Trust and Risk:

Implications for Management*

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Trust presupposes risk. Yet, people who trust others minimize risk.

More precisely, one form of trust, which I shall call "strategic trust," manages risk. Another form of trust, which I call "moralistic" or "generalized" trust, discounts risk. It is this second form of trust that opens up the promise of trust to make our social and political life more cooperative and less confrontational. Moralistic trust waves away risk by doing something most economists and business people might find odd: downplaying evidence.

Why should we discount risk? Generalized trusters don't dismiss risk. Rather, they interpret evidence in a more positive light and are less prone to see high levels of risk than mistrusters. They look at interactions with strangers as opportunities for mutual advantage rather than as tripwires. They look at people who are different from themselves as presenting opportunities for forming new, bridging relationships. So they see immigrants and open markets as positive forces in promoting growth rather than as threats to cultural and economic hegemony. They see new technologies as ways to make life easier, rather than as perils to privacy.

Trusters are more tolerant of minorities; they are more likely to donate to charity and to give of their time in volunteering. People with faith in others are more likely to agree on a strong system of legal norms. When trust is high, it is easier to reach agreement across ideological divides. High trusting countries are less corrupt and have better functioning governments. They spend more on programs to help those less well off. High trusting countries have more open markets and greater economic growth. And they have lower crime rates and more effective

judiciaries (Uslaner, 2002, chs. 7, 8).

Trust becomes an alternative to risk when the world seems less risky. Perhaps the most important way we protect ourselves from risk is through the legal system. Yet, we have less need for the strong arm of the law when fewer people have malevolent attitudes and intentions. James Madison, one of the Founding Fathers of the American Republic, remarked, "If men were angels, there would be no need for government." Dasgupta (1988, 53) argued more than two centuries later: "The problem of trust would . . . not arise if we were all hopelessly moral, always doing what we said we would do in the circumstances in which we said we would do it." If everyone were a truster, we would have less need for a strong legal system to protect us from scofflaws. Yet, if only a small share of people trust their fellow citizens, the foundation of a legal system will be too weak to dole out justice to miscreants.

Trust is important for management because a more trusting environment makes for less conflict in the firm and between firms. Trust also promotes diversity and better relations among different groups. Trust makes it easier to work in a globalized economy. And, perhaps, most critically we know that countries where more people trust each other have higher rates of economic growth (Uslaner, 2002, ch. 8). So it also seems likely that companies with more trusters would have higher growth rates. Most critically, trust is important for management because a generalized faith in others makes us less likely to worry about risks–and opens up new opportunities for innovation.

I shall lay out my general argument below and then present evidence from surveys that will support it.

Varieties of Trust

A bond of trust lets us put greater confidence in other people's promises that they mean what they say when they promise to cooperate (cf. Elster, 1989, 274-275; Putnam, 1993, 170). The "standard" account of trust presumes that trust depends on information and experience. Yamigishi and Yamigishi (1994) call it "knowledge-based trust." Offe (1999) states: "Trust in persons results from past experience with concrete persons." If Jane trusts Bill to keep his word and if Bill trusts Jane to keep her word, they can reach an agreement to cooperate and thus make both of them better off. Even without some external enforcement mechanism (such as an arbitrator, the police, or the courts), they will keep to their agreements.

If Jane and Bill did not know each other, they would have no basis for trusting each other. Moreover, a single encounter will not suffice to develop trust. Jane and Bill have to interact over time to develop reputations for keeping their word. And, even when they get to know each other better, their mutual trust will be limited to what they know about each other (Hardin, 1992, 154; Misztal, 1996, 121ff.).

The decision to trust another person is essentially *strategic*. Strategic (or knowledge-based) trust presupposes risk (Misztal, 1996, 18; Seligman, 1997, 63). Jane is at risk if she does not know whether Bill will pay her back. And she is at risk if she knows that Bill intends to default on the loan. Trust helps us solve collective action problems by reducing transaction costs–the price of gaining the requisite information that Bill and Jane need to place confidence in each other (Putnam, 1993, 172; Offe, 1996, 27). It is a recipe for telling us *when* we can tell whether other people are trustworthy (Luhmann, 1979, 43).[1]

Beyond the strategic view of trust is another perspective. I call it moralistic trust (Mansbridge, 1999, favors "altruistic trust"). It is based upon the idea that trust has a moral

dimension. Moralistic trust is a moral commandment to treat people *as if* they were trustworthy. The central idea behind moralistic trust is the belief that most people share your fundamental moral values. To put it another way, a wide range of people belong to your moral community. They need not share your views on policy issues or even your ideology. They may have different religious beliefs. Yet, despite these differences, we see deeper similarities. Fukayama (1995, 153) states the central idea behind moralistic trust: "...trust arises when a community shares a set of moral values in such a way as to create regular expectations of regular and honest behavior." When others share our basic premises, we face fewer risks when we seek agreement on collective action problems. Moralistic trust is based upon "some sort of belief in the goodwill of the other" (Seligman, 1997, 43; cf. Yamigishi and Yamigishi, 1994, 131). We believe that others will not try to take advantage of us (Silver, 1989, 276).

The moral dimension of trust is important because it answers questions that the strategic view cannot. Bill and Jane may develop confidence in each other as they learn more about each other. Each successive cooperative decision Bill makes increases Jane's faith in him–and vice versa. But why would Bill or Jane decide to cooperate with each other in the first place? If Bill were a Scrooge and Jane were a Bob Cratchitt, Jane's confidence in Bill would be misplaced. And this sour experience might lead Jane not to trust other people in the future. The strategic view of trust would lead us to expect that both Bill and Jane would be far more likely to be Scrooges than Cratchitts. As Dasgupta (1988) argues, in a world of Cratchitts, you wouldn't need strategic trust.

Beyond the distinction between moralistic and strategic trust is a continuum from particularized to generalized trust. Generalized trust is the perception that *most* people are part

of your moral community. The difference between generalized and particularized trust is similar to the distinction Putnam (2000, 22) draws between "bonding" and "bridging" social capital. We bond with our friends and people like ourselves. We form bridges with people who are different from ourselves. ***The central idea distinguishing generalized from particularized trust is how inclusive your moral community is.*** When you only trust your own kind, your moral community is rather restricted. And you are likely to extend trust only to people you think you know. So particularized trusters rely heavily upon their experiences (strategic trust)–or stereotypes that they believe to be founded in knowledge in deciding whom to trust. Particularized trusters fear the unknown–and people who are different from themselves seem risky at best. So beyond people we know from our places of work and worship, we are most likely to trust people from our race, our ethnic group, or our religious denomination–or any other group with which we strongly identify.

I present a summary of these arguments in Table 1 below. The key distinction between generalized and particularized trust is how wide the scope of your moral community is. The belief that "most people can be trusted" reflects generalized trust. When you only have faith in people like yourself, you are a particularized truster. Generalized and particularized trust form a continuum, not a dichotomy. At one end are people who trust *most others*–it makes no sense to place your faith in *all people*. At the other extreme, some people have little faith in anyone (their own families are generally exceptions, see Banfield, 1958, 110). Particularized trusters lie at this end–though the scope of their moral community may range from small (one's own family) to large (an ethnic, religious, or regional community).

Moralistic and strategic trust differ in their foundations: The latter is based upon experience, the latter largely not. They are not mutually exclusive, but rather largely independent

of each other. Moralistic trusters do not abjure strategic trust. Indeed, moralistic trusters are not *so* naive that they would hire just *any* contractor or loan a perfect stranger money. Moralistic trust mostly does not reflect how we interact with *any particular person* (which is the domain of strategic trust), but rather how we approach strangers, especially people who may be different from ourselves, more generally. Am I open to risks or am I risk averse? Strategic trust comes into play in deciding *which risks to take* Moralistic and strategic trust are largely independent of each other. Almost everyone has faith in their own family and close associates, their friends, co-workers, members of their houses of worship, and fellow club members (Uslaner, 2002, 29-30). With such little variation, it is hardly surprising that placing faith in people like yourself has little effect on generalized trust in people who may be different from yourself (Uslaner, 2002, 145-148).

Generalized trust and moralistic trust are largely, though not completely, overlapping. The roots of generalized trust are largely moral, since neither form of trust depends heavily upon experience. However, there are some foundations of generalized trust that *do* reflect life experiences–age, education, economic inequality, and race–so generalized trust is more than *simply* moralistic trust (Uslaner, 2002, chs. 4, 6, 8). Particularized trust is based largely upon experience–with close associates or with people very much like oneself–so it has similar foundations to strategic trust. Yet, particularized trust may also be based upon stereotypes with little underpinning in actual experiences. So the dimensions of generalized versus particularized trust, on the one hand, and moralistic versus strategic trust, on the other, largely overlap, but do not completely do so.

Strategic and Moralistic Trust

Moralistic trust is a value that rests on an optimistic view of the world and one's ability to control it. It differs from strategic trust in several crucial respects. Moralistic trust is not a relationship between specific persons for a particular context. Jane doesn't trust Bill to repay a $20 loan. Jane just "trusts" (other people in general, most of the time, for no specific purpose). If the grammar of strategic trust is "A trusts B to do X" (Hardin, 1992, 154), the etymology of moralistic trust is simply "A trusts."[2]

Strategic trust reflects our expectations about how people *will* behave. For strategic trust, Bill must trust Jane *and* Jane must trust Bill. Otherwise there is no deal. Moralistic trust is a statement about how people *should* behave. *People ought to trust each other.* The Golden Rule (which is the foundation of moralistic trust) does *not* demand that you do unto others as they do unto you. Instead, you do unto others *as you would have them* do unto you. The Eighth Commandment is *not* "Thou shalt not steal unless somebody takes something from you." Nor does it state, "Thou shalt not steal from Bill." Moral dictates are absolutes (usually with some exceptions in extreme circumstances). Adam Seligman (1997, 47) makes a telling distinction: "...the unconditionality of trust is first and foremost an unconditionality in respect to alter's response ....Were the trusting act to be dependent (i.e., conditional) upon the play of reciprocity (or rational expectation of such), it would not be an act of trust at all but an act predicated on [one's expectations of how others will behave]" (cf. Mansbridge, 1999).

Strategic trust is not predicated upon a negative view of the world, but rather upon uncertainty. Levi (1997, 3) argues: "The opposite of trust is not distrust; it is the lack of trust" (cf. Hardin, 1992, 154; Offe, 1999). Strategic trust is all about reducing transaction costs by gaining additional information–be it positive or negative. But moralistic trust must have positive

feelings at one pole and negative ones at the other. It would be strange to have a moral code with good juxtaposed against undecided. So we either trust most people or we distrust them.

Moralistic trust is predicated upon a view that the world is a benevolent place with good people (cf. Seligman, 1997, 47), that things are going to get better, and that you are the master of your own fate. The earliest treatments of interpersonal trust put it at the center of an upbeat world view (Rosenberg, 1956). People who believe that others can be trusted have an optimistic view of the world. They believe that things will get better *and that they can make the world better by their own actions* (Rosenberg, 1956; Lane, 1959, 163-166).

All but the most devoted altruists will recall–and employ--the Russian maxim (adopted by President Ronald Reagan in dealing with the Soviets): trust but verify. When dealing with specific people, we use strategic trust. It is hardly contradictory for someone who places great faith in *people* to check out the qualifications and honesty of *specific persons*, such as contractors, mechanics, and doctors. **Strategic trust is all about finding ways to minimize the risk inherent in social life.** Moralistic trust is *not* faith in specific people; rather, it is faith in the "generalized other." On the other hand, people who are *not* generalized trusters can only rely on strategic trust. For them, "trust" means experiences with specific persons.

Strategic trust is fragile, since new experiences can change one's view of another's trustworthiness (Bok, 1978, 26; Hardin, 1998, 21). Trust, Levi (1998, 81) argues, may be "hard to construct and easy to destroy" (cf. Dasgupta, 1988, 50). Values are not divorced from experience, but they are largely resistant to the ups and downs of daily life. Moralistic trust is thus *not fragile at all, but quite stable over time*. It is more difficult to build than to destroy because trust is not so easily transferable from one person to another.

Optimists are prone to discount bad news and give too much credence to good tidings. Pessimists overemphasize adversity and dismiss upbeat messages. Both groups look at evidence selectively. Their reasoning is a "cognitive 'leap' beyond the expectations that reason and experience alone would warrant" (Lewis and Weigart, 1985, 970; cf. Baron, 1998, 409 and Mansbridge, 1999). It may be a good thing that moralistic trusters aren't concerned with reciprocity, for they might well make erroneous decisions on who is trustworthy and who is not. Orbell and Dawes (1991, 521, 526) report results from an experimental game showing that trusters are overly optimistic about the motivations of others. They use their own good intentions (rather than life experiences) to extrapolate about whether strangers would cooperate in a experimental games.

Moralistic trusters are also significantly more likely than mistrusters to say that other people trust them.[3] People who feel good about themselves interpret ambiguous events in a positive light, while people who have a poor self image and who look at life pessimistically interpret the same experiences negatively (Diener, Suh, and Oishi, 1997). Since moralistic trusters look at the world with (at least partial) blinders on, it should not be surprising that this type of trust is not at all fragile–and that **moralistic trust is largely dismissive of risk.**

It would be easier to monitor peoples' trustworthiness if we could simply look at people and determine whether we should trust them. Their appearance would send us a signal that they would not betray us. In a world where knowledge is costly and sometimes scarce, we often find this tactic a useful device to reduce uncertainty.

One fail-safe solution to the problem would be for trusters all to wear outfits with a "T" and mistrusters to wear clothes marked with an "M" (cf. Frank, 1988). Clearly this is infeasible.

So for good or ill, we are likely to trust people who look and think most like ourselves. People who look like ourselves are most likely to share our values.

Particularized trust offers a solution to the problem of signaling. The Maghribi of Northern Africa relied on their extended Jewish clan–and other Jews in the Mediterranean area–to establish a profitable trading network in the twelfth century. Maghribis and other Jews did not wear clothing with a "J" (for Jew) or "T" (for trustworthy). But, as a small enough minority group, Jews could identify each other. They believed that others in their in-group were more likely to deal honestly with them, so they could minimize being exploited when trading with people they did not know (Greif, 1993). As long as members of an in-group can identify each other, they can limit their interactions to people they expect to be trustworthy.

The World Views of Generalized and Particularized Trust

When you feel good about yourself and others, it is easy to have an expansive moral community. *Generalized trusters have positive views toward both their own in-group and out-groups. But they rank their own groups less highly than do particularized trusters* (Uslaner, 2002, ch. 4). If you believe that things are going to get better–and that you have the capacity to control your life–trusting others isn't so risky. Generalized trusters are happier in their personal lives and believe that they are the masters of their own fate (Brehm and Rahn, 1997, 1015; Lane, 1969, 165-166; Rosenberg, 1956, 694-695). They are tolerant of people who are different from themselves and believe that dealing with strangers opens up opportunities more than it entails risks (Sullivan et al., 1981, 155; Rotter, 1980, 6).

When you are optimistic about the future, you can look at encounters with strangers as opportunities to be exploited. Optimists believe that they control their own destinies. Perhaps

you can learn something new from the outsider, or maybe exchange goods so that you both become better off. Even if the encounter turns out to be unprofitable, you can minimize any damage by your own actions. For pessimists, a stranger is a competitor for what little you have. She may also represent the sinister forces that control your life (as pessimists believe). They suspect that outsiders are trying to exploit them. And, given their long-term history, they might be right. But pessimists might also overestimate the likelihood of a bad experience with a stranger, depriving themselves of the opportunities of mutual exchange. Just as some bad experiences are not going to turn optimists into misanthropes, a few happy encounters with strangers will not change long-term pessimists into trusters. Change is possible, but it is likely to occur slowly.

Trust, Risk, and the Law

All of our interactions have some element of risk. Social ties with close friends is hardly a gamble. Hiring a new contractor is more hazardous, while interacting with strangers (including businesses without a national reputation) may seem frought with uncertainty and possible danger. Where information is plentiful, we can rely upon strategic trust. We can check with consumer bureaus or neighbors about contractors. But when information is scarce, we must fall back on moralistic or generalized trust.

Yet, there *is* an instrument of strategic trust that can reduce, if not minimize risk: the legal system. If someone takes advantage of us, we can take them to court. A strong legal system will reduce transaction costs, making trust less risky. On one view, a strong system of laws can generate more trust: The more experience people have with compliance, the more likely they are to have confidence in others' good will (Brehm and Rahn, 1997, 1008; Levi, 1998; Offe, 1999).

So Bill knows that if he hires Jane to paint his house and she accepts his payment and does a poor job, he can take her to court for redress. Thus, he won't worry so much if he has to look for a new painter. My own family benefitted from this very type of protection: We hired a contractor to repave our driveway and he used an inferior grade of concrete. After a year or more, the Maryland Home Improvement Commission ruled in our favor and we recovered our initial investment. Cohen (1997, 19) argues that "...legal norms of procedural fairness, impartiality, and justice that give structure to state and some civil institutions, limit favoritism and arbitrariness, and protect merit are the *sine qua non* for society-wide 'general trust,' at least in a modern social structure."

There is plenty of evidence that people are more likely to obey laws and pay taxes if they believe that laws are enforced fairly and if people trust government (Tyler, 1990; Scholz and Pinney, 1995). Rothstein (2001) argues (cf. Levi, 1998; Misztal, 1996, 251; Offe, 1996, 27; Seligman, 1997, 37):

> Political and legal institutions that are perceived as fair, just and (reasonably) efficient, increase the likelihood that citizens will overcome social dilemmas.... In a civilized society, institutions of law and order have one particularly important task: to detect and punish people who are "traitors," that is, those who break contracts, steal, murder, and do other such non-cooperative things and therefore should not be trusted. Thus, if you think that particular institutions do what they are supposed to do in a fair and efficient manner, then you also have reason to believe...that people will refrain from acting in a treacherous manner and you will therefore believe that "most people can be trusted."

Rothstein (2000, 21) argues in favor of the linkage between trust in the legal system and faith in people by citing correlations between the trust in different governmental institutions and generalized trust in Swedish surveys conducted from 1996 through 2000. Of 13 governmental institutions, the correlations with trust in people are highest (though barely) for the police and the courts.

There is little reason to presume that government enforcement of laws will build trust. Yes, coercion can increase *compliance* with the law. Obeying the law because you fear the wrath of government will not make you more trusting–no matter how equally the heavy hand of the state is applied. Generalized trusters are, in fact, less likely than mistrusters to endorse unconditional compliance. In the General Social Survey in the United States, just 35 percent of trusters say that you should *always* obey the law, even if it is unjust, compared to 48 percent of mistrusters.[4] Simply getting people to obey laws will not produce trust. Perhaps this is a caricature of the argument on building trust, but it is easy to confuse compliance with voluntary acceptance, to confuse the law abiding people of Singapore with those of Sweden (cf. Rothstein, 2001). Even in high trusting countries such as Sweden, the linkage between confidence in the legal system and the police and trust in people is not very strong (Rothstein, 2001).[5]

Courts can save us from rascals only if there are few rascals (cf. Sitkin and Roth, 1993). Law abiding citizens, not rogue outlaws, create constitutions that work. You may write any type of constitution that you wish, but statutes alone won't create generalized trust. Macaulay (1963, 58, 61-63) argues that business executives and lawyers prefer transactions based upon trust–and handshake seals the deal–to those based upon contracts and threats of legal sanctions. Most executives and even lawyers have faith that other people will keep their end of a bargain.

Resorting to formal documents might undo the goodwill that undergirds business relationships (Macauley, 1963, 63; Mueller, 1999, 96). Coercion, Gambetta (1988, 220) argues, "falls short of being an adequate alternative to trust....It introduce an asymmetry which disposes of *mutual* trust and promotes instead power and resentment" (cf. Baier, 1986, 234; Knight, 2000, 365). Generalized trust does *not* depend upon contracts. Indeed, trusting others is sometimes said to be a happy substitute for monitoring their standing (Offe, 1997, 12; Putnam, 2000, 135).[6]

There is a linkage between confidence in the legal system and trust in people, the direction of causality goes from trust to confidence in the legal system. Trusting societies have strong legal systems, able to punish the small number of scofflaws. Rothstein (2001) argues that Russians have low levels of trust in each other because they don't have faith in the law. It seems more likely that this direction of causality runs the other way: Russians have a weak legal system because not enough people have faith in each other.

In a cross-national study of trust and corruption, Gabriel Badescu and I found that the correlation between trust and perceptions of corruption were uniformly **low** in countries with high levels of corruption (Uslaner and Badescu, 2004). People in highly corrupt countries–especially the former Communist nations of Central and Eastern Europe–don't blame fellow citizens for graft. The elites are to blame, so that any successful attempts to control corruption *will not increase trust*. When corruption is high, people learn how to cope. They know who must be paid off (and how much) and they are reasonably certain that the scofflaws will *not* face the strong arm of the law (which is corrupt itself). Where corruption is low (as in the Nordic countries), people are more likely to make a link between malfeasance and the trustworthiness of their fellow citizens. These high trusting societies have well functioning legal

systems (see Uslaner, 2002, ch. 8) and there is little reason to believe that if the transgressors are caught, they will face severe punishment.

Seeking to instill generalized trust from the top down (by reforming the legal system) misses the mark in most cases. If courts, or government more generally, can build up any type of trust at all, it is strategic trust: I can protect myself from an occasional contractor (or corrupt business) who takes advantage of me by seeking legal redress. When most contractors are dangerous, there is little reason to believe that the courts will be able to protect me from risk.

A strong legal system depends upon trust, in other words, on people who minimize the risks involved in daily life. People who trust others are the strongest supporters of the fundamental norms that make for a civil and cooperative society, according to data from the World Values Survey. Trusters are more likely to say that it is wrong to purchase stolen goods, to claim government benefits that you are not entitled to, to keep money you have found, and to hit someone else's car without making a report. Trust and one's own moral code lead people to endorse strong standards of moral behavior–and *not* expectations of others morality. Trust matters most on moral questions when the stakes are highest (in terms of real monetary costs) and when there is the least consensus on what is moral. When everyone agrees that something is wrong–say, on joyriding–or when violating a norm has small consequences –say, on avoiding a fare on public transportation–trust doesn't matter so much. Trust also matters most when a specific person bears the brunt of breaching a norm. Trust is not quite so important for actions affecting the government–say, cheating on taxes or avoiding fares–as it is when we can point to a specific, though unknown, victim such as keeping money you have found or hitting someone's car without making a report.[7]

Trusting people are more supportive of *the legal order* as well as of legal norms. They are substantially more willing to serve on a jury–where they not only help to run the system of laws but also are likely to interact with people unlike themselves. Generalized trusters are more likely to say that they are willing to serve on a jury. And particularized trust matters even more: People who rank their own in-groups highly are much less likely to say that would serve, while those who give more favorable ratings to out-groups are much *more* willing to do their jury duty.[8] The foundation of the legal system that helps reduce risk is a populace that does not see the world as full of risk.

Risk and New Opportunities

Mistrusters look at people who are different from themselves (out-groups) with suspicion. A deep-seated pessimism makes people view outsiders as threats to what little they have.[9] Minorities and immigrants are seeking to take jobs away from the majority population; open markets take jobs away from native citizens. Protecting yourself and others like you against these risks becomes paramount (Uslaner, 2002, 193-199). When people see little hope for the future and believe that others control their fate, they naturally develop a sense of fatalism and mistrust. Perhaps one of the best descriptions came from Edward Banfield's (1958, 110) description of the social distrust in the Italian village of Montegrano in the 1950s, where poverty was rife and people had little hope for the future: "...any advantage that may be given to another is necessarily at the expense of one's own family. Therefore, one cannot afford the luxury of charity, which is giving others more than their due, or even justice, which is giving them their due." Banfield's discussion is controversial–not everyone agrees that Montegrano was marked by such mistrust. However, the picture that Banfield drew is a dramatic portrayal of the misan-

thrope, who sees risk and danger at every corner. Racists and authoritarians fit the portrait just as well.

In contrast, generalized trusters look at people who are different from themselves as members of their moral community. Interacting with them broadens your vistas. So it is hardly surprising that moralistic trusters have warm feelings toward people who are different from themselves: In the United States, white trusters admire African-Americans and favor programs such as affirmative action that might tear down racial barriers. As with African-Americans, trusters don't see illegal immigrants taking jobs from natives. And they have far more favorable views of *legal* immigrants than mistrusters: Immigrants don't increase crime rates, generally help the economy, don't take jobs away from people who were born in America, and make the country more open to new ideas. And trusters don't believe that immigrants can readily work their way up the economic ladder, any more than African-Americans can, without government assistance (Uslaner, 2002, 193-197).

Trusters also have more positive evaluations of other groups in the society that have faced discrimination. They rate gays and lesbians more highly than mistrusters. Generalized trusters are much more supportive of gays and lesbians serving in the military and adopting children. In each case–general affect, military service, and adopting children–particularized trusters (as measured by the difference in feeling thermometers of out- and in-groups in the 1992 ANES) are far less supportive of homosexuals. Particularized trust is by far the strongest determinant of overall affect and it is also more powerful for military service. Trusters are far more supportive of gays' and lesbians' right to teach and speak in public schools and for the right of libraries to have books by gay and lesbian authors. Since trusters don't fear strangers–or even people they

don't like or agree with–they are willing to extend the same rights to atheists and racists.

Trusters want to let more immigrants come to America since they are more likely to believe that newcomers share the basic values of people already here. And trusters also favor free trade as a means of boosting economic growth. People with faith in others are less afraid that trading with other countries will permit other countries to take unfair advantage of the United States.

People who trust others do not believe that people who are different from themselves constitute a risk. We are all in this together, trusters believe, because Americans have share a common set of values.

Similarly, trusters and mistrusters *both* use the new technology of the Internet, with little difference in how often they go online. However, there are differences, according to surveys conducted by the Pew Center for the Internet and American Life in 1998 and 2000, in how they go online.[10] First, the new innovation of the Internet–chat rooms–offers some hope that people of different backgrounds might get together and learn to trust one another. But here, of all places, we see some evidence of misanthropy. People who visit chat rooms or who make new friends online are ***less trusting*** than others (cf. Shah, Kwak, and Holbert, 2001, 149). Perhaps people who make friends online, often anonymously, feel uncomfortable with meeting "real" strangers. And many, maybe most, chat rooms are marked by a dominant worldview or ideology–and dissidents often find out rather rudely that they are not welcome (Hill and Hughes, 1997). People who frequent chat rooms seem to trust only people like themselves and fear people with different views.

On matters not related to privacy and security, there is little that separates trusters and

mistrusters on the Net. Trusting people are no more likely to go on line to get information of any sort–or even to buy products. They are no more prone to go to the web for fun–or to spend lots of time on it. Offline, trusting people overall see the web as a place occupied with lots of trustworthy people and companies. They have no desire to hide their identity. Trusting people are more tolerant of people of different races and religions and of minorities that have faced discrimination. They have more favorable attitudes toward immigrants and are more likely to favor open markets.

Where privacy issues are concerned, there is a marked difference in how people approach risk: Online, trusters respond to e-mails from strangers–and receive fewer offensive missives from people they don't know (either because it takes more to offend them or they get on fewer lists with people who write nasty notes). They worry less about what others might learn about them and don't fear that others will invade their personal lives or spread lies. They are more likely to demand that companies ask permission to get personal information, but they will use their credit card numbers for phone orders (though, surprisingly, there is no difference for Internet orders).

Does Trust Shape Attitudes Toward Risk?

The argument I have laid out suggests that trusters *underestimate* risk. Even when the world outside seems threatening, people who trust others are less likely to see danger than mistrusters. There are alternative perspectives: Hardin (1992, 165) argues that trust is merely "encapsulated experience." His perspective views *all* trust as strategic:

> Suppose...that I started life with such a charmed existence that I am now too optimistic about trusting others, so that I often overdo it and get burned. Because

> I am trusting, I enter into many interactions and I collect data for updating my Bayesian estimates very quickly. My experience soon approaches the aggregate average and I reach an optimal level of trust that pays off well in most of my interactions, more than enough to make up for the occasions when I mistakenly overrate the trustworthiness of another.

And Yamagishi (1998) argues that trusters are more sophisticated than mistrusters–and are especially likely to recognize likely defectors in iterative games. Yamagishi believes that trusters are more likely to perceive risk than mistrusters. We might expect that this reflects the greater levels of education among trusters, but this is controlled in Yamagishi's experiments. So the implication seems to be that trusters are *more alert to the dangers of risk than are mistrusters–and even that trusters may overestimate risk.*

Which of these perspectives is correct? This is not an easy set of claims to test. However, there is an ideal set of data that permits an examination of these three alternative arguments. The Pew Center for the People and the Press 1996 Civic Engagement Survey of metropolitan Philadelphia asked the standard survey question about how safe it is to walk in your neighborhood at night with responses ranging from very safe, somewhat safe, not too safe, to not at all safe. This question clearly measures risk, though it clearly does not cover all forms of danger. But it is the only survey I know that includes both perceptions of risk and the generalized trust question.

My argument would expect that *trusters consistently overestimate the level of safety* ***controlling for the actual level of violence in their neighborhoods***. Hardin's thesis would expect no difference between trusters and mistrusters in the level of safety, ***controlling for the***

actual level of violence**,** since information on the level of violence should "wash out" any effects of trust (which is endogenous to information). There is no ***a priori*** reason to presume that trusters and mistrusters would gain different levels of information, once other factors (such as where you live, etc.) are controlled. Yamigishi's argument suggests that trusters would *underestimate the level of safety* ***controlling for the actual level of violence in their neighborhoods****.*

I tested these arguments in a statistical analysis reported in Uslaner (2004). The analysis controls for factors *other than trust* that might lead people to feel safe or unsafe in their neighborhoods. The 1996 Pew survey is especially important because it includes an objective measure of risk: the actual level of violence in a neighborhood, as compiled for voting precincts from official Police Department statistics. If trust is nothing more than encapsulated experience, then we would expect that the level of violence in your neighborhood would largely determine perceptions of safety. But perceptions of safety may reflect more than just the levels of violence (here from sexual assualts).

Other questions in the survey may also shape attitudes about the safety of your neighborhood: whether your parent was a victim of a crime, how much you trust your city government, whether you live in the center city or a suburb, gender, how much you like both your neighborhood and Philadelphia, gender, and how much local television news you watch. Experiencing crime–even indirectly (through one's parents)--should make you believe that your neighborhood is unsafe. If you trust your local government and like both your neighborhood and your city, you are more likely to feel secure (and protected). Suburban residents correctly feel more secure than inner-city residents, while women are more likely to feel that their neighborhoods are unsafe (since they may be more vulnerable to attacks). People who watch local television news in the

United States might be very susceptible to the "mean world" effect. When you see lots of violence on television, you are more likely to believe that the real world is just as "mean" as the "television world" and thus to be less likely to trust others (Gerbner et al., 1980, 17-19). Local television news in the United States shows a lot of violent crime. People in the news business say of local television news: "If it bleeds, it leads"–violent news comes first. These control variables should "equalize" information levels to the extent possible (education was not significant). Generalized trust is the main variable of interest.

Experiences clearly shape the perceptions of neighborhood safety. The actual level of violence clearly shapes perceptions of neighborhood safety. People living in the least violent neighborhoods are almost nine times as likely to say that their neighborhoods are very safe as are people from the least violent neighborhoods–and they are half as likely to say that their neighborhoods are very unsafe. People living in the central city are also far more likely to say that their neighborhoods are unsafe, as are women and people who watch a lot of local television news. People who trust the city government, who like Philadelphia, and especially who like their neighborhood are far more likely to feel safe. Perhaps suprisingly, if your parents were the victim of a crime–*or even if you were the victim of a crime*–you are no more likely to feel unsafe.

Yet, perceptions of risk are not just about experience. Trust shapes attitudes toward risk. **Trusters are more likely to see their neighborhoods are safe: 38 percent of trusters compared to 28 percent of mistrusters say that their neighborhood is safe, even controlling statistically for all of the other variables (including the actual level of violent crime). Trusters are also half as likely as mistrusters to say that their neighborhoods are "not at all safe," regardless of the actual level of violence.** Even at moderately high levels of rape

violence, mistrusters are about twice as likely as trusters to say that their neighborhoods are "not at all safe."

Suburban mistrusters are generally more likely to see their neighborhoods as very safe than central city trusters. ***Yet, within each area of residence, trusters are substantially more likely to see their neighborhoods as very safe.*** Suburban trusters are about 20 percent more likely to see their neighborhoods as very safe compared to suburban mistrusters. There is a smaller advantage for trusters in the central city. At low levels of violence, trusters in the central city are about 10 percent. Only when the level of violence becomes relatively high do we find little difference between central city trusters and mistrusters. We cannot make comparisons for very high levels of violence because we only see such high rates in the central city and not in the suburbs. Central city mistrusters ***always see their neighborhoods as less safe than trusters and their perceptions of insecurity rise exponentially as the crime rate goes up***. In the suburbs, the actual level of violent crime does not seem to make people less secure. Trust in the suburbs shapes perceptions of risk, regardless of the level of crime. Trusters are consistently (across levels of violent crime) 10 percent more likely to say that their neighborhoods are very safe in the suburbs.

People's perceptions of the safety of their neighborhoods do depend upon the actual level of violence (though the simple correlation is just -.292). But trust matters as well. Trust is not simply a sieve for information and context, as Hardin would have it. Nor are trusters ever on alert for miscreants, as Yamigishi would lead us to believe. Instead, trusters consistently downplay the level of insecurity. Across every comparison–through actual level of violence and where one lives–trusters believe that their neighborhoods are safer than mistrusters do, ***net of any***

other experiences such as being a victim of crime, having a parent who was a victim, how often you watch local television news (featuring lots of violence, reflected in the saying, "if it bleeds, it leads"), and how much you like your neighborhood or the city. Trusters may not damn contrary evidence, but they discount it.

The Pew measure of safety is not an abberation. Trusters are far less likely to lock their doors. And they are less less likely to feel that they must protect themselves from criminals with a gun (Uslaner, 2002, 199, 263).[11] Next to living in an urban area, trust has the biggest effect of any variable on whether people think they should lock their doors. Even being attacked or robbed three times in the last five years doesn't matter as much as being a truster. In a variety of circumstances, trusters feel more secure against threats.

Reprise

Optimists underestimate risk. Are they irrational? Hardly, optimism (and trust) pays. Trusters find it easier to work with others in their community and nation. This cooperative spirit leads to higher levels of economic growth and better functioning legal systems. Trust ultimately pays better than mistrust. This is hardly a novel idea. We know from game theory that being nice is better than being mean (Axelrod, 1984). We know the same thing from Aesop's fable about the tortoise and the hare. So it should hardly be surprising that depreciating risk is a winning strategy. When you fear encounters with strangers, you lose the opportunity to expand your markets. Trust opens up opportunties: It expands the base of people we interact with. Trust makes us more likely to embrace new technologies. Trust makes us more likely to take risks in daily life and in business. The trusting person seeks cooperation rather than confrontation, so closing the deal is easier when trust is widespread. To be sure, trusters might be more likely to

be taken in by rogues. Yet, over the long haul, they will do better than mistrusters ***because they are less likely to be consumed by the fear of failure and they are more likely to search for common ground.***

Trust is important for management for several reasons. First, by fostering tolerance and a cooperative spirit, trust makes for a more inclusive and consensual decision-making style. It leads to broader perspectives and a greater willingness to engage in a globalized world (Uslaner, 2002, chs. 7, 8). Second, by minimizing perceptions of risk, trust emboldens entrepreneurs. It makes them less likely to fear privacy (as my Internet studies have shown) and less worried about risk in general. Innovation depends upon a willingness to take risks and if trusters are more open to taking chances, they will also be the ones who are more likely to arrive at new solutions to management problems–and to prosper. We know that trusting countries have higher growth rates and we might also expect that firms with many trusting employees should be more innovative and more successful. Trust is a key factor enhancing a cooperative team spirit, a willingness to take risks, and a willingness to work with people who are different from oneself. No one does business on a handshake in a complex world, but many people are very quick to resort to forego negotiations and mediation and head straight to court. A lack of trust means that each search for a cooperative solution, a compromise if you will, must start from scratch. Assuming that there *is* common ground is far more productive and efficient. Kenneth Arrow (1974, 23-24) argued:

> Now trust has a very important pragmatic value, if nothing else. Trust is an important lubricant of a social system. It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance on other people's word. Unfortunately, this is not a commodity which can be bought very easily. If you have to buy it, you

already have some doubts about what you've bought.

What can business do to build trust? We should not expect a major transformation in society from business, since trust is generally learned early in life. However, business can take steps to create trust, some direct and some indirect steps. The direct steps include stressing diversity in the workplace and seeking nonconfrontational solutions to negotiations. Indirect strategies may be more likely to have lasting effects. Business can create family-friendly workplaces, giving workers time to spend with their families so that they can transmit these positive values to their children. Business can provide opportunities for furthering education by employees, since we know that education broadens people's perspectives on the world and sharply increases trust (Uslaner, 2002, ch, 4). Businesses can get involved in their communities and set examples.

Sponsoring volunteering programs and charitable giving programs can create trust–but only if they are truly voluntary. The Wall Street Journal reported (Schellenbarger, 2003) that many American firms are "forcing" their workers to volunteer (as schools require volunteering of their students)–and many workers resent this (perhaps even reducing trust!). Businesses can make substantial contributions to their communities themselves, realizing that a bit of altruism can yield a better society and a stronger business climate. Swiss Re, the big reinsurance company, is an excellent example of a large firm that has excelled in community service. So are Ben and Jerry's, the ice cream company, and Birkenstock, which makes sandals and other shoes.

Promoting good deeds such as volunteering and charity produces a "warm glow" among those who help others: benevolence is rewarded with a good feeling, leading to greater trust (Andreoni, 1989; Uslaner, 2002, ch. 5). Ben and Jerry's contributed a share of profits to charity

(at least when it was privately held). Birkenstock provides free time for its employees to do good works and it contributions to many charity. In particular, it has donated considerable sums of money to causes that have little to do with its business such as the Elizabeth Glaser Pediatric AIDS foundation. It has also paid employees to volunteer and to give sacks of money to worthy causes without publicizing it (Lewis, 2004). And each small step to doing good can help reduce, even by a small amount, the level of inequality in a society. Simply recognizing the importance of trust, its benefits, is a key first step.

TABLE 1

Dimensions of Trust

Type of trust	**Basis of distinction**
Moralistic versus strategic trust	Trust based upon values versus trust based upon experience
Generalized versus particularized trust	Scope of trust: belief that "most people can be trusted" versus only trusting people like yourself.

Generalized trust is similar to moralistic trust, but there are some determinants of generalized trust (education, age, race, economic inequality) that do reflect experience rather than values. See Uslaner (2002, ch. 2).

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NOTES

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1. The term "strategic trust" is mine. Most of the people I cite would like find the terminology congenial. Hardin (1992, 163) emphatically holds that "there is little sense in the claim of some that trust is a more or less consciously chosen policy..." Trust based on experience can be strategic even if we do not make a deliberate choice to trust on specific

occasions.

2. A more formal statement would be:

$\forall$ B and $\forall$ X: A trusts B to do X.

As I note below, it is foolish to trust all of the people all of the time. Moralistic trust doesn't demand that. But it does presume that we trust most people under most circumstances (where most is widely defined).

3. This finding comes from the Pew Research Center for The People and The Press's 1996 Trust and Citizen Engagement survey in metropolitan Philadelphia. Ninety-seven percent of moralistic trusters said that other people trust them, compared to a still very high eighty-six percent of mistrusters (tau-b = .174, gamma = .627). This result may reflect either reality–perhaps we are more likely to trust people who trust us–or it may also be part of the general syndrome of overinterpretation.

4. Phi = -.128, Yule's Q = -.269. The question was asked in 1985, 1990, and 1996.

5. The correlation between trust in people and confidence in the legal system in the World Value Survey is modest (tau-c = .069, gamma = .122). And the country by country correlations tend to be higher where trust in people is higher.

6. Others who see trust as knowledge-based–notably Dasgupta (1988, 53), Hardin (1995, 8-9), and Misztal (1996, 121-123)–argue that it is *based upon* reputation.

7. See Uslaner (1999) for a more detailed examination of this evidence.

8. People with faith in others are between 7 and 16 percent more likely to say that they are willing to serve. The effects of in-group and out-group trust are even higher, between 17 and 24 percent.

9. Most of this section comes from Uslaner (2002), ch. 7. The data bases and the specific statistical analyses (all multivariate) are discussed in that chapter.

10. This section comes from Uslaner (2001).

11. Only three other variables–living in a border state or the South and whether you or a family member witnessed a crime–has a bigger effect on defending yourself with a gun compared to trust.