

**Trust and voluntary organisations:
Three theoretical approaches**

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Abstract

The notion of trust is one of the most topical issues in current social science theorising covering such diverse approaches as transaction costs economics, social capital, and cognitive sociology. In different ways and for different purposes, these approaches address the role of voluntary and non-profit organisations, although, as this paper argues, much of this thinking remains sketchy and underdeveloped. At the same time, the notion of trust has long played a central role in the economics of non-profit organisations, yet these developments have not been fully linked with the wider effort mentioned above. The purpose of this paper is to explore what non-profit approaches can offer trust theories, and vice versa. We first set out to explicate major approaches to trust in economics, sociology and political science, using the non-profit or voluntary organisation as a focal point. We then assess the various approaches in terms of their strengths and weaknesses, and, finally, identify key areas for theoretical advancement in an effort to enrich current theorising. In particular, we point to the social movement literature, the social psychology of trust, and recent thinking about civil society as fruitful avenues for theoretical advancement in our understanding this phenomenon.

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1 Introduction

The notion of trust is one of the most topical issues in current social science. In many western countries, this higher profile may stem, in part, from the seeming erosion of popular trust held in government, religious organisations or even institutions like the family that has been frequently documented in public opinion polls in recent years. What is more, the experience of widespread popular distrust in the political and economic systems of eastern and central Europe, and their ultimate breakdown in the late 1980s, may have contributed to a general sentiment that trust is a fragile element of modern societies (Beck, 1992). Although we could add many more examples – from political scandals and fraudulent businesses to professional malpractice – many “cultural diagnoses” suggests that trust is a problematic element of the modern *zeitgeist* (Habermas, 1985).

Two widely cited recent publications have further increased the attention paid to trust. In contrast to the problematic notion of trust in cultural discourse, these books try to show how the vibrancy and developmental potential of society is rooted in everyday mechanisms that generate and maintain trust. In *Making Democracy Work*, Putnam (1993) suggests that dense networks of voluntary associations are the main explanation for Northern Italy’s economic progress over the country’s Southern parts. Similarly, in *Trust* Francis Fukuyama (1995) argues that differences in economic success among the US, Germany or Japan depend on institutions that can generate extra-familial bonds of social trust. In large part, economic success seems predicated on reservoirs of “spontaneous sociability” whose existence, in turn, rests on some kind of “associational infrastructure.”

Recent formulations suggest that associations have an important link with trust – be they Putnam’s analysis of Italy, Fukuyama’s study of major industrial economies, or more recent work drawing upon the idea of “social capital” (Warren, 1999; Uslaner, 1999; van Deth et al, 1999; and Halpern, 1999). At the same time, these accounts tend to leave unspecified the precise role of voluntary organisations, and remain largely silent on how and under what conditions such organisations generate and preserve trust. What is more, as a concept, trust itself has already long played a central role in economic theories of non-profit organisations and other forms of voluntary associations (see Rose-Ackerman, 1996; Anheier and Ben-Ner, 1997; and Salamon and Anheier,

1998). Indeed, the notion of trust figures prominently both in the early development of non-profit theory (Hansmann, 1980, 1987; and Weisbrod, 1988) as well as in more recent work (Ben-Ner and Gui, 1993). Yet, this line of thinking and the current interest in trust has not been brought together, and the two fields remain parallel to each other. This would, therefore, seem to be a timely juncture at which to review both different perspectives, and to examine the contribution non-profit theory can make to the study of trust specifically. To this end, we first review major approaches to trust in economics, sociology and political science, while using the non-profit or voluntary organisation as focal reference point throughout. We then assess the various approaches in terms of their strengths and weaknesses, and, finally, identify key areas for theoretical advancement in an effort to enrich current theorising.

2 Three approaches

To make our task manageable, we initially focus on literature in economics, sociology and political science, particularly from 1980 onwards, when non-profit theories began to take shape.¹ We do not attempt to be comprehensive, but rather concentrate on three approaches which are particularly prominent for the task at hand: contract failure theory in economics, the concept of trust in cognitive sociology, and the study of social capital.

2.1 Economic approaches

One of the most influential strands of economic theorising in the non-profit field seeks to explain the existence of non-profit enterprise in market economies. The approach was to identify the supply and demand conditions in the provision of goods and services that lead neither to the presence of for-profit firms nor to the emergence of government agencies. Specifically, following rational choice logic, non-profit organisations are the outcome of the interplay of the demands of individual agents seeking solutions to information problems in free market economies. Arrow's (1963) seminal paper had originally drawn attention to the role of trust in reducing uncertainty in health care, a commodity characterised by chronic informational problems. Nelson and Krashinsky (1973) made an explicit link between trust and the non-profit form in day care for children, following up on Nelson's (1970) notion of "experience goods" – whose quality can only be judged during or after consumption.

But it was Hansmann (1980) who developed the argument most fully. His starting point was that health care, day care and other social services were inherently characterised by information asymmetries. As non-profit providers are major providers of such services in the US, he argued that this was a direct result of the greater trustworthiness of the non-profit form over profit-seeking enterprises. This, Hansmann avers, is predicated upon one particular feature of their constitutional design: the non-distribution constraint, i.e., the prohibition of distributing profit to owners as income. This constraint acts as a “crude but effective” signal to consumers about the motives, intentions and behaviours of suppliers. This signal offers a sort of guarantee that non-profit organisations, unlike businesses driven by the imperative of maximising shareholder value, lack incentives to cut corners on quality or otherwise take advantage of the user vulnerability. Thus, non-profit organisations are more immune against moral hazards than for-profit firms would be under similar circumstances.

Implicit in Hansmann’s “contract failure” formulation is the assumption that the existence of trust in non-profit organisations is efficient from a societal point. Non-profit organisations are motivated to act in accordance with consumer expectations, which in turn implies that the costs of monitoring for potential exploitation that would incur in a purely for-profit world are avoided. Indeed, more recent models have recast the non-profit sector as a more general way of economising on transaction costs by dealing with the free rider problem (Krashinsky, 1986; and Weisbrod, 1988).² Ben-Ner and Van Hommissen (1993) go further and model voluntary organisations as coalitions of stakeholders who have a strong simultaneous interest in both the demand and the supply side of a particular service. If founders remain in control of the organisation and have a direct “stake” in output, incentives to cut corners on quality are not only reduced because of the non-distribution constraint, but because to do so would be to inflict self-harm (Ben-Ner and Gui, 1993).

The basic idea of transaction costs, stakeholder interests and trust also enters other economic formulations. James (1986, 1987) observes that many non-profit organisations with roots in religious and political movements provide services for “captive audiences” such as school children

¹ Hence, classical thinkers – such as de Tocqueville in political science or Durkheim in sociology, who had a great deal to say on the issue of trust and associations – are only implicitly present inasmuch as they have been ingredients of these recent formulations.

² See also Posnett and Sandler (1988) who argue that transaction costs are a major factor in deciding whether foundations and trusts make external grants or act as service providers (i.e., integrate finance with supply).

and people with disabilities. In seeing clients through extended periods of taste formation and socialisation, non-profit providers shape, develop and re-enforcing deep-seated convictions, values and beliefs. Thus, non-profit organisations, at least implicitly, provide guidelines on who to trust, who not to trust, and in what circumstances. Moreover, religious institutions in particular are strategically located along major life events during the life course (birth, marriage, severe illnesses, death) which they underscore with routinised and stylised rites such as sacraments that instill and reinforce trust (see Anheier and Romo, 1992).

James' approach builds on Weisbrod's model (1977, 1988) which sees non-profit organisations as a response to supra-median demand for quasi-public and collective goods. To the extent that religious and political entrepreneurs – or ideologues in Rose-Ackerman's formulation (1996) – create and re-enforce diversity and different notions of the public good, they may over time limit the range and extent of government provision, at least under the conditions of a free-market economy. In this line of reasoning, demand for non-profit organisations becomes a direct function of the overall degree of ethnic, religious or cultural heterogeneity of societies.³

At the same time, economists have always recognised that the non-profit form is just *one way* of either generating the trust which the presence of otherwise high transactions costs and goods with “experience” characteristics renders necessary, or substituting for it with direct control (Krashinsky, 1986; and Ben-Ner and Van Hoomissen, 1993). Other options include public ownership or strict state regulation and inspection (Hansmann, 1981, 1996), professional control or self-regulation (Krashinsky, 1986), co-operatives,⁴ and “free market” solutions generated spontaneously by economic action in the marketplace itself, including consumer guarantees and protections (Akerlof, 1970).

In addition, some economists have stressed the role of *reputation effects* that protect otherwise vulnerable users for two distinct reasons. First, following iterative game theory, as part of their long-term interest, suppliers may refrain from opportunistic behaviour and nurture a reputation for

³ While the public good character of trust itself were later to be stressed by social capital theorists, this point was not made by Weisbrod in the original formulation of his theory (1977).

⁴ Unlike non-profits, these are empowered to distribute profits, but on democratic principles and involving users, workers or state representatives as active participants in open systems of management decision making (Ben-Ner, 1994; Barbeta, 1997; Borzaga, 1993).

⁵ Put differently in terms of incentive alignment, Ortmann (1996) asserts that “it may make sense to trust someone - not because he or she is more trustworthy per se, but because the incentive structure is such that living up to his promise [to deliver on quality] is in the person's own interest” (p. 477). We return to the issue of reputation in our discussion of psychology below.

delivering on quality since short-run opportunism could lose them customers and hence revenue when “the game” comes to be repeated (Chillemi and Gui, 1990; Forder et al, 1996; and Ortmann and Schlesinger, 1997).⁵

Second, moving a step away from the neo-classical model, one can try to take into account that the “for-profit” sector may in fact *not* be populated by “pure” profit maximising firms alone. While short term opportunistic maximisation of shareholder value may characterise the for-profit sectors in some contexts, economy-wide institutional and social factors can emerge to act as controlling forces that keep market opportunism in check. One example would be small business owners whose motives go beyond profit and include other goals such as independence, “craftsmanship” and professional fulfillment (Scase and Goffee, 1982; Marceau, 1990; and Kendall, 1999). Often, this involves “satisficing” economic returns as a way of enabling these other goals to be pursued, rather than profit as an end in itself. Another is the less tangible but nevertheless important impact of the web of laws and values that characterise the social market economy in Germany and Austria, or the Asian model of economic development (Hutton, 1994; and Fukuyama, 1995), which serve to shape corporate orientations accordingly.

Given this wider repertoire of options, the question arises as to why these different “solutions” often tend to co-exist in the same field. For example, in the UK, all form types are present in a field such as human services. An economic interpretation might adopt two possible explanations. First, for a given field, it may be possible to identify a single institutional solution most efficient in dealing with trust problems given the specific supply and demand conditions at that time. Yet, as supply and demand conditions change, either because of technological development, regulation or shifts in preferences, the form that offers the best “fit” for trust problems might change as well. For example, fields may become more professionalised and standardised over time, and this may mean that the for-profit option may gradually become a better “fit” over the non-profit alternative. The latter survives in the short and medium term with a falling market share as an “hangover” from the past, but in the long term will either go under or convert to for-profit status (Anheier and Ben-Ner, 1997). Prominent examples include the housing, banking and insurance industries (Hansmann, 1990).

Second, sectors can co-exist in differentiated markets or fields, for example in health, education or sports. Frequently, they provide different services within the same industry, and cater to different clientele or demand segments. Moreover, aggregated consumer choices at industry levels reflect

different preferences. For example, in nursing care in the US, where consumer choice is effectively between for-profit corporations and non-profit providers, both less informed clients, and those with a higher willingness to pay for perceived quality, appear to choose the latter option (Spector et al, 1998).

Without departing from rational choice logic, the transaction cost approach can be criticised for a number of reasons. One limitation stems from this theory's assumption of the existence of a legally sanctioned, non-distribution constraint, perceived by the citizenry to be meaningfully enforced by the state. In significant numbers of cases, including Italy, central and eastern Europe, and much of Latin America and Africa, there simply is no equivalent in law to the non-distribution constraint and its

complement, the unreasonable compensation, (see Salamon and Anheier, 1997). Both, as we have seen, are core elements of the economic model.⁶

Moreover, Ortmann and Schlesinger (1997), review this particular strand of contract failure theory, and conclude that the argument "stands on shaky ground as a general proposition. It can be sustained only under particular conditions that have been neither carefully described in theory nor subject to empirical assessment" (1997, p. 113). Generally, in fact, a core problem is a remarkable lack of evidence both from the demand side on expectations, and on the supply side concerning motivations. While there is some evidence that voluntary organisations behave differently from for-profit firms in a fashion that is consistent with the theory, the observed relationships could also be explained by other factors. Non-profit organisations may have the resources to deliver higher quality services because of preferential fiscal treatment or sector-specific state funding, rather than as a reflection of an intrinsically more trustworthy orientation. For example, in the UK, profit-distributing companies are not eligible for social housing or community development grant making programmes.

More importantly, however, the theory fails to take account of different forms of trust, and these differences can matter more than any shared legal structure. The contrast between the deferential

⁶ However, note that this weakness does *not* undermine the explanatory power of the more general transaction costs and stakeholder models, nor the important insight of Nelson and Krashinsky (1973) that non-profit organisations and co-operatives are often active in the production of human services in which trust is a core feature (Archambault, 1996; and Borzaga, 1993).

trust and the more active and reflexive forms of trust is not addressed by the theory. Deferential trust is associated with traditional, hierarchical institutions (prototypical would be welfare services run by Trinitarian churches), and reflexive trust more with participatory organisations and social movements (see below). In both cases, trust plays a central role, but rests on different motivations and value bases and orientations. Yet, these differences are not recognised by economic theory which treats them in a functionalist fashion to the extent that it enables the production of goods and services only. It is thus legitimate to criticise economic theories of trust for failing to take these realities and nuances into account.

2.2 Sociological approaches

Sociology takes a different approach to the notions of trust, to a large extent reflecting its treatment of rationality as a variable, rather than as simply axiomatic as in rational choice theories. Recent developments in sociological approaches to trust emphasise the ability to take for granted the relevant motivations and behaviours of others. It is a pre-rational, pre-existing trust that Durkheim (1933) observed underlying all contracts: behind every contract is a host of tacit agreements, and while they are not formally specified, they are nevertheless assumed to hold in contractual arrangements. As Giddens (1990, p. 33) suggests, the notion of trust as presumed reliability, is very different from the rationalistic, or “risky” conceptions of trust in rational choice approaches, including those relating to non-profits reviewed above (Gambetta, 1988; Bradach and Eccles, 1990; and Kreps, 1990). In these models, rationality under conditions of uncertainty involves a subjective probability calculation on the part of consumers to assess the likelihood that suppliers will perform an action aligned with their interests. From a sociological perspective, such an “instrumental” calculation reduces trust misleadingly to a matter of risk assessment, and misses the point since “all trust,” as Giddens (1990) has remarked, “is in a certain sense blind trust” (p. 33).

The sociological recasting of trust as a taken for granted belief distinct from risk assessment has important implications for how trust and non-profit organisations are to be understood. Trust is seen not as developing through mutually advantageous interactions mediated through a concrete or virtual market place or market-like games, but as socially embedded, supported by a normative infrastructure whose distinctiveness from the market is the very aspect which facilitates trust. It is the *absence* of market logic that allows trust to evolve.

The main achievement of sociological theory in this field has been to identify different forms of trust. Tonkiss and Passey (1999), arguing that trust forms the basis for voluntary association itself,

suggest, following Luhmann (1988), that trust rests on shared values in contrast to the interest-based notion of confidence, which involves contractual relations among participants. Zucker (1986) introduces three types of trusts that may change over time. *Characteristic-based trust* is “tied to a person, depending on characteristics such as background or ethnicity”, *process-based trust* “is tied to past or present exchanges as in reputation or gift exchanges” (Zucker, 1986, p. 60), and *institutionally-based trust*, i.e. Luhmann’s confidence, which is based on institutions such as certifications, form characteristics, or legal constraints.

Yet, interestingly, few sociological approaches establish an explicit link between trust, values and the voluntary sector. Tonkiss and Passey (1999) argue that trust and voluntary action are as closely intertwined in the voluntary sector as interest and profit-seeking would be in the business world. Anheier and Romo (1992) address this distinction and approach the affinity between trust and values in the voluntary sector from an ethnomethodological perspective. Following Durkheim, they define trust as a taken-for-granted assumption of reliability that underlies social relations and transactions. They explore the implications of this assumption for the role of non-profit organisations. If non-profit organisations operate in environments that are riddled with externalities and fraught with information asymmetries, as economic theory tells us, Anheier and Romo (1992) argue that *pre-existing* trust may favour specific types of providers. Non-profit organisations become trustworthy intermediaries, located between supply and demand. Like James (1987), they note that many non-profit organisations are religious institutions. They suggest that religious and church-related organisations are particularly well positioned to draw upon pre-existing trust that is unlikely to be questioned in the course of transactions. With trust as a taken-for-granted expectation that precludes the calculation of risk, religious organisations appear to potential clients as *a priori* trustworthy.

Anheier and Romo (1992) also point to the fragility of non-profit organisations that has been attested in the literature (see Powell and Friedkin, 1987, pp. 184-188). They are fragile because trust, once violated, is difficult to re-establish. Relatively modest violations may trigger far-reaching and unanticipated effects.⁷ Another implication of conceptualising non-profit organisations in this way is that we can see how they can be inert and resistant to change, effectively less sensitised to

⁷ Scandals such as the United Way of America episode in the early 1990s demonstrate this precariousness. Even while successful in economic terms, United Way was to experience dramatic re-organisation. Operating United Way as a Fortune 500 company undermined the underlying trust local chapters had in United Way as such, which, in turn, threatened the survival of the organisation.

demand and supply incentives when compared to business firms (Seibel, 1996; Anheier, 1999; and Meyer and Zucker, 1989).

However the sociological literature on trust and the voluntary sector have not done justice to the wider theoretical debates in the sociology on trust as such. The latter have sought to theorise how the meaning and “enactment” of trust varies according to geographical and temporal context. In Zucker’s (1986) terms, there tends to be a general shift from particularistic trust based on individual characteristics to trust based on process and experience, and then to more generalized institutional trust as societies develop. Similarly, Beck, (1992), Giddens, (1990) and Seligman (1998) suggest that the reflexive trust in modern societies is different from the essentially fatalistic trust in earlier times.

Seligman (1998) also argues that, with the passage of time, social relations have changed in a way that fundamentally alters the very nature of trust. For Seligman, traditional societies did not actually rely extensively on trust (explicitly *pace* Durkheim, 1933, p. 6), but rather on confidence. Economic and social relations were embedded in extensive systems of kinship that involved the possibility of recourse to extensive formal and informal sanctions. This system served to foster predictability, which in turn *limited* the need for recourse to trust. For Seligman, trust is relevant precisely in those situations characterised by the *absence* of predictability and the *absence* of familiarity. Modernity is more unpredictable than previous eras because “there is no system within which sanctions can be imposed [and] there is no underlying sense or terms of familiarity or sameness” (p. 4). Nevertheless, it would seem that for Seligman, and to use Zucker’s terms (1986), modern society generate more institutional trust/confidence but lower levels of characteristic-based trust created through family and friends. As a result, and combined with weaker sanction mechanisms, modern society may have lower levels of predictability (see Beck, 1992).

These arguments are relevant for theorising the linkages between the non-profit sector and trust. As organisations preserve to some extent the conditions present at their establishment (Stinchcombe, 1965), the composition of organisational forms in a particular field may reflect a mixture of these forms of relations.⁸ Typically, the sector includes organisations formed in the pre-modern, traditional era; organisations mobilised around particular actor background, ethnic or religious

⁸As well as *reflecting* prevailing conditions, non-profit organisations are also often created precisely as vehicles with which to *oppose* them, as the social movement literature shows. This is discussed in the next section.

characteristics; and entities, which essentially represent the institutionalisation of friendship networks and bonds of “civility” which cut across ascriptive categories. Macro-sociology suggests that the diverse origins of such groups and associations may involve different styles of relationship and behaviour, and serve to reinforce differences in value systems.

In sum, sociologists working on the non-profit sector have not fully explored the implications of macro-sociological change in thinking about the linkages between trust and organisational form. We suggest, however, that they can potentially sound an important message to our understanding of the non-profit form: to do that, as we will suggest below, sociologists in the field must take the notion of civil society seriously.

2.3 Social capital approaches

De Tocqueville’s “*Democracy in America*” (1835) and Almond and Verba’s work “*The Civic Culture*” (1963) are perhaps the two most influential volumes that link the notion of trust with associational life and the polity. Perhaps ironically, however, the single most influential recent account of the role of voluntary organisations – the rational choice approach of Coleman (1990, 1993, chapter 12) – rests on arguments from a hybrid of economics and sociology. In particular, social capital refers to networks of relations linking individuals and organisations. As such networks and contacts are accumulated over time, social capital is seen as a resource established not only for short-term economic gains but also with the longer-term view of status competition and strategic influence seeking in mind.

Voluntary organisations assume an instrumental feature: they are intentional participatory organisations that facilitate social connections and co-operation, and by virtue of repeated interactions engender trust among members. In carrying Coleman’s understanding forward, Putnam (1993) makes the further assumption that participatory voluntary organisations are “distinctive” institutions in their capacity to function as repositories for all the other sources of social capital: obligations and expectations, information potential and norms and sanctions (p. 89). As such, they are characterised as incubators of “civic virtue”. This has been parsimoniously defined by Brennan as “the dual attribute of a capacity to discern the true public interest and a motivation to act as the public interest, so discerned, requires” (1997, p. 259). Trust enters the equation implicitly because the greater capabilities of those equipped with civic virtue implies they have expertise which puts them in a position to make wiser judgements; and the reference to motivation implies the co-presence of a willingness to act in a civic fashion, as well as an ability to do so.

More informally, as Putnam himself puts it, “virtuous citizens are helpful, respectful, and trustful towards one another, even when they differ on matters of substance” (1993, pp. 88-89). He develops the idea that civic associations can be “social structures of co-operation.” This reasoning brings Putnam closer to de Tocqueville and further away from the rational choice approach suggested by Coleman. Indeed, Putnam argues that democratic, horizontal (i.e., non-exclusionary) voluntary associations characterised by high levels of face-to-face interaction are involved in a virtuous circle with trust. This is so because they instill habits of co-operation, solidarity and public-spiritedness; inculcate skills, which are of direct utility in undertaking political activity; and prevent factionalism through crosscutting membership.

Putnam’s aim in developing this argument is to provide an explanation for a correlation he observes between associational density and a variety of measures of political participation and economic performance. In particular, in Northern Italy, he points to a high density of associations and a successful political and economic situation; whereas in the South, the density of associations is far lower, and the political and economic achievements are relatively limited.

In as much as it stays within the rationale choice tradition, Coleman’s model could be criticised for the same reasons as the economic models described. There is also the difficulty with its use of a functional definition: by defining social capital in terms of its consequences, it appears to have a circular or tautological character. Putnam’s modification of Coleman’s approach, on the other hand, avoids these difficulties – but pays a price. The problems arising from conflating norms and values, networks, and their consequences lead to a loss of conceptual clarity (Newton, 1997, p. 583).

Second, the concept of trust appears at one level diffuse and overgeneralised, yet, at another, unidimensional and highly specific, characterising trust as an emergent property of face-to-face interactions. This is a somewhat backward-looking concept of trust which fails to engage with the modern, reflexive kinds of trust sociologists have identified. Putnam’s emphasis on local “horizontal” associations follows directly from this more limited notion of trust. National social movements, which in the US, UK, Sweden or Germany have been important cultivators of more modern forms of trust, are much less central in Putnam’s thinking (1993). Yet, exploiting modern technological opportunities, these have developed mediated and abstracted relations, building “symbolic” communities which do not entail fact-to-face relationships, but nevertheless provide a social resource for those involved (Minkoff, 1997; and Keane, 1998).

Even the “vertical” associations that Putnam dismisses because of their non-democratic credentials may well foster socially useful links between individuals. Democratic decision-making and

participation may not be feasible in some situations, particularly when vulnerable citizens are involved, or highly “technical” decisions are being made under significant information asymmetries. These are precisely the situations in which many non-profit organisations are active, of course, as has been made clear by economic theorists. More generally, Putnam does not put the role of associations in context with other ways of creating and maintaining trust, such as the workplace, the media, judiciary systems, the law and the education system.

As a result, Putnam adopts a very narrow measure of the voluntary sector. The concept relies on indicators of the densities of participation in cultural and recreational associations, all of which are implicitly assumed to involve continuous face-to-face interaction. He therefore ignores around two-thirds of the Italian non-profit sector, even using a definition exclusive of political parties, trade unions and religion (Barbetta, 1997, pp. 176-177). Moreover, voluntary activity undertaken under the auspices of the Catholic church is *explicitly* dismissed as infected by hierarchical authority relations rather than the horizontal bonds friendship (Putnam, 1993) – and this is used to “explain” the negative correlation observed between measures of religiosity and civic engagement.

Finally, the social capital view of voluntary associations as consensual and conflict-free can be questioned empirically. The account stresses the moderating impact voluntary organisations have on tendencies towards factionalism rather than their actual and potential role in reinforcing it (Edwards and Foley, 1997). Moreover, it does not fully address the problems of exclusivity and particularism, or the role of voluntary organisations in promoting values associated with intolerance, prejudice and other socially undesirable phenomena (see also Warren, 1999; and Halpern, 1999).

3 Towards a synthesis?

In essence, there are, therefore, important strengths and weaknesses to each approach, as summarised in Table 1. Economic approaches usefully recognise the substitutability between the non-profit form and other institutional arrangements in situations requiring trust, but fail to distinguish between different forms of trust and its meanings, and focus narrowly on service provision. Sociology, in contrast, *potentially* gives some answers to what conditions are conducive to different forms of trust, yet it tells us little about what comes afterwards, and assumes a basic contradiction between markets and trust. Finally, the social capital approach is more outward looking and inclusive at one level, but is too dismissive of ‘vertical’ trust, and fails to clearly demarcate expectations as to the division of labour between sectors in trust formation and sustenance.

What then can be done? What theoretical modifications and innovations are needed to preserve the strengths of each while overcoming their weaknesses and limitations?⁹ We suggest that three other strands of social science thinking may well provide some of the missing links and “connective tissue” needed for cross-fertilisation among the three approaches. We will discuss each case in turn.

Table 1: Three approaches to the study of trust

Approach	Central reference	Core definition	Role of voluntary organisations	Actors and units of analysis	Key strengths	Key weaknesses
Economics	Market transactions	Trust is an efficient mechanism to economise on transaction costs	VOs are a response to market failure; nondistribution constraint signals trustworthiness	Individual actors and their utility functions	Parsimonious; theoretically grounded; trust substitutions; trust as medium	Preferences are given; relationship between trust and risk unclear in its consequences
Sociology	Social order	Taken-for-granted, socially constructed reliability; a priori assumption of trust	VOs make use of symbolic representations of pre-existing trust; institutionalised enactment of trust routines	Institutions, routines, individuals	Origin of trust; applications across Cultures and settings; trust as outcome	Static; lack of parsimony; no substitutions for trust specified
Social capital (political science)	Networks of social ties	Trust as social capital, as civil virtue.	VOs as incubators of values, civic attitudes, and styles of organising	Interstitial networks linking institutions, and citizens	Dynamic; focus on unanticipated Consequences of trust; cross-cultural applicability	Unclear on vertical and non face-to-case trust; power relations neglected

The social capital approach, with its focus on networks, ties and civic virtue, is really a mixture of sociological, political science and rational choice thinking. Voluntary associations are portrayed as important incubators of the values and attitudes needed in such societies. While we find much to recommend in the social capital approach, including its imagination in connecting micro phenomena to macro outcomes, its major weaknesses are a fixation on local, geographic communities, and a failure to specify clearly how micro and macro aspects are linked to one another.

We suggest that these limitations can be overcome if the social capital approach is conceptually nested in the concept of a wider civil society. For political scientists like Keane (1998, p. 5), civil society a “complex and dynamic ensemble of legally protected non-governmental institutions that

⁹ We do not advocate replacing the three approaches by a common perspective. This would be unwise since each approach serves important and wider roles in their respective disciplines, seeking to answer the different stylised questions that each pose.

tend to be non-violent, self-organising, self-reflexive, and permanently in tension with each other and with the state (1998, p. 6). This tension-ridden and conflictual associational infrastructure creates opportunities and mechanisms for the generation of trust among citizens as either individuals or by virtue of their membership in organisations. These opportunities in the form of social inclusion and participation in extra-familial networks, in turn, create social capital, which become a major factor in social mobility at the individual level (Bourdieu, 1979) and for economic advancement of entire population segments more generally (DiMaggio and Mohr, 1985).

Such opportunities may lead to the creation and maintenance of trust under two circumstances: first, if forms of social inclusion, participation and capital formation enforce beliefs in the basic legitimacy of the social order and the political system as rightful expressions of fundamental values; and second, if they strengthen confidence in the operation of society as reliable and predictable system. Confidence can refer to either equity or efficiency considerations. The central point is that the relationship between trust and social capital is highly conditional, i.e., dependent on the structure of civil society and the legitimacy of the political system, and indirect, i.e., mediated through processes like social inclusion and participation.

Whereas the relationship between trust and social capital, even if set in the wider context of civil society, is indirect and remains somewhat abstract at the macro-level, the link between opportunities for social engagement and co-operation may be more direct at the individual or organisational level. It is in this context that cognitive psychology and the social movement literature offer useful insights.

Psychologists have explored how motivations and actions depend in part upon language and labels. Taylor-Gooby (1997) reviews the literature on market-like game situations, and concludes that “markets do not immediately impose a crude rationality on their participants” (p. 10). At the same time, people appear to learn rapidly, and adapt their behaviour according to the moves of other players and what they perceive to be the norms of the situation. They can learn both to act pro-socially and selfishly, depending on the cues that the rules of the game and their co-players’ behaviour provides, a situation characterised by “real fragility”. So, whether or not trust can flourish depends upon how the relevant actors perceive their environment.

Social psychologists have tried to compare *across* different situations and context conditions, with the competitive market as just one possibility. The results support the proposition that language significantly shapes behaviour, in particular the likelihood of social co-operation, which seems

significantly affected by the way in which the situation is presented.¹⁰ Situations in which the rules of the game are respected and mutually understood, and where collective action is required and achievable in co-operation rather than zero-sum competition, trust may be both created and sustained. Intuitively, this fits with dominant understandings concerning what may be distinctive about the imperatives driving voluntary sector organisations, and setting it apart from the market – the imagery of “caring”, “altruism” and “empathy” is seductive.¹¹

Moreover, the social movement literature provides some clues *why* there may be more opportunities for encouraging collective action in some types of voluntary organisation than in other social settings. McAdam et al (1988) and others suggest that two crucial factors influence the success or failure of social movements: resource mobilisation and framing. The theory of resource mobilisation assumes that movements can most efficiently enlist financial and human resources for their purposes if they develop along existing social structures (Neidhardt and Rucht, 1993). For example, movements develop within and between existing organisations, such as church groups in the former Communist regimes of eastern Europe. Frequently, social movements form more formal associations which may become non-profit advocacy organisations and service providers over time (McAdam et al, 1988), e.g., the women’s movement or the environmental movement.

Movement success requires cognitive and cultural translation of the movement’s intentions and objectives. Both have to be readily integrated into the patterns of interpretation and meanings of members and supporters without creating major cognitive dissonance or fundamental contradictions. Particularly important is the process of *framing* (Goffman 1974; and Snow et al 1986), which describes the routine use of interpretive schemas to recognise, integrate and evaluate facts, actions, statements and programs. These schemas or frames allow the integration of a broad spectrum of experiences, events and themes to a more or less coherent and meaningful cognitive structure. Thus Goffman’s frame analytic perspective helps us understanding how and why people become involved in social movements, and Sokolowski (1996) has expanded the model for the third sector as a whole.

¹⁰ An example would be Ross and Samuels (1993)’s demonstration that groups responded very differently in an experimental setting in playing an otherwise identical game depending on whether or not it was labelled the “Wall Street Game” or the “Community Game”. Importantly, this effect was found to be far more important than the students’ personalities in determining whether or not they acted co-operatively.

¹¹ It is also consistent with “welfare mix” arguments which contrast the “instrumental logic” of the market place with the norms and traditions of personal obligations which characterise the community and simultaneously emphasise how many voluntary organisations are influenced by their rootedness in the latter as opposed to the former (Evers, 1995).

Snow et al (1986) ask why framing processes succeed in some cases but not in others, and suggest “frame resonance” as one important factor: “The higher the degree of *frame resonance* ... with the current life situation and experience of the potential constituents ... the greater the probability that framing will be successful, other things being equal.” If the framing suggests “answers and solutions to troublesome situations and dilemmas that resonate with the way in which they are experienced” and if it elaborates on “existing dilemmas and grievances in ways that are believable and compelling”, then movement success is more likely (Snow et al, 1986, p. 477).

Members of organisations rooted in communities based on either geographic proximity, mutual interest or shared values would have a competitive advantage over outsiders in knowing the mindsets, life situations, aspirations and problems of people in that community. This makes the establishment of “frame resonance” easier to achieve. Being “one of us” and “speaking the right language” by using the right terms and labels in persuading community members is a necessary condition in generating a readiness for action. Yet, what are the mechanisms that link trust, organisation and frame resonance? Here we turn to social psychology, in particular work on intrinsic motivation (Deci and Ryan, 1985).¹²

The general arguments from this literature are relevant to the study of trust and voluntarism for several reasons. First, as Doyle and Gough (1991) point to a range of evidence which suggests that “a strong sense of self (self-esteem) goes hand in hand with pro-social attitudes, altruism and generosity; and those individuals who are most confident about their ability to act in the world tend to be those who are most aware of the needs of others” (p. 65). This argument clearly overlaps with the discussion of social capital above, and provides a link with underlying aspects of motivation.

Second, this approach recognises the importance of voluntarism *per se*, and reminds us that, to a considerable degree, activity in the voluntary sector is not undertaken for the purpose of external or extrinsic reward. Policies which seek to introduce the latter, or cast external judgement on those involved, may be dangerous if they communicate to the participants that they cannot be trusted to undertake the activity adequately if it is pursued voluntarily. This is so because individuals perceiving external interventions as “controlling” can feel “overjustified” unless they downgrade their own intrinsic motivation. This dilemma is made worse if the introduction of external control

¹² Within this tradition of psychology, self-determination is “a quality of human functioning that involves the experience of choice ...[it is] the capacity to choose and to have those choices, rather than reinforcement contingencies, drives or any other forces or pressures, be the determinants of one’s action ...[these] typically have the benefit of developing competences” (Deci and Ryan, 1985, p. 38). In making these choices freely and pursuing the concomitant goals, it would appear that participants achieve a sensation of self-expression and self-fulfilment that is valued for its own sake.

does not carry with it acknowledgement of the intrinsic motivation. Then, the person can “feel that his competence is not appreciated which leads to an impaired self-esteem, resulting in reduced intrinsic motivation” (Frey, 1997, p. 1,045).¹³

Finally, the theory may have particular relevance to one of the core industries in which voluntary organisations are involved – sports and related leisure pursuits – but for which other, trust-based theories appear to be of limited relevance. Deci and Ryan (1985) summarise how “... the few surveys that have explored the reasons why people engage in sports suggest that for the average amateur, intrinsic factors are dominant in their motivation” (p. 314). This clearly involves people participating not to provide “trust goods” to other people in need, but *voluntarily* interacting socially with others in a way that brings its own internally experienced rewards. This, it is argued, is because of the experience of self-control and freedom from the pressures of other contexts that it brings. Deci and Ryan note how these activities “are generally engaged in *freely*, and afford one the chance to stretch capacity and build skills...and they represent a possibility for recovering the self-esteem that is lost in the work lives of many individuals (Deci and Ryan, 1985, pp. 313-314; our emphasis). Thus, this literature suggests that economic or other arguments that focus on trust as an attribute of goods and services are limited in their applicability to voluntary action as a whole, since they allow little room for the intrinsic motivations. Trust generated under such circumstances may then be an unintended by-product of selfish behaviour.

4 Conclusion

The notion of trust has become a central concern of current research efforts in economics, sociology and hybrid approaches developed from classical political science such as the Tocquevillian strand of social capital studies. These perspectives are of key relevance to our understanding of voluntarism and non-profit organisations.

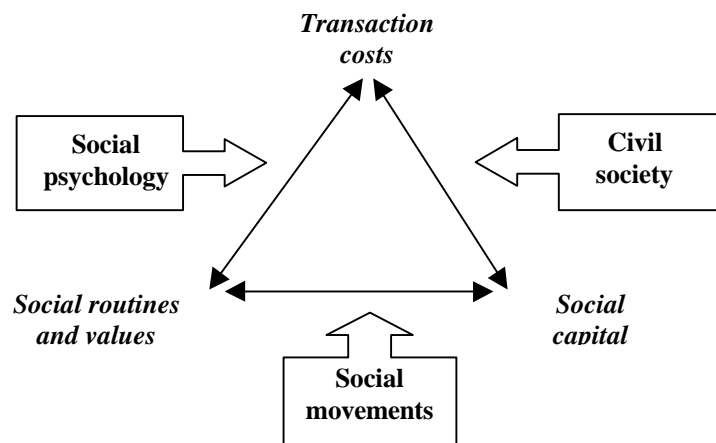
The *economic approach* uses the market transaction as the central reference point and understands trust as an efficient mechanism for dealing with otherwise higher transaction costs. Parsimony is a key strength of the approach, together with its ability to conceptualise the non-profit form as one institutional solution to situations which call for trust. The weaknesses of the economic approach

¹³ However, this literature also recognises that external intervention can also have the opposite effect of nurturing intrinsic motivation, and hence individuals sense of self-esteem: this can be the case if the attempt to “steer” the voluntary activity is accompanied by positive feedback, and involving intervention which is perceived to be supportive of participants’ autonomy rather than attempting to control them.

are largely its exclusive thematisation of micro-economic phenomena, neglecting connections to macro developments; insensitivity to trust as a phenomenon whose meaning and functioning varies over time and space; and its assumption of the existence of a stable and well enforced legal framework.

The *sociological approach* to voluntary organisations and trust has remained underdeveloped. Rare attempts to theorise it (Anheier and Romo, 1992) focus on just one type of “prototypical” relationship, wherein trust is seen as essentially a passive, background variable. While distinguished sharply from risk, trust is neither adequately contrasted with confidence, nor linked to a wider, macro-sociological context. Finally, the *social capital* approach addresses trust only implicitly, and establishes a contingent, indirect relation between the creation of trust and the creation of social capital. We suggested that a broad recognition of civil society aspects could move the social capital field away from functionalist thinking with potentially tautological undercurrents.

Figure 1: New approaches to the study of trust



For all three approaches to the study of trust and the role of voluntary organisations, we plead for a research strategy that takes into account some of the missing concepts we identified above: frame resonance in social movement theory, intrinsic motivation from social psychology, and legitimacy from a civil society perspective. Specifically (Table 1, Figure 1), for the relationship between economics and the social capital approach, we suggest consideration of recent work on civil society (Cohen and Arato, 1992; and Keane, 1998). These studies offer an important avenue to better understand the relationship between trust substitutions and trust shifts on the one hand, and the concepts of power and legitimacy associated with accumulated social capital on the other. For sociology and the social capital approach, we point to the *social movement literature* (Snow et al, 1986) to look at how organisations, networks, values and motivations interact with trust in various types of communities. Finally, for the relationship between economics and sociology in particular,

we argue that recent work on motivation in *social psychology* can shed light on how language and subjective experiences can be important in understanding how trust is associated with, and nurtured by, non-profit organisations. A core rationale here is to take us beyond over-reliance on legal constraints and to focus more on voluntarism (see Tonkiss and Passey, 1999) and self-organisation as key characteristics of the non-profit form.

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