journal of Socio-Economics xxx (2007) xxx–xxx*
416 secularization and individualization. If vertical trust of institutions is not diminishing, there must be some other factor
417 supporting it.

418 5. Conclusions

419 5.1. Perfection fallacy

420 Montesquieu was clear-sighted with the judgment that the best is often the enemy of the good.  Despite all the
421 Nothing indicates that there is a perfect solution for social phenomena, descriptively or normatively.  Despite all the
422 ridicule delivered by Voltaire, Leibniz might be right and the actual world is the best of all *possible* worlds – even if
423 definitely not of all imaginable worlds. The assumption that several attractive demands can be achieved simultaneously
424 might be called “the perfection fallacy”. Fukuyama (1995) may commit this fallacy when trying to create the missing
425 20% of cooperation by promoting more trustfulness. In the best of all *imaginable* worlds, total trustfulness will not
426 bring disappointments, but maximal human cooperation.

427 Kant makes an interesting comment when combining his idealistic normative ideas with a descriptive judgment.
428 “I am willing to admit that most of our actions are in accord with duty; but if we look more closely at our thoughts
429 and aspirations, we come everywhere upon the dear self, which is always turning up, and it is this instead of the stern
430 command of duty (which would often require self-denial) which supports our plans. One need not be an enemy of
431 virtue, but only a cool observer who does not confuse even the liveliest aspiration for the good with its actuality, to
432 be sometimes doubtful whether true virtue can really be found anywhere in the world” (Kant, 1997, p. 164). Human
433 society is unlikely to reach a behavior of 100% according to principles that would be useful for society under the
434 condition that all ~~others~~ obeyed these rules. To a large extent, a good society can sustain a behavior with incentives.
435 This project appears promising while the project of expanding deeds of “true virtue” seems unpromising, as even one
436 of its most famous proponents doubts its existence in the real world. One risk for trust is vaulting ambition. Pretensions
437 to be more capable than what is actually the case, as a fraud or as an overestimation, undermine trust. To promote
438 trustfulness ahead of improving trustworthiness can become a futile attempt of “Münchhausen mechanics”. It could
439 be considered desirable to lift your body from the ground by pulling hard on the shoestrings, but it might not work.

440 5.2. Problems with requiring trustfulness

441 As previously shown, there is a social system advantage of increased trust, but it also brings authority advantages,
442 preacher advantages and sucker disadvantages. Even as a social good, it has some nasty reallocation effects and an
443 instability that makes it morally dubious. If we claim, like Plato, that it is worse doing wrong than suffering from the
444 actions of the wrongdoers, then the sucker is not the prime loser. He has acted morally correctly, which according to
445 moralists is the main issue, and some instrumental losses are of minor importance. To persons more averse to suffering
446 injustice, such a situation is unsatisfying.

447 No doubt there are many people whose social lives are diminished because of lack of trust; the isolated paranoid is
448 an extreme but clear case. But the situation becomes problematic when people with realistic perceptions are asked to
449 take a more optimistic view of their fellow men. Is trust just a social construction of a personal attitude, or are there
450 more material factors of importance? Even if the nation would benefit by a general increase of trust, such a change
451 might be a personal loss for the uncritical and a very significant gain for unscrupulous hustlers. In my mind it is only
452 justified to promote a trustful attitude that corresponds to the social situation, and which brings advantages not only to
453 hustlers or preachers, but to the people actually following the advice of being trustful. From this realistic level, further
454 improvements can be made in a virtuous circle of improvements in social behavior and increases in trustfulness. But
455 to promote being trustful in spite of an asocial situation is to fool the naive man. The chief criterion of good advice
456 must be realism, not optimism.

457 For a realist, the negative results of excessive trustfulness are not minor side effects, but a major problem. Trustfulness
458 should not be maximized by agitation – instead, the realistic level should be considered the optimal level. This goal
459 implies a somewhat risk-averse attitude: “better safe than sorry”. If one has short education, limited knowledge and
460 weak power, it makes sense to be less inclined to be vulnerable. Seeing trustfulness as a moral virtue often attracts
461 authors in the religious tradition. However, trustfulness should not be morally required. Etzioni (1988) and others ought
462 to reconsider the advice that one should have faith in faith, since it is not only inaccurate, but also morally dubious.

A most important difference between trustfulness and trustworthiness is that the latter both can and should be morally required (e.g. Hardin, 2003). This is an important reason for promoting trustworthiness rather than trustfulness. Since it is morally required, trustworthiness can also be legally required. The company can be held to some standards by general law, and it can take on further volunteer obligations which it then is morally and legally required to follow.

In business there are good possibilities to repair failures and restore trust. The person short-changed might only be temporarily disappointed. This gives an important opportunity to build trust even if sometimes under-performing compared to promises. Such “aggregated trustworthiness” should be maximized.

Limiting attractive declarations to a level in line with capability and responsibility is only a disadvantage for the agent, in a society dominated by extreme hypocrisy where everybody pretends to be singing with the angels. Also in a society with moderate hypocrisy, low but honest declarations will be appreciated. In contrast, high trustfulness will be to the agent’s disadvantage also in a society with moderate dishonesty/hypocrisy.

Furthermore, increased trustfulness might not by itself be a social good. Skepticism promotes honesty and generates more efforts at being trustworthy; rational distrust undermines empty claims of doing good and increases the need for honesty. If trustworthiness is taken for granted by high levels of trustfulness, there is stronger temptation for overambitious or dishonest rhetoric, since it has a high probability of being believed. Skepticism is needed as a correction to inflationary statements. Therefore, trustfulness is something that should not be maximized but only optimized, and the level of trustworthiness should be considered a central restriction. A conclusion from this analysis is that trustworthiness is the primary, and trustfulness the secondary, factor in trust. Trustworthiness is what should be maximized.

5.3. Summing up

The following figure summarizes the different priorities made from a trustful and a trustworthy perspective on the different issues that are relevant for the trust issue and discussed in this paper. A descriptive concluding claim of the article is that this dichotomy rather accurately describes how different issues and different scholars can be divided in these two groups. There is an interconnection between the priorities regarding different issues forming two schools of ideas, each with coherence between the different judgments.

Figure: Two sets of priorities

Issues to evaluate	Trustfulness priority	Trustworthiness priority
Ambition	Perfection	Realism
Criticism of distrust	All distrust	Irrational distrust
Reaction to failure	Forgiveness	Compensation
Formation of trust	Education	Experience
Social level	Horizontal	Private, vertical
Central structure	Faith	Liberal institutions
Requiring trustfulness	Yes	No
Degree of trustfulness	Maximal	Optimal level
Degree of trustworthiness	Desired but secondary	Maximizing

The analysis also concludes with a normative claim. Evaluating the judgments and the arguments summarized above, the conclusion is that the right column shows the most important aspect of the issues that have been penetrated. Trustworthiness, not trustfulness, stands out as the factor of primary importance. This is in contrast with a strong idealistic tradition having faith in faith.

Q3 Uncited references

Olson (1971), Reichheld (1996) and Rothstein (2003).

References

Arrow, K., 1973. Social responsibility and economic efficiency. *Public Policy* 21 (3), 300–317.
Barber, B., 1983. *The Logic and Limits of Trust*. Rutgers University Press, New Brunswick, NJ.

- Blomqvist, K., 1997. The many faces of trust. *Scandinavian Management* 13, 271–286.
- Bok, S., 1994. Shared moral values. In: Paper presented at the Fourth International Conference on Ethics in the Public Sector, Stockholm, June 15–18.
- Brodsky, J., 1986. *Less than One: Selected Essays*. Farrar, Straus & Giroux, New York.
- Burkhardt, R., Lewis-Beck, M., 1994. Comparative democracy: the economic development thesis. *American Political Science Review* 88 (December), 903–910.
- Carroll, A., Buchholtz, A., 2003. *Business and Society – Ethics and Shareholder Management*. South-Western Thomson, Mason, Ohio.
- Citrin, J., 1974. Comment: the political relevance of trust in government. *The American Political Science Review* 68, 973–988.
- Dasgupta, P., 1988. Trust as a commodity. In: Gambetta, D. (Ed.), *Trust: Making and Breaking Cooperative Relation*. Basil Blackwell, Oxford, pp. 49–72.
- Dawes, R., McTavish, J., Shaklee, H., 1977. Behavior, communication, and assumptions about other people's behavior in a commons dilemma situation. *Journal of Personality and Social Psychology* 35 (1), 1–11.
- Dykman, B., Abramson, L., Alloy, L., 1989. Processing of ambiguous and unambiguous feedback by depressed and nondepressed college students: schematic biases and their implication for depressive realism. *Journal of Personality and Social Psychology* 58 (3).
- Erikson, E., 1963. *Childhood and Society*. Norton, New York.
- Etzioni, A., 1988. *The Moral Dimension*. The Free Press, New York.
- Frank, R.H., 1988. *Passions within Reason*. W.W. Norton & Co., New York.
- Fukuyama, F., 1995. *Trust*. Penguin Books, London.
- Gauthier, D., 1986. *Morals by Agreement*. Clarendon Press, Oxford.
- Gurtman, M., 1992. Trust, distrust, and interpersonal problems: a circumplex analysis. *Journal of Personality and Social Psychology* 62, 989–1002.
- Gwartney, J., Lawson, R., Block, W., 1996. *Economic Freedom of the World 1975–1995*. Fraser Institute, Vancouver.
- Gwartney, J., Lawson, R., 2004. *Economic Freedom of The World*. Frazer Institute.
- Hardin, R., 1991. Trusting persons, trusting institutions. In: Zeckhauser, R. (Ed.), *Strategy and Choice*. MIT Press, Cambridge, Mass, pp. 185–209.
- Hardin, R., 2002. *Trust and Trustworthiness*. Russell Sage Foundation, New York.
- Hardin, R., 2003. Gaming trust. In: Ostrom, E., Walker, J. (Eds.), *Trust and Reciprocity – Interdisciplinary Lessons from Experimental Research*. Russell Sage Foundation, New York.
- Harris, Sam, 2006. *Letter to a Christian Nation*. Alfred A. Knopf, New York.
- Inglehart, R., 1997. *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*. Princeton University Press, Princeton, NJ.
- Inglehart, R., 2003. “How solid is mass support for Democracy – And how can we measure it? PSONline, January, pp. 51–57 (www.apsanet.org).
- Jackall, Robert, 1988. *Moral Mazes*. Oxford University Press, London.
- Kant, I., 1997. Foundations of the metaphysics of morals. In: Rogers, K. (Ed.), *Self-interest – An Anthology of Philosophical Perspectives*. Routledge, New York.
- Knack, S., Keefer, P., 1997. Does social capital have an economic payoff? *Quarterly Journal of Economics* (4), 1251–1288.
- Kollock, P., 1994. The emergence of exchange structures: an experimental study of uncertainty, commitment and trust. *American Journal of Sociology* 100 (2), 313–345.
- Luhmann, N., 1979. *Trust and Power*. John Wiley & Sons, Chichester, UK.
- Luhmann, N., 1980. Trust: a mechanism for reduction of social complexity. In: Luhmann, N. (Ed.), *Trust and Power*. Wiley, New York.
- Miller, A., 1974. Political issues and trust in government 1964–1970. *The American Political Science Review* 68, 951–972.
- Ogilvy, D., 1983. *Ogilvy on Advertising*. Pan Books, London.
- Olson, M., 1971. *The Logic of Collective Action – Public Goods and the Theory of Groups*. Schocken Books, New York.
- Ostrom, E., Walker, J., 2003. *Trust and Reciprocity – Interdisciplinary Lessons from Experimental Research*. Russell Sage Foundation, New York.
- Putnam, R., 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press, Princeton.
- Putnam, R., 2000. *Bowling Alone: The Collapse and Revival of American Community*. Simon & Schuster, New York.
- Reichheld, F., 1996. *The Loyalty Effect*. Harvard Business School Press, Boston, Mass.
- ~~Rothstein, B., 2003. *Sociala fallor och tillitens problem*. SNS-förlag, Stockholm.~~
- Rotter, J.B., 1967. A new scale for the measurement of interpersonal trust. *Journal of Personality* 35, 651–655.
- Rotter, J.B., 1980. Interpersonal trust, trustworthiness and gullibility. *American Psychologist* 35, 1–7.
- Schmandt, H., 1960. *A History of Political Philosophy*. The Bruce Publishing Company, Milwaukee.
- Schumpeter, J., 1943/1987. *Capitalism, Socialism and Democracy*. Counterpoint, London.
- Sejersted, E., 1995. Reflections on the suspension of ethics; managers and consultants as manipulators. In: von Weltzien, Follesdal (Eds.), *Ethics and Consultancy: European perspectives*. Klöver Academics.
- Seligman, A., 1997. *The Problem of Trust*. Princeton University Press, Princeton, NJ.
- Stack, L., 1978. Trust. In: London, H., Exner, J. (Eds.), *Dimensions of Personality*. John Wiley and Sons Inc., New York, pp. 214–327.
- Torbjörn, I., 2002. Olikhet som möjlighet. *Ledmotiv* 1, 59–70.
- Tullberg, J., 2006. Excesses of responsibility? – reconsidering company liability. *Journal of Business Ethics* 64, 69–81.
- Viklund, M., 2003. *Risk Policy: Trust, Risk Perception, and Attitudes*. EFI, Stockholm.
- Wrightsmann, L., 1974. *Assumptions about Human Nature: A Social-Psychological Approach*. Brooks/Cole, Monterey, CA.
- Yagi, K., 2001. In: Shionoya, Y., Yagi, K. (Eds.), *Competition, Trust, and Cooperation*. Springer, Berlin.

- 561 Yamagishi, T., 1986. The provision of a sanctioning system as a public good. *Journal of Personality and Social Psychology* 51 (1), 110–
562 116.
- 563 Yamagishi, T., 2001. Trust as a form of social intelligence. In: Cook, K. (Ed.), *Trust in Society*. Russell Sage Foundation, New York.
- 564 Yamagishi, T., 2003. In: Ostom, E., Walker, J. (Eds.), *Trust and Reciprocity – Interdisciplinary Lessons from Experimental Research*. Russell Sage
565 Foundation, New York.
- 566 Zsolnai, L., 2002. In: Zsolnai, L., Gasparski, W. (Eds.), *Ethics and the Future of Capitalism*. Transaction Publishers, London.

UNCORRECTED PROOF