

# 1 Introduction

Trust is ubiquitous. As we move through our social world, numerous encounters with other people present an opportunity for us to realize and achieve the things we want in life. The success of some of these encounters depends only on our own effort, and whether or not we can attain our goals is our sole responsibility. But in many other cases, we must rely on others, and on their good-faith attempts to do what we ask. We need to let go and give in to the risks that come with interaction, because we simply cannot control the outcome. Others may not do what we would prefer them to, and, in thus acting, they may hinder the realization of our aims, or even harm us. At times, we are conscious of these risks. Things can go wrong, yet we feel assured and secure. We nevertheless decide to take the plunge into the unknown. In some cases others disappoint us, and only then do we realize that we left ourselves vulnerable to the actions and decisions of others. This insight might come to us as a shock or surprise, and this shock brings home to our consciousness that we put ourselves into a position of vulnerability. Yet it never occurred to us to think of the risks involved in our interactions when we let go in the first place.

Both type of outcome demonstrates what common sense tells us about trust—it is sometimes very difficult, and sometimes very easy for us to trust others, and in any case it is risky. A natural question to ask is the following: how is trust warranted in the first place? There has been a recent upsurge in theoretical and empirical studies exploring the role of trust in social processes. Fueled by remarkable findings on its economic impact, the increase in research activity has sparked numerous attempts to advance our theoretical understanding of the concept of trust and its underlying mechanisms (even motivating the launch of the *Journal of Trust Research* as the first discipline-specific journal in 2011). Contributions originate from more traditional research fields, ranging from psychology and social psychology to sociology, political science, economics, law, anthropology, biology, computer science, and neuroscience. Being an interdisciplinary endeavor *par excellence*, the accumulated contributions and literature are vast. The following section serves as a short introduction of the topic to the reader. It will highlight some major insights and point to the open questions in trust research.

## 1.1 Achievements and Enduring Questions in Trust Research

To structure the impressive amount of knowledge at hand, it is useful to classify trust research into three categories which constitute the predominant levels of analysis: (1) microanalyses, studying the interactive generation, maintenance,

and disruption of trust at the individual level, (2) mesoanalyses, investigating the effects of trust in social environments at an aggregated level; for example in dyadic partnerships, in teams, in social networks, and in organizations, and (3) macroanalyses, exploring the impact of trust on the functioning of social systems and society at large. The rise of trust as a “hot topic” in research reflects accumulating evidence of the substantial benefits that emerge on the micro, meso, and macro levels when trust is in place.

With respect to *macrolevel* social systems, such as political or economic systems, trust is regarded as an indispensable ingredient in their smooth functioning, and in the successful circulation of the underlying symbolic media of exchange (Misztal 1996). Trust in the reliability, effectiveness, and legitimacy of money, law, and other cultural symbols warrants their constant reproduction in everyday interactions, and their aggregation into stable social structures. In essence, these modern social institutions would disappear if trust were absent (Lewis & Weigert 1985a, b). Concerning its influence on the political system and on democratic institutions, researchers have repeatedly pointed to the significance of trust as a resource that integrates and protects the underlying institutions. For example, Putnam (1993) argues that trust was a critical factor in the historic development of democratic regimes, with long-lasting effects reaching as far as present-day civic engagement.<sup>1</sup> Likewise, Sztompka (1996) suggests that a lack of trust was a main barrier to the successful transformation of postcommunist societies into democratic market societies, maintaining that a vital “culture of trust” is a precondition for the functioning of democratic institutions. Higher levels of trust have been associated with more efficient judicial systems, higher-quality government bureaucracies, lower corruption, and greater financial development (La Porta et al. 1997, Guiso et al. 2004). The presence or absence of trust in society can have a macroeconomic impact. Empirically, several influential studies have shown that country-level trust, along with GDP and GDP growth, are positively correlated (Knack & Keefer 1997, Zak & Knack 2001). What is more, country-specific trust predicts bilateral trade volumes and cross-national investment decisions (Guiso et al. 2004, 2009). It is no wonder that trust is regarded as an efficient mechanism governing transactions (Arrow 1974, Bromiley & Cummings 1995), a sort of “ever-ready lubricant that permits voluntary participation in production and exchange” (Dasgupta 1988: 49).

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<sup>1</sup> This hypothesis has been empirically scrutinized by Guiso et al. (2008), who show that historical differences between north and south Italy in the build-up of trust and social capital have translated into sizeable present-day differences in voter turnout, number of non-profit organizations, and per capita income.

In short, trust and other forms of social capital are regarded just as important as physical capital in facilitating the creation of large-scale business organizations necessary for economic growth and the functioning of markets (Fukuyama 1995). The above studies also suggest that trust is a vital factor for the emergence and reproduction of democratic institutional arrangements, and has a critical impact on a society's political environment, its stability, economic growth, and macroeconomic outcomes.

Focusing on the *mesolevel*, organizational researchers have documented a substantial body of evidence revealing the stimulating effects of trust on team building and team performance, worker productivity and organizational commitment (e.g. Jones & George 1998, Dirks & Ferrin 2001, Kramer & Cook 2004). In addition, trust is related to diminished costs of interorganizational negotiation and transaction, resulting in increased revenue and turnover (Williamson 1993, Uzzi 1997, Zaheer & McEvily 1998). Regarding dyadic relationships, such as close partnerships (Rempel et al. 1985), consumer-seller relationships (Ganesan 1994, Bauer et al. 2006), and patient-physician relationships (Anderson & Dedrick 1990, Thom & Campbell 1997), trust promotes the build-up of long-term emotional attachment, the attribution of benevolent motivations and intentions, and a reduction in uncertainty, thus securing the stability of the relationship in question (Williams 2001). Being "essential for stable relationships" (Blau 1964: 64), trust is a valuable resource for individuals because, once in place, it facilitates the attainment of desired outcomes and adds to the stock of available social capital (Burt 2003). The social networks and the relations—that is, the embeddedness of actors in their social environments—constitute both a main opportunity and source of trust production (Granovetter 1985, Buskens 1998).

Considering trust on the *microlevel*, present or absent "within" the individual, it can be shown that individuals who report high levels of trust also report significantly higher levels of life satisfaction and happiness (DeNeve & Cooper 1998, Helliwell & Putnam 2004). It is no wonder that trust is generally regarded as a state worth striving for (Rempel et al. 1985, Baier 1986). It is a major factor in reducing the complexity of a contingent social life and stabilizing expectations in interactions (Luhmann 1979, 1988), and is sometimes said to be necessary even as a ground for the most routine behavior (Garfinkel 1963: 217). It enables individual cooperation, and thus promotes the further inclusion of actors into their social environment, leading to a relative advantage in comparison to low-trust types (Hardin 1993).

The question of its individual generation, maintenance, and disruption has been a prime topic of research in psychology and social psychology for over 40 years. While early research focused on the individual determinants of trust in the

development of stable personality traits, and the cognitions that trust-related attributes yielded (Rotter 1967, Erikson 1989), recent research has increasingly focused on the cognitive processes involved, and on how they influence trust decisions. For instance, automatic processes may play a crucial role in the generation of trust, because salient situational features can trigger the use of trust-related heuristics and schemata (Hill & O'Hara 2006, Schul et al. 2008). Likewise, current mood influences judgments of trustworthiness (Forgas & East 2008), and humans often experience automatic emotional responses when recognizing faces and judging others' trustworthiness (Winston et al. 2002, Eckel & Wilson 2003, Singer et al. 2004, Todorov et al. 2009). In one very recent development, neuroscience studies have helped researchers to understand the neural processes involved in the generation of trust, showing that trusting behavior is triggered by the activation of specific areas in the brain (Adolphs 2002, Krueger et al. 2007), and can be substantially modulated by neuropeptides such as the hormone oxytocin (Kosfeld et al. 2005, Zak 2005, Baumgartner et al. 2008). Generally, researchers continue to add detail to the picture of the mechanisms that generate trust on the individual level, utilizing recent advancements in social psychology and neuroscience to improve theoretical models of trust.

At the same time, the development of experimental tools for performing microlevel measurements of trust (e.g. the "trust game," Camerer & Weigelt 1988, Dasgupta 1988, Kreps 1990, and the "investment game," Berg et al. 1995) has enabled researchers to scrutinize the impact of different social institutions on the generation of trust. For instance, communication, which has long been recognized as a booster of cooperation (Isaac & Walker 1988, Sally 1995), clearly helps to promote trust (Bicchieri 2002, Charness & Dufwenberg 2006). There is consistent evidence that formal institutions, such as contracts and agreements, tend to "crowd out" intrinsically motivated trusting behavior (Malhotra & Murnighan 2002, Bohnet & Baytelman 2007, Ben-Ner & Putterman 2009), especially if they are related to punishment opportunities, or otherwise costly. Although first and third party punishment opportunities are effective in the generation of efficient outcomes (Fehr & Gächter 2000a), they prevent the build-up of mutual trust, and cooperation fails to extend to later stages of the game if these institutions cease to exist. On the other hand, a "favorable" social history and a corresponding positive reputation clearly foster the build-up of trust (Bohnet & Huck 2004, Bohnet et al. 2005). Likewise, the creation of a shared group identity (Eckel & Grossman 2005, Brewer 2008) and a decrease in social distance (Buchan et al. 2006) result in increased levels of mutual trust. Despite the progress that experimental research presents with respect to the influence of institutional arrangements on trust, these results also demonstrate the fragility of trust, proving that even minor changes in social and institutional environments may have dra-

matic changes on the levels of trust generated. Accordingly, a main conclusion that can be drawn from the experimental evidence is that context is critical to understanding trust (Hardin 2003, Ostrom 2003).

However, the accumulation of empirical evidence about individual decisions in social dilemmas such as the trust game has not been accompanied by equivalent progress in the development of integrative theoretical frameworks, theories, and models that would combine knowledge across disciplines (Bigley & Pearce 1998, Ostrom 2003). Despite the fact that trust research is flourishing, and many inspiring results have been uncovered, it has become almost a truism that a universally accepted scholarly definition of trust does not exist, just as no general paradigm of trust research has emerged (Lewis & Weigert 1985b, Mayer et al. 1995, Rousseau et al. 1998, Kramer 1999, Hardin 2002).

The universality and the complexity inherent in the concept can certainly be regarded as the main problem of the research (Kassebaum 2004). Since even in everyday language its meaning is multifaceted and diverse, the subsequent academic definition of and operationalization of trust is severely hampered. The concept of trust is used in a variety of distinct ways, which sometimes appear to be incompatible. For instance, definitions differ by the level of analysis, and vary with the causal role that trust is assumed to play (cause, effect, or interaction). They change with the specific context that is being analyzed, and collide when trust is viewed as static or dynamic, or conceived of as either a unidimensional or multidimensional phenomenon. In addition, trust may be confused with other concepts, antecedents, and outcomes, such as risk, other-regarding preferences, and cooperation (Mayer et al. 1995, McKnight & Chervany 2000, 2001).

The conceptual diversity of the literature on trust is mirrored in the many attempts that have been made to organize the vast interdisciplinary research (Lewicki & Bunker 1995b, a, Bigley & Pearce 1998, Rousseau et al. 1998, Kramer 1999). For example, Sitkin and Roth (1993) collect work on trust into four basic categories: (1) trust as an individual attribute, (2) trust as a behavior, (3) trust as a situational feature, and (4) trust as an institutional arrangement. Bigley and Pierce (1998) advocate a “problem-centered” approach, distinguishing between research accounts that focus on (1) interactions among unfamiliar actors, (2) interactions among familiar actors in ongoing relationships, and (3) the organization of economic transactions in general. While these approaches cut across disciplinary borders, trust research is often regarded as segregated into several traditions, which although identical on the level of observable behavior, make differential assumptions concerning the underlying mechanisms and causal elements of trust (Lewis & Weigert 1985b). Kramer (1999) contrasts the “behavioral” tradition, which principally regards trust as rational choice, to the “psychological” tradition, which attempts to understand the more complex intrapersonal

states associated with trust, including a merging of expectations, affect, and dispositions. Lewicki and Bunker (1995a) differentiate a purely “psychological” tradition, which focuses on individual personality differences, from the “institutional” approach taken by economists and sociologists, and from the “social-psychological” approach, which focuses on the interpersonal transactions between individuals that generate or disrupt trust.

Conceptual dissent can even arise within the different paradigms of trust research. For instance, psychological accounts of trust usually focus on either affective *or* cognitive processes (Kassebaum 2004: 8). In economics, those accounts of trust that support a strong self-interest hypothesis (Gambetta 1988a, Coleman 1990) have been challenged by models of social preferences and a “wide” rational choice approach (see Fehr & Schmidt 2006). The result is a multitude of possible solutions for the rational explanation of trust-related phenomena. It is not surprising that a number of typologies which postulate different varieties and “types” of trust have emerged; often limited to specific domains and research paradigms. For example, specific *versus* generalized trust (Rotter 1971, 1980), cognition-based *versus* affect-based trust (McAllister 1995), calculus, knowledge, and identification based trust (Lewicki & Bunker 1995b), and dispositional, history, category, role, and rule based trust (Kramer 1999), to name a few. In sum, “social science research on trust has produced a good deal of conceptual confusion regarding the meaning of trust and its place in social life” (Lewis & Weigert 1985b: 975), while the development of integrative theoretical frameworks has remained elusive. Historically, trust definitions have become “homonymous,” preventing theoretical formulations and empirical results from becoming comparable and accumulating (McKnight & Chervany 1996).

In an attempt to reconcile this conceptual diversity, Kramer (1999: 574) argues that the presence of diverging notions of trust does not necessarily reflect insurmountable differences between incompatible models (i.e. that trust is *either* calculative *or* affective *or* role-based, etc.). Instead, a suitable theoretical framework must admit the influence of social and situational factors on the impact of instrumental and noninstrumental factors, and also articulate *how* these factors exert their influence on the decision-making process. From this perspective, future conceptualizations of trust need to integrate microlevel psychological phenomena with mesolevel group dynamics and macrolevel institutional arrangements. The interplay of individual, situational, and structural parameters and the impact of context in the development of trust have become a prime concern for research. Contributions that explicitly relate the generation of trust to internal dispositions and mental states, *as well as* to external cues and the socially structured and socially constructed environment (e.g. McKnight et al. 1998, Kramer 2006, Nooteboom 2007, Schul et al. 2008) have shifted the scholarly

focus from the question “What is trust?” to the more preferable question of “Which trust, and when?”

## 1.2 Aim and Structure of this Work

This question is the starting point for the present study. While trust research appears to be fragmented and theoretically unintegrated, I want to show that this state of affairs has its roots in the neglect of several fundamental ingredients to trust which have not been sufficiently incorporated into the current theoretical frameworks. In emphasizing and approaching these fundamentals, the goal of the book is to equip trust research with a broad and general perspective on the phenomenon in which the conflicting perspectives and diverging types that have been previously developed can be smoothly integrated and reductively explained under a common umbrella. In short, I argue that current trust research has not sufficiently taken care of individual level *adaptive rationality*; it has furthermore failed to explicate the role of interpretation and the *subjective definition of the situation* in shaping a flexible adjustment of information processing states to the current needs of the social situation. I propose that an integration of existing trust research can be achieved along the dimension of adaptive rationality. However, this necessitates going beyond the descriptive work of creating “yet another” typology and merely sorting what has been already known. The final destination is causal explanation.

This ambition springs from the scientific approach I advocate here, which has been commonly indicated by the label of “methodological individualism” (Popper 1945, Elster 1982) and “analytical sociology” (Hedström & Swedberg 1996, 1998). In the framework of this approach, sociological explanations of collective phenomena are qualified by their focus on the, often unintended, consequences of individual actions which are restricted by structural, normative and cultural constraints and opportunities that are imposed by the social system in which the collective phenomenon emerges (Coleman 1990, Esser 1993b, 1999b). The explanative scheme, that is, the logic and structure of an analytical sociological explanation, requires that three steps be made explicit in order to understand and reductively explain a collective phenomenon: (1) a macro-to-micro transition, defining how the environment into which actors are embedded influences and restricts individual action, (2) a micro theory of action, specifying the principles by which individual actions and decisions are reached, and (3) a micro-to-macro transition, defining how a set of individual actions combine to produce a collective outcome. The combination of these three steps provides the core of any analytical nomological explanation of a collective phenomenon (Hempel & Oppenheim 1948). The present work sets out to show how the collective phenome-



non of a dyadic trust relation can be analytically explained. It focuses on the phenomenon of interpersonal trust.

To this end, chapter 2 introduces the reader to the concept of trust, as defined in current trust research. The methodological device and guiding scheme to structure the review is a distinction between the *objective structure* and *subjective experience* of trust. This differentiation on the level of conceptual, empirical and theoretical description needs to be constantly observed when thinking about trust, because—as will become apparent by the end of chapter 2—an insufficient distinction between the two levels often leads to fuzzy definitions which miss precision and definitional power. Put sharply, I argue that the conversion from structure to experience (the transition from macro to micro) presents a *missing link* in trust research. Authors focus and combine different aspects of objective structure and subjective experience when defining the concept. The crucial ingredients towards linking objective structure and subjective experience—interpretation and the subjective definition of the situation—are often taken for granted, or dealt with only implicitly. By focusing research on the process of interpretation, this work seeks to contribute to the advancement of a situated cognition perspective of trust. The second chapter can be understood as an invitation to think about the necessary macro-micro link in our explanations of trust, and as an appeal for a focus on the cognitive processes involved in doing so on the level of the individual actor.

Chapter 3 continues with presenting current perspectives about the origins and explanations of trust. I review the different approaches to explaining trust in the psychological, sociological and economic disciplines. In doing so, the focus is not on emphasizing conflicts, differences and incompatibility. The basic principle in developing a broad interdisciplinary perspective is to look for the commonality, mutuality and similarity in existing research; to carve out the underlying theoretical and conceptual grounds on which a unifying theoretical framework for trust research can emerge. The chapter ends with a discussion and presentation of the main theoretical concern of the present work: the complex relation between trust and rationality. Simply put, I argue that the neglect of the dimension of rationality in the trust concept is a main barrier to the theoretical integration of existing research. While the economic paradigm assumes the capability of actors to engage in a rational, instrumental maximization of utility, sociological and psychological approaches often emphasize that trust can be nonrational and blind. Actors apply the relevant knowledge or follow cultural and normative patterns automatically, based on taken-for-granted expectations and structural assurance. Some portray trust as being based on simple heuristic processes, substituting the ideal of rational choice with a “logic of appropriateness,” in which the adaptive use of rules, roles, and routines helps to establish a



shortcut to trust. The discussion of the relation between trust and rationality suggests that we have to turn to other theoretical paradigms which incorporate the individual actor's degree of rationality as a fundamental ingredient. Consequently, we will have to think about the mechanics of adaptive rationality, link it to interpretation and choice, and simultaneously maintain a clear and formally tractable model.

This task is picked up in chapter 4, which is wholly devoted to analyzing the different "routes to trust" that can be imagined when adopting the adaptive rationality perspective. It pinpoints how trustors can reach the behavioral outcome of a trusting act on different cognitive routes, linking them to different information processing states of the cognitive system. The dual-processing paradigm of social cognition will be an important resource in developing and advancing this perspective of trust. Ultimately, adopting this perspective of trust and adaptive rationality helps to resolve the enduring tensions between rational and automatic, cognitive and affective, conditional and unconditional types of trust. At the same time, it will become apparent that, in order to understand and explain adaptive rationality, we have to think about our micro theory of action, which defines and dictates how we can establish both the macro-micro and the micro-micro transition in our logic of explanation. With respect to the dual-processing paradigm, a number of factors limit its utility as an explanative vehicle in a deductive nomological explanation of trust. Most importantly, it does neither provide a causal link between interpretation and choice, nor spell out a formally precise model which can be used to guide the theoretical and empirical analysis of the trust phenomenon. This is a hindrance if the context-sensitive adjustment of rationality is assumed to be a crucial factor in determining the types of trust and the resulting subjective experiences.

I continue by introducing the "Model of Frame Selection" (MFS), a general sociological theory of action that incorporates both the aspects of a social definition of the situation and the idea of human adaptive rationality at the same time (see Esser 1990, 1991, 2001, Kroneberg 2006a, Esser 2009, 2010, Kroneberg 2011a). The MFS explicates how adaptive rationality can be formally grasped and linked to a causal explanation of action. In using the MFS to explain both conditional and unconditional types of trust, I develop a broad perspective and an integrative approach to the phenomenon. As stated before, adaptive rationality must be regarded as a key dimension of the trust concept. Moreover, the degree of rationality involved in interpretation and choice can dynamically change, it is not fixed. Thus, automatic *or* rational processes can prevail during the definition of the situation and the choice of action. The broad perspective of trust helps to integrate contradictive accounts of trust. It suggests that trust researchers have historically focused on different aspects of cognitive activity (interpretation *or*

choice), assuming different processing modes (rational *or* automatic) when theorizing about a particular solution of a trust problem. The chapter closes with the development of a theoretical model that describes the *mode-selection thresholds* governing the adjustment of rationality during interpretation and choice in a trust problem.

While chapter 4 is exclusively related to developing and advancing an individual-level micro theory of action which can be used as a nomological core for an analytical explanation of trust, chapter 5 directs the reader's attention towards the micro-macro transition which completes the last step in the logic of explanation. I scrutinize the emergence of a dyadic trust relation from an interactive and dynamic perspective in which the interpretations of the parties temporary converge into a shared *social* definition of the situation. This natural leads to adopting a perspective of reflexive structuration that draws heavily from a symbolic-interactionist interpretation of the trust phenomenon. I argue that trust is a dynamic and mutual achievement of the actors involved; it depends on *active* relational communication, identity signaling and impression management. These individual accomplishments serve as a basis for interpretation and choice because they provide the situational cues that govern information processing and trigger the activation of trust-related knowledge. Chapter 5 delineates how the trust relation, as a social system, is actively constituted by the actors involved. Far from being a passive achievement, interpretation and the subjective definition of the situation are normally reached in symbolic interaction with others, and rely on a dynamic process of communication. This also implies that the context of the trust relation cannot be static, but is highly dynamic, and endogenously shaped by the actors involved. In analyzing this last step of aggregation, the fifth chapter completes the logic of explanation of the trust phenomenon.

Overall, the theoretical part of the thesis aims at demonstrating and substantiating that a broad and integrative perspective of trust can be developed under the headnote of adaptive rationality. The modeling of the underlying general processes joins individual and social, situational and structural factors. It allows for a causal reductive explanation of trust and an integration of the existing, but conflicting, perspectives within trust research. The explication of two missing links is necessary to establish such a framework: (1) a focus and explication of individual adaptive rationality and (2) a clarification of the role of interpretation and the definition of the situation in the trust development process. In combination, I argue, these ingredients allow for a solid explanation of different types of trust and critically advance our understanding of the phenomenon.

In chapter 6, the perspective of trust and adaptive rationality will be put to an empirical test. This test has a twofold aim: for one, it is designed to gauge the adequacy of an adaptive rationality perspective in trust research from a general

Trust and Rationality

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Rompf, S.A.

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