NORMS OF COOPERATIVENESS AND NETWORKS OF TRUST

Karen S. Cook and Russell Hardin

WE MAY motivate cooperation either through norms of cooperativeness or through relationships of trust and trustworthiness. Although either device might work in any context, there appear to be distinctive realms in which these two devices work best. Norms work best for smaller groups or communities with long-standing relationships. Trust and trustworthiness play their role most clearly in more complex societies in which individuals establish or join multiple networks for achieving various purposes. Strong norms typically involve spontaneous within-group sanctioning of violators. The possible sanctions for violation of a group's norm are quite numerous and varied because there need be no strategic or logical connection between the form of the sanction and the nature of the norm that is violated. At an extreme, the sanction can entail shunning the violator altogether. For someone whose life is lived more or less entirely within a close community, such a sanction could be devastating in its power.

Trust networks typically involve dyadic and reputational policing of failures of cooperation. The chief sanction is typically merely withdrawal from further interactions with the violator of a trust, or at least from further interactions of the kind in which trust has been violated. This sanction is strategically defined by the nature of the ongoing exchange relation, which will be focused on some limited range of matters in exchange. This is, de facto, the sanction of shunning, although it has far less force than shunning in a close community. This sanction excludes those who are shunned from interaction with only one of many networks in which they might be involved, whereas in the small community it can exclude the shunned from virtually all interactions. The sanctions for communal norm violation can therefore be substantially more severe than those for failure of trustworthiness in network interactions.

Although trust may take other forms, the modal trusting relationships
at issue here grow out of ongoing interactions that give each party an incentive to be cooperative. The principal incentive is the desire to maintain the relationship itself for future activities. This incentive gives you an interest in doing what I trust you to do. In essence, my interest is encapsulated in yours to some extent, and therefore I can trust you. This is the encapsulated-interest view of trust.

**Norms**

This chapter draws on Russell Hardin's account of norms (Hardin 1995, chapters 4 and 5). Norms can be exclusionary or universalistic. Norms of exclusion are specific to a group, community, or culture. In addition to defining a relevant behavior, they often define who is in and who is out of the group. Hence, if I violate my community's norms, my community might exclude me from active participation. If I value membership and participation in that community, I may see this exclusion as a severe sanction. Hence, I will have a strong interest in abiding by my community's norms in order to avoid exclusion. This interest might be trumped by other interests, such as the prospect of obtaining a good job that my community would frown on, such as a job outside the community.

Universalistic norms typically are thought to apply to everyone or to everyone in a particular kind of role. Some universalistic norms cover dyadic or small-group interactions, and others cover essentially collective interactions. For example, a more or less dyadic norm against lying typically governs interactions between two or very few people—although Presidents Richard Nixon and Bill Clinton apparently achieved the remarkable feat of lying to the entire American people and being subsequently formally chastised by only a few hundred of them. A collective norm against littering typically concerns not only my immediate associates but also people throughout the larger society, including many whom I do not and will not ever know.

A striking fact about these classes of norms is that some of them are far more likely to be congruent with interests than are others. It is prima facie in my interest to abide by my community's norms of exclusion. I would typically also find it in my interest not to violate the norm against lying, because such a violation is likely to make those to whom I lie reluctant to rely on me in the future, to both my disadvantage and theirs. Again, this interest might occasionally be trumped by other interests that would give me incentive to lie. I would not, however, so immediately see it as in my interest not to litter. Indeed, what makes it against my interest to litter is primarily, and maybe only, the possibility of being sanctioned in some way for doing so. I might personally prefer not to litter for my own moral or fastidious reasons, but it might often not narrowly be in my interest to avoid littering. In general, universalistic collective norms are less likely to be backed by interests independent of sanctions than are universalistic dyadic norms.

Although norms of exclusion are primarily backed by sanctions, many of which might entail costs to the sanctioner, one type of sanction is like that which is built into dyadic relationships in that delivering the sanction is immediately in the interest of the sanctioners. The members of a group whose norms I violate—even trivially by, say, dressing or speaking differently—might find it less comfortable to be around me therefore and would de facto shun me, not to punish me but merely to avoid the discomfort they find in being around me. They might be able to do this without making any effort contrary to their immediate interests. Members of the larger community might commonly have to make a special, perhaps unpleasant effort to rebuke me for my littering.

In all these cases, the sanctions against violating the norms typically come from within the relevant community, either the exclusionary or the universal community; and commonly they are spontaneously brought to bear. They are unlike the sanctions of the law in that they need not be formally decided and acted upon. No one need work out whether they are right or wrong.

Sanctioning by shunning can turn any norm into a norm of exclusion—if the shunning works more or less uniformly or at least broadly across some group. If virtually all of us shun you, you are excluded from our group. Small communities can achieve such shunning for whatever reason, including mere distaste, and they can do so with extraordinary viciousness as in the incident of the French town that shuns the heroine of the novel (by Marguerite Duras) and movie, *Hiroshima, mon amour*, in retaliation for her having had an affair with a German officer at the end of World War II. In general, however, we are not here concerned with norms of exclusion per se but only with seemingly universalistic norms that, at the communal level, may have the enforcement system of norms of exclusion.

We are concerned with universalistic norms that work at the dyadic or small-group level, because that is the level at which trust and trustworthiness are commonly of interest, particularly in the encapsulated-interest view of trust. Indeed, it is our thesis that the typical strategic structure of relations of trust is in ongoing dyadic or small-group relations directed at specific matters or ranges of matters. Trust relations are governed by essentially dyadic sanctions—typically, of withdrawal from the relation. If there is a norm involved in trust relationships, it is a norm of trustworthiness. There need not be a norm, however, and, indeed, it is not part of the commonplace vernacular in English to say that people should be trustworthy in the way it is part of the vernacular to say that people should not lie.²

The structure of norms of cooperativeness is more likely to be that of the small collectivity using collective, not merely dyadic, sanctions against
violators of their norms. Hence, the norm of cooperativeness may be reduced to a norm of exclusion in practice. This norm is essentially what Bronislaw Malinowski (1922) has called generalized reciprocity (see also Yamagishi and Cook 1993) in characterizing relations in small anthropological communities, in which the sanction of exclusion could be grim. The norm of cooperativeness is similarly generalized only in a specific context, particularly in a community. Note that, in both the case of a community governed in part by a norm of cooperativeness and the case of a network-based trust relationship, we may speak of the trustworthiness of people.

A Network Conception of Trust

Our central assumption is that some of the most important conditions for trust are social, not psychological; they are outside the individual, they are not individual traits. In a Robert Weber cartoon, a kindergarten teacher tells a parent couple, “We teach them that the world can be an unpredictable, dangerous, and sometimes frightening place, while being careful not to spoil their lovely innocence. It’s tricky” (New Yorker, November 18, 1991, 66). If the world were wholly unpredictable, dangerous, and frightening, we would have no grounds for trust. It is familial, communal, network, and other structured contexts that give us grounds for trust because they give grounds for being trustworthy to the people we might trust. Hence, grounded trust is inherently relational because it depends on this background of ordered incentives. If we are to discover under what circumstances people are likely to trust and to prosper as a result, we must be attentive to these background conditions. The commonplace discussion of trust between two individuals as though they were abstracted from their social context misses too much of what is at stake to make sense of social relations.

We concentrate here on a still more restricted view of trust as embedded in a network of relations. Consider a simple but important example. Elizabeth McIntosh explains the elitist character of the U.S. Office of Strategic Services, the World War II forerunner of the Central Intelligence Agency (CIA), as essentially a device for securing trustworthiness. The founder, William J. Donovan, “was forced to build his organization from scratch, with little time for tight security checks.” He recruited people “whose loyalty was unquestionable: close friends, business clients, club members, professors from elite colleges, linguists, established writers” (McIntosh, quoted in Westlake 1998). In essence, he did what we commonly do when we need to find someone who is trustworthy or need to check on someone’s trustworthiness. He relied heavily on network-based trust and trustworthiness. In addition, he depended on third parties to certify many of these people: clubs, elite colleges, friends. This latter device is itself a supreme instance of using networks. In this respect, Donovan relied on what James Coleman (1990, 185) calls “intermediaries in trust” or on third-party trust. This is analogous to the Chinese practice of using a “guanyi” contact as intermediary between two individuals who do not know each other well enough to have established any bond of trust. A guanyi is a social or economic matchmaker who can vouch for each of the two parties brought together, thus enabling them to enter a productive relationship with each other without preliminary trial-and-error testing. One can imagine such matchmakers would be especially valuable for making contacts between people in separate, relatively close, small communities or between families.

A model for a theory of trust as embedded in a richer network of social relationships is the work of Richard Emerson on power dependence relations (see Emerson 1962, 1964) and subsequent work by Karen Cook and others on power and exchange (Cook and Emerson 1978; Cook and Yamagishi 1992; Cook et al. 1983). Emerson’s work on power dependence relations is an appropriate model because it does for the concept, power, what can be done for the concept, trust. It shifts the framework surrounding the study of power from that of an attribute of an individual (who governs or is perhaps more powerful in the community) to that of a property of a social relation. The unit of analysis in this work of Emerson and Cook is the exchange relation or network of exchange relations, not individuals or attributes of individuals. We view trust relations similarly and wish to ground the analysis of trust in social relations and networks.

In our actual experience, trust is subject to quite specific constraints. It takes the restricted form, “A trusts B to do x” (Hardin 1992; see also Hardin 1991)—that is to say, a person (A) trusts another specific person (B) to do some limited range of things or perform some action with respect to some relatively defined matter (x). For example, I trust you to repay minor debts, such as the debt incurred when you borrow money from me to buy lunch. I might not trust you to repay a large debt, and I might therefore not make a large loan to you, even if I had the resources to do so; or I might not trust you with confidential information. Hence, it is generally wrong to say, simply, I trust you, unless there is an implicit limitation on what I trust you to do. This means that many relational considerations come into play, that my trust is a property of our social relation. It depends, of course, on the nature of my interests, your interests, our knowledge of each other, and possibly other attributes (such as gender, occupation, or education level). It also depends, however, on the larger context of our social relations and the broader network of relations that surrounds us. In particular, in this account, the notion of trust is made relational, at least implicitly, by making it a function of iterated or ongoing interactions.

Note that thinking of trust as ground for cooperation in each instance
of an iterated exchange immediately yields the result that distrust is easy to establish whereas trust is much harder to establish. Simply failing to fulfill an initial exchange makes for distrust, but it might take several successful fulfillments to induce us to trust someone. For example, suppose it takes the positive payoffs from five successful cooperations to outweigh the loss of one failed cooperation. Then it would take five first-time exchanges with optimistic cooperators to outweigh one failed first-time initiative with a pessimist. Hence, one will have incentive to avoid first-time interactions and to stick to interactions with those one already knows to be cooperative, that is, those already in one’s network. As James Coleman notes, it takes time to develop trust (Coleman 1990, 104).

We start from the encapsulated-interest theory of trust: A trusts B with respect to matters x, and A trusts B for the reason that A thinks B has incentive grounded in A (typically, in A’s interests) to be reliable to A. For example, A and B might be in an ongoing relationship that is of value to B, so that B will not wish to damage the prospects of continuing that relationship by defaulting on A’s trust. The network conception of trust fits these characteristics with only a slight change: A trusts those in network B with respect to matters x. In this case, however, it is in B’s interest to fulfill A’s trust not merely because A may de facto sanction B by withdrawing from future exchanges with B but also because others in their network may also withdraw from future exchanges with untrustworthy B. Network trust brings in reputational effects, but specifically the reputational effects within the network itself, because it is within the network that they will have force (see also chapter 4, this volume). Trust that is based in a network can be backed by far greater sanctioning force than that which is based merely in a dyadic relationship—although for very important dyadic relationships, such as marriage, within-dyad sanctions may be most of the story. For matters y, A may trust those in network C but not many or even any of those in network B. A’s trust is not general but is, rather, richly relational and embedded.

Other social theorists have implicitly assumed a relational context, as, for example, in Coleman’s account of trust and trust-inducing social structures (Coleman 1990, especially chapter 5). It is hard to separate Coleman’s relational conditions for trust from the background of normative social control and informal monitoring and sanctioning. If you have normative social control or informal monitoring and sanctioning, it is not at all clear that trust is “required” in any strong sense of the term. For example, the strategy of the Grameen (or village) Bank of Bangladesh is so-called peer lending. “To obtain a loan, an individual must band together with four neighbors. The group meets with a loan officer and then chooses one or two of the five to be eligible for an initial loan. Before another group member can receive a loan, the first borrowers must make regular repayments.” This is clearly a device for small-group enforcement of the equivalent of a norm of responsibility to the group. The bank, therefore, need not trust the first loan recipient. It can merely rely on the peer sanctioning of that recipient by fellow villagers to secure repayment, which reputedly happens for an astonishing 98 percent of its loans (Holloway and Wallich 1992, 126).

The Grameen Bank was created by an economist, Muhammad Yunus, who reports that 94 percent of its borrowers are landless, rural women (Yunus 1998, 1999). It is instructive to note that the extraordinary achievement of the bank and its system is to create entrepreneurs in a village context in which norms commonly have been directed at keeping women in a secondary status with sometimes brutal sanctions, including the sexist sanctions of Islam. The women of Grameen have been empowered in ways that break those older norms, very much as Albert Hirschman (1977) argues that commercial society softened such stifling norms in the early days of capitalism. In effect, self-interest in commercial prospects and prosperity trumps norms backed by self-interest in not being sanctioned, because the former interest outweighs the latter. Some individuals are finally willing to flout communal norms and their sanctions in order to gain financially from exchange relations organized around interests—that is to say, from market relations—rather than around norms.

One of the bank’s greatest benefits may prove to be that it has put many of its borrowers and communities into network that may be used for information sharing and coordination. These networks may develop relationships grounded in trust rather than in norms of exclusion, and they have the potential to enable people in them to develop their capacities and their economic opportunities more broadly.

Small Towns, Urban Areas, and Trustworthiness

The central issue in understanding both communal norms and network trust is to understand how reliability or trustworthiness arises and is supported. The research of Paul Amato (1993) and others suggests that there are differences in the nature of helping and cooperative relations in small towns and large cities in the United States. Amato finds that helping behavior in small towns is a matter not of reciprocity norms but of helping or communal norms, whereas seemingly similar behavior in cities is typically a matter of reciprocity. Moreover, in small towns, such behavior is generalized to cover everyone in the community, whereas in cities the reciprocity governs behavior within particular networks. I reciprocate helping behavior toward those in my network who would help me in similar circumstances. An apparent implication of these differences is that trust and trustworthiness both grow out of reciprocal relations in cities and also ground or contribute to such relations.

Life in small towns, as in the villages that anthropologists and others have studied, typically generates reliability among its members because of
Moreover, it is difficult to accept the thesis that Fukuyama's moral communities are in fact what is causally required for the production of trustworthiness and thus trust in society. In a study comparing Swedish and German groups, Dietlind Stolle finds that the members of groups with weak bonds—that is, weak within-group trust—have higher levels of generalized trust than do members of groups with strong within-group trust (Stolle 1998, 515). Part of this difference may be explained by self-selection, but there is a significant additional effect of the kind of group membership on longer-run trustiness (518). Fukuyama’s so-called moral communities are often models of exclusionary tactics that may foster within-group trustworthiness but almost as commonly foster distrust of outsiders. Hence, they can lower the possibility for intergroup trust within society (Hardin 1995, chapter 4). There is little or no effort to assess the balance in this trade-off.

Small communities with almost entirely overlapping networks for various purposes may have some of the characteristics of the political communities that have congruent cleavages and that therefore have weak or no ties with other communities. Arguments that prevailed in comparative politics three to four decades ago suggest that communities with congruent cleavages differ significantly in their politics from those with crosscutting cleavages. Those with congruent cleavages may be more inclined to extremist politics and separatism and less inclined to pluralist accommodation than are those with crosscutting cleavages. This claim seems to fit the patterns of support for the recent violence in Yugoslavia and separatism in Canada. Rural Serbs and rural French Canadians have been the chief backers of these movements (Hardin 1995, chapter 6). The joke in Canada, too true to be funny, is that those rural French Canadians who have never seen an anglophone Canadian are the ones most hostile to them. More generally, racism and other forms of often brutal ethnocentrism are commonly more evident in small, closed communities than in large, open communities. These conclusions cut strongly against some current paens to the beauties of small communities, although the conclusion may be only that variance among such communities is likely to be greater than within urban communities with crosscutting cleavages.

In a comparative study of urban and small-town networks in two California communities, Claude Fischer (1982) analyzes in detail the network forms that emerge in urban settings to enable people to establish exchange relations and the social bases for collective action. These forms are different from those in small towns. Although subcommunities within urban settings may approximate small-town life (such as suburban enclaves or small ethnic neighborhoods), the modal form of interaction is more network based than group based. Individuals participate in modern life through many social networks (or social circles), which are usually overlapping. Such social networks have been mapped quite extensively by sociologists...
and anthropologists in various cultures (see Lin forthcoming; for example, on differences in social networks by gender).

In more urban settings the networks individuals form to establish relationships of social exchange and cooperation (or merely to coordinate joint activity) tend to be more specialized, less multiplex, more sparsely connected, and more numerous. They are multiple rather than multiplex. In addition, some of the networks are overlapping. For example, a friendship network may easily overlap with one's sport- or card-playing network but not at all with one's work network. Norms of reciprocity often develop within a network of relations defined on a particular domain of social activity (such as sport) but are less likely to be generalized across the members of one's various networks, in the same way that more generalized norms come to exist in small towns and closed communities in which membership is stable and the networks are multiplex with a high degree of overlap. By contrast, in a small town one's work, friendship, and recreation networks may all include most, if not all, of the same people.

The invention of the vocabulary of trust is relatively recent in the English language, and such vocabulary is still missing, nascent, or far more limited in many other languages. The fact that a vocabulary of trust is commonly absent surprises many writers on trust, who take it for granted that the notion has an almost Platonic reality and that it is fundamentally necessary for social relations. This fact fits well with the sense that trust is primarily at issue in contexts in which relationships and networks are multifaceted, if not so well in contexts in which a single communal network ties everyone together over virtually all issues, as in traditional small towns or villages. In the latter, norms of cooperativeness are often very strong, so that reciprocal trusting relationships have little additional role to play. Much of the current concern with declining generalized or social trust may therefore actually be misplaced. Such trust is supposedly trust in the generalized other whom one does not even know. "Trust" may not be the right term for what is at issue here—merely confident expectations might be all that is at stake, as in learning models of trust (Hardin 1992). What happens in the shift from small to large communities is a shift from reliance on normative regulation of behavior to the use of ongoing trust relationships. Trust and trustworthiness are more in need in larger communities with more diverse ties for varied activities than in smaller communities. That being the case, what people in smaller and larger communities mean when they say they trust most others probably differs. In smaller communities they mean that they can rely on almost everyone in the community, because the community will encourage everyone to be reliable and will sanction those who are not. In larger communities they cannot rely on everyone in this way because the close community sanctions are missing. Hence members of such communities can rely on those with whom they have trusting relationships but not so confidently on others. In both cases, it is not "most people" but only most people with whom they deal that they might actually trust.

The untrustworthy can often take advantage of the general level of trustworthiness of most people by, in essence, free riding on the expectations of others that they will fulfill trusts. (One who distrusts does not in any similar sense free ride on the trustworthiness of others.) Generalized or social trust therefore sets up individuals for being exploited. Such exploitation is relatively difficult in a small community in which reputational effects would enable an exploited person to bring broader sanctions to bear on the exploiter, but it would be hard to block in an urban setting. Hence, the setting in which we expect trust to play the larger necessary role is one in which generalized trust must fail fairly quickly, at least for matters in which risks from a failed trust might be substantial. Implicitly, therefore, the notion of generalized trust cannot apply.

Trustworthy behavior can be based on interest or normative commitments, and trust itself must be grounded in knowledge of either the interests or the normative commitments of the trusted. If helping behavior is based on norms, as in small communities, the relevant norms could have grown by a socioevolutionary process out of reciprocal exchange relations within groups. This could be a natural development for teaching children, to whom it might be much easier to teach a simple rule (as in a norm) than an understanding of the complexities of the interests of others. Indeed, many adults appear to be unable to grasp even the logic of the interests embedded in iterated-exchange interactions.

That a norm of trustworthiness might commonly be reinforced by interests might well help it to survive and to motivate people. The communal norms of helping and trustworthiness might arise out of reciprocal exchange relations and then be transformed into more generalized norms, albeit ones that are still reinforced most forcefully only as within-group norms, initiating a process characterized by the distressing tendency to develop exclusionary norms (Hardin 1995, chapter 4). The urban norms may be less normatively conceived and may more openly be grounded in reciprocal exchange relations within ongoing networks.

If reliability or trustworthiness is grounded in norms in the small-town context and in reciprocal networks in more complex contexts, we might expect to see consequential differences in behavior and judgment in the two contexts. In smaller communities, in which the prevailing reason for being cooperative is the strong group norm, one might expect to rely on people primarily according to their competence rather than according to their normative commitments, because the latter will be relatively similar from one individual to another, whereas competence with respect to any particular endeavor may vary considerably. Of course, some will be more fully motivated than others by local norms, but the direction of the motivation will be the same, whereas competence will vary greatly and will be
noticed as a ground for selecting someone for cooperation in a relevant venture. In urban networks, however, there might be a marked tendency to rely on very particular people for their commitments, especially if each of one's various networks is based on different concerns often having to do with particular competencies. When disappointed by the failure of any of these network members, people may hold them morally responsible independently of whether the failure is one of commitment or of competence, because they will have been selected on their commitment, not their competence—that is, because it is their commitment that markedly distinguishes them from most other people.

Note a peculiar implication of strong communal or group norms. The imposition of such norms may make everyone or nearly everyone trustworthy over many important ranges of interaction. Yet one might expect cooperation from others not because they are competent but rather because they are subject to the sanctions of a relevant norm. Hence, in small communities, there might be general trustworthiness but almost no dependence on that fact and, hence, little trust. This is not to say that there would be distrust but merely to say that trust as encapsulated interest need not be a consideration in entering into cooperation with others. Alternatively, we might simply suppose that cooperativeness is overdetermined in such communities because it is backed both by norms enforced at the group level and by the sanctions of trust relationships at the dyadic level. It is plausibly for this reason that the vocabulary of trust apparently does not arise in societies until they cease to be essentially communal.

Cross-Cultural Evidence on Networks, Norms, and Trust

In the study of organizations it is now commonplace to see references to the role of trust in facilitating social and economic transactions (Macaulay 1963). James Lincoln, Michael Gerlach, and Peggy Takahashi (1992), for example, indicate how important the keiretsu criteria of trust and long-term relationships are in the types of vertical and horizontal networks of interfirm linkages that occur in Japanese society and that have been argued to grant Japan an economic competitive advantage. The formation of networks of trusted contacts is viewed as essential in the context of highly uncertain and turbulent economic and political environments. As Lincoln and colleagues put it, "Economic actors appear to regard the market as too important to abandon to the free play of market forces alone" (561). The simple formation of fairly stable sets of regularized exchange relations reduces the market to a more structured set of exchange opportunities or trading partnerships (such as keiretsu networks). Networks of this type reduce transaction costs, and as Fritz Scharpf (1994, 27) argues, "when such ongoing relations do exist, the reliability of actors' expectations, and their trust in each other's commitments, may be raised far above the level that would be reasonable even among well-socialized strangers."

The widespread use of personal networks as the basis for business relations, which has been documented in many cultural contexts, is another example of the use of networks (and dyadic commitment mechanisms) to reduce uncertainty in trading relations. To avoid the uncertainty of the market (or political and social turmoil), business relations are often embedded within a broad network of long-standing social ties (frequently based on kinship). The Japanese keiretsu networks reduce risk, lower transaction costs, and make communication easier and interfirm relations more predictable (Lincoln, Gerlach, and Takahashi 1992). In addition, they generally provide "protection against competition from firms outside the network. They may do this at considerable cost, however, because reliance on them may reduce the range of alternative partners one might use.

The use of personal ties as the basis for business relations is even more common in Chinese society, according to Gary Hamilton and Xiaotong Fei (1992), who characterize Chinese society as composed of overlapping networks of people linked through a variety of social relationships. Part of the importance of these networks is that they form the basis not only for social organization but also for social control. As they note, "the entire network of people joined through a set of relationships is implicated in any one person's failure to perform appropriately" (Hamilton and Fei 1992, 28). Hence, this system is similar in structure to the group responsibility for loans of the Grameen Bank of Bangladesh, which relies on the peer sanctioning of the recipient of a loan by fellow villagers to secure repayment. The Chinese system of overlapping networks of interconnected relationships allows for informal monitoring and sanctioning by third parties, also from within the group. Hence, the means of control in such a society is localized in the institutionalized network of relations (Hamilton and Fei 1992), as with the loans of the Grameen Bank. It is organized by norms, not by reciprocal relationships of trust.

In Chinese society these overlapping networks of personal relationships entail fairly explicit behavioral expectations. These expectations are embedded in what Hamilton and Fei call particular relational codes that are specific to the types of social relations represented in the network. Each network tie represents a dyadic link of social import and normative control, as in a guanxi relation, and these moral codes are highly differentiated according to type of tie (see also Lin 1982, forthcoming). These relational codes are deeply ingrained in the culture and are not easily picked up by "outsiders." Even if outsiders could learn these normative expectations, they cannot easily or soon enough develop the sets of relationships involved. As a result, the boundary between outsider and insider (or in-group and out-group) is quite strong. (One implication of this feature of
Chinese society, as Hamilton and Fei [1992] suggest, is that the basis of social control in the society is the dyadic relationship, whereas in Western societies it is the individual that forms the basis of much law and social control.) These close relationships are the most predictable and reliable, in part, because "they are the most controlled, both internally and externally" (Hamilton and Fei 1992). In this way they provide a critical resource for economic enterprises. Typically, these kin-based networks are the main route of entrance into the economy for families. In the absence of kinship ties, relationships form on the basis of birthplace or a substitute that approximates kinship. For business purposes, at least, these people can be trusted as if they were kin (Hamilton and Fei 1992, 32).

Personal intermediaries are a central aspect of the Confucian vision of social interaction. When dealing with someone new, a Chinese might ask a guanxi contact for assurance that the new person is trustworthy—this is often equated with influence peddling in Western understandings—or misunderstandings—that presumably generalize from the use of a guanxi to break the ice with a new person or business associate. However, one might merely seek an intermediary’s recommendations that another is competent, honest, knowledgeable, or trustworthy. The use of a guanxi connection is an instance of Coleman’s third-party or intermediary trust.

Commenting on the extensive use of personal networks in social and business relations in Japanese society, Toshiro Yamagishi and Misori Yagishita (1994) argue that what is commonly believed to characterize these relations in Japan is not mutual trust based on a general belief in human benevolence but rather the mutual insurance that comes from engagement in long-term personal relationships (that is, iterated interactions). Insurance against exploitation is built into the iterated nature of the interactions and the incentives they provide that inhibit opportunism and foster honesty, fidelity, and loyalty (Williamson 1975; Hardin 1991).

In his widely read study of differential success in the economic behavior of whole national economies, Fukuyama (1995) compares systems based on familial trust with those based on looser, more generalized trust. He argues that familial trust, which is based on thick, dependent, and long-term relationships, facilitates the creation of small-scale enterprises, even among immigrant families. However, familial trust is often exclusionary in the strong sense that it produces distrust of those who are not in the "family," and it therefore limits economic growth at some stages and sometimes generates severe ethnic conflict, as in mixed societies such as that of Malaysia and in immigrant communities such as those in American cities. He further contends that, for example, Taiwan, which depends on familial trust, has developed rapidly only because it has had a strongly interventionist state, despite the fact that its typical firm size remains very small. The creation of large firms, such as those in the United States, requires more generalized trust. Such trust has its disadvantages, too, however, because it is less effective for organizing the small, flexible, creative work environments that get economic development under way in a traditional society—as in China today, where the intensity of familial trust is especially useful in the transitional economy.

Fukuyama holds that Japan’s economic success has depended on its use of generalized trust, which allows for large firms. This characterization is contested by many students of Japan, especially social psychologists who have studied Japanese norms of group orientation and anti-individualism. What we need to explain in a society as advanced and economically dynamic and supply as Japan’s is why and when individuals are or are not willing to give up committed, narrowly group-based relationships as the fundamental basis for their exchanges in favor of the riskier but higher return of transactions with those outside their groups. Recent experimental and survey research (Yamagishi and Yamagishi 1994, Yamagishi, Cook, and Watabe 1998) addresses the social psychological and social structural reasons why individuals may not be willing to give up committed relationships. Perhaps these studies especially tap issues that are organized by single, multiplex networks at the small-group level, whereas the economy is run by looser sets of multiple, overlapping networks, so that Fukuyama and the social psychologists might both be right but with respect to different matters.

Whether a society evolves a pattern of strong (Japanese-style) networks or one of loose, overlapping (U.S-style) networks might be a matter of coordination equilibria. The pattern of strong networks is similar to the pattern of a multiplicity of dimensions of group interests that is resolved into congruent cleavages. The pattern of loose networks is similar to overlapping cleavages of interests. We may instructively, if loosely, speak of autarkic and market organization of networks. With congruent cleavages, a community is organized autarkically without reliance on others outside their single group. As a rule, we can expect autarkic exchange relations in a small community to be very limited in what they can offer to us. They do not take advantage of the variety and richness of other offerings that might be available in much larger, more diverse communities. (This is, of course, merely an analogue to the standard claim for the benefits of free trade.) The risk averse might prefer the more limited, smaller setting even at the cost of reduced opportunities for richer outcomes.

To break the autarkic pattern of exclusive networks, it might be necessary first to go to a state of individualism from which a move to a quasi-market organization might then be possible. The prior move to individualism or even normlessness might be stimulated by the fact that the congruent cleavages of the closed autarkic system cease to map interests as a society changes in various ways—for example, as merit is increasingly a criterion for position and as entrepreneurialism spreads. The establishment of the market pattern in North America might have resulted from or have
been reinforced by the multiethnic origins of Americans and by the unusually open opportunity structure that evolved as new lands opened over the course of the eighteenth and nineteenth centuries.

There might be alternative equilibria. For example, contemporary Parisian society almost rigidly separates professional from personal networks and in this respect seems nearly the opposite of Japanese society. Personal networks, however, follow the autarkic norm of exclusive groups without overlaps except as families intermarry, so that in this respect Parisian and Japanese societies seem similar. Parisian professional networks resemble the market norm of open, flexible, overlapping connections. Hence, social group autarky is coupled with market organization of professional life.

There may also be very destructive equilibria. For example, familial trust can turn exclusionary, so that outsiders may become actively distrusted. Various studies of peasant communities in southern Italy, Mexico, and Peru suggest that people in such communities sometimes develop what the political scientist Edward Banfield (1958) calls amoral familialism (see Aguilar 1984; Westcott and Williams 1976; and, for a brief survey, Givier 1997, 135–46). Family members stick together and both lie to and distrust others. Rather than refer to peasant societies in general—many of which are very different from these—a better way to characterize the conditions of the societies in these studies is to say that they are subsistence societies, often at a level of poverty and hunger that is daunting.

People in these societies seem to see life as a zero-sum competition with others. There are at least four reasons for this. First, they are overwhelmingly dependent on land because theirs is an economy of agricultural subsistence. Land is essentially zero-sum: If my family has more land, some other family has less. Second, if we are all producing the same things (food for our families, for example), there are few opportunities for division of labor outside the family. Some of the opportunities for exchange or cooperative behavior in more complex societies are therefore not available in some subsistence societies, so that there are limited opportunities for learning the advantages of cooperation. Third, the form of agricultural production in these societies does not depend on joint efforts, so that there is no natural reason to have a system of broadly cooperative agricultural effort that might spill over into other realms. Finally, in a subsistence system it is natural, because sensible, to be highly risk averse and to develop practices that are sure to have the least likelihood of crop failure in especially bad years, when many would starve, rather than the greatest likelihood of producing a surplus in the average year. In the longer run, however, this risk aversion undercuts the possibility of escaping from the poverty of subsistence.

People in these societies therefore fail to cooperate—in part because it would do no good in many contexts and in part because they naturally focus on the competitive, zero-sum aspects of their lives. If there is no point in cooperation, there may even be advantage in deceit, secrecy, and cheating, as there typically is in a zero-sum conflict. Banfield’s amoral society is metaphorically a poker game with life and death stakes. Of course, if everyone outside my family is likely to cheat me, I have good reason not to trust them.

We may sum up the distinctive quality of these societies by noting that they lack networks that go beyond the family. They have neither a multiplicity of networks nor a multiplex, all-inclusive network. They have only a collection of unrelated, mutually exclusive familial networks. Hence, they cannot achieve trustworthiness beyond the family neither through the imposition of group sanctions nor with the imposition of network or extended dyadic sanctions. John Locke supposed that no one could be trustworthy without the threat of punishment in the afterlife. In these societies it appears that one cannot be considered trustworthy without the threat of extrafamilial sanctions. For them, the world is sometimes a perverse variant on that of Weber’s cartoon: it is a predictably dangerous and frightening place.

Such perverse equilibrium states might be extremely stable, unless there is final intervention from outside. They are stable because anyone who tries to be cooperative is at risk of being exploited by others. To move away from pervasive distrust requires moves by several or many at once and cannot easily be initiated by a single member of the community. An endogenous change that might break the equilibrium would be a change in the relative wealth and prosperity of one family that made it willing to take the risk of relying on others for their services. Hence, initial inequality would plausibly be mutually beneficial (Hardin and Cook 1999).

Studies by Julian Rotter (1980) conclude that those who trust lead happier lives. Unfortunately, Rotter’s conclusion is limited by the fact that his subjects were middle-class white American university students whose lives were relatively good and whose experiences with others were likely to have justified their trust in those others. People in such conditions might generally be expected to lead happier lives than those in environments in which people cannot be trusted. In other words, trust does not directly cause happiness; rather, trust and relative happiness are both likely to be the result of the benign conditions of Rotter’s subjects—in particular, of the trustworthiness of those with whom these subjects generally interacted. Well-grounded trust—trust in others who are trustworthy—can indirectly contribute to happiness by spurring us to cooperate with others (Hardin 1992). One would like to see what Rotter’s studies would conclude if they were undertaken in zero-sum peasant societies based on familial, exclusionary norms. In such a society, it may be the most adamant distruster who prospers most and is happiest with life. Trudi Govier (1997, 134) remarks that “Rotter and Fukuyama seem willfully insensitive to the existence of cases in which distrust is warranted or people are greatly
harmed because they have trusted." They are not alone among recent writers on the benignity and beauty of trust.

Appendix: Some Related Accounts

Terminology about the issues of communal norms and network trust relations is quite varied in what is a growing and diverse literature. For the sake of conceptual clarification, we briefly canvass three closely related discussions that differ terminologically from one another and also differ strategically from the issues in our discussion.

The differences Amato notes between cooperative relations and helping behavior in small towns and large cities raise interesting issues concerning the nature of the groups and networks that produce trustworthiness in these settings. Yamagishi and Cook (1993) distinguish group-generalized and network-generalized exchange. Network-generalized exchange involves dyadic but not necessarily reciprocal interactions between members of the network. It therefore works through incentives from sanctions within the network—that is, through dyadic interactions. This is closely related to the communal norm of cooperativeness, although the most effective working of that norm depends on sanctions from virtually all members of the community. In group-generalized exchange, such dyadic enforcement is unavailable, because individuals contribute to the group's collective good rather than to one another individually. Hence, norm enforcement would suffer from free-rider problems. It is not typically in the interest of one of us to sanction a noncontributor, because the sanctioner gets little of the benefit from making the noncontributor contribute. In a group of moderate size, however, shunning a shirker, especially if several group members participate in the shunning, might cost the sanctioners less than it costs the shirker, so that the shunning might not be against the interests of the sanctioners.

The nature of group-generalized exchange fits Hardin's (1995, chapter 5) account of universalistic norms involving large-group benefits. Such norms are typically weaker than those governing dyadic interactions (Hardin 1995, 102–4). For example, as noted above, a norm against lying is dyadically enforced fairly readily, because if you lie to me, I will bear the cost of your deceit and will want to block you from gaining further through lying to me again. That is to say, it is directly in my interest to shun or otherwise sanction you; doing so does not entail a net cost to me, as is often assumed for sanctioners of normative misbehavior. Indeed, we may not even need a strong norm, that is, one which is deeply inculcated, against lying in many contexts. It will commonly not be in an individual's interest to lie, simply because the victim of the lie will have incentive to counter it and even to shun the liar for future interactions. It is only when such dyadic devices do not work that we might have a norm, the purpose of which is to add to the incentives individuals have to act cooperatively. Still, norms that serve collective interests are stronger when they are consistent with individual interests in sanctioning their violation and weaker when not (Hardin 1995, 140). The communal norms that we discuss here are collective but at the relatively small-group level of a small, close community, and they need not generalize to the much larger scale of an urban society just because sanctioning violators in such a diffuse context might not be in the interest of others.

Finally, Thomas Voss (chapter 4, this volume) discusses what is essentially a dyadic norm of cooperation that is enforced by sanctions not only from the person who suffers from a violation of it but also from others in the community through its multilateral reputational effects. Here he has in mind reciprocal cooperation, such as occurs in network trust relations, rather than the diffuse cooperativeness in small communities that we discuss. The trust relations that may govern networks in urban contexts are more nearly like the cooperative relations at the heart of Voss's account of the repeated-games approach to cooperation (which is also the approach to trust in the encapsulated-interest account). His brief discussion of "small, stable, and culturally homogeneous communities" and the norms of cooperation that are collectively enforceable in them might be analogous to our account of communal norms of cooperativeness if his norms do not depend on reciprocal exchange of benefits. Our norm of relatively general cooperativeness within a small community might often apply to members who primarily bear the costs of benefiting others without themselves being beneficiaries in return, either from those they specifically help or from anyone else in the community who might be subject to the norm of cooperativeness. That is to say, this norm applies even in contexts that do not have the structure of a prisoner's dilemma, which is the structure of Voss's norm.

Notes

1. The most extreme sanction is to kill the violator, as in the Arab-Islamic practice of killing women who are thought to have committed adultery. The killing is commonly done by a male member of the woman's own family (see Douglas 1968). "A Woman's Blood," New York Times, June 20, 1999.

2. There can, at least in principle, be a norm for virtually any behavior. Hence, there is no bite to the claim that there might be a norm of trustworthiness. The critical issue is whether trust relationships can work without any such norm, as apparently they can and commonly do.

3. "All loans must be repaid before anyone becomes eligible for a second, larger loan" (Holloway and Wallich 1992). In Miami in the 1960s, so-called character loans to Cuban immigrants were secured dyadically because anyone who failed to repay had no further prospects (Portes and Sensenbrenner 1993, 1334–35; Portes and Stepick 1993, chapters 5 and 6). See also Light 1972.

4. The bank's program has been replicated in fifty-eight nations.

References


