MAX-PLANCK-INSTITUT FÜR GESELLSCHAFTSFORSCHUNG
MAX PLANCK INSTITUTE FOR THE STUDY OF SOCIETIES

MPIfG Discussion Paper 05/8

Trust and the Performative Construction of Markets

Jens Beckert

MPIfG Discussion Paper

Jens Beckert

Trust and the Performative Construction of Markets

MPIfG Discussion Paper 05/8
Max-Planck-Institut für Gesellschaftsforschung Köln
Max Planck Institute for the Study of Societies Cologne
September 2005

MPIfG Discussion Paper | ISSN 0944-2073

MPIfG Discussion Papers are refereed scholarly papers of the kind that are publishable in a peer-reviewed disciplinary journal. Their objective is to contribute to the cumulative improvement of theoretical knowledge. The papers can be ordered from the institute for a small fee (hard copies) or downloaded free of charge (PDF).

Downloads
www.mpifg.de
Go to *Publications* / *Discussion Papers*

Max-Planck-Institut für Gesellschaftsforschung
Max Planck Institute for the Study of Societies
Paulstr. 3 | 50676 Cologne | Germany

Tel. +49 221 2767-0
Fax +49 221 2767-555

www.mpifg.de
info@mpifg.de

Abstract

The concept of trust has recently been rediscovered, especially in the fields of economic sociology and organization theory. Nevertheless, the actual functioning of trust in markets has only been understood incompletely up to now. As this paper argues, one reason for this is that conceptualizations of trust have focused primarily on the decision-making process of the trust-giver. The contribution of the trust-taker, however, has not been comprehensively investigated. I propose understanding trust as a tranquilizer in market relations that is partly produced in the situation itself by the performative acts of self-presentation of the trust-taker. On the basis of a taxonomy of four strategies, the final part of the paper demonstrates the consequences that result for the understanding of the functioning of markets from this conceptualization of trust relations.

Zusammenfassung

Das Konzept des Vertrauens wurde insbesondere in der Wirtschafts- und Organisationssoziologie während der letzten Jahre wiederentdeckt. Dennoch ist die Funktionsweise von Vertrauen auf Märkten bisher nur unvollständig verstanden. Der Grund hierfür ist, so die in dem Papier entwickelte These, dass die Konzeptualisierungen von Vertrauen hauptsächlich die Entscheidungsprozesse des Vertrauensgebers untersuchen, den Beitrag des Vertrauensnehmers für das Zustandekommen von Vertrauensbeziehungen jedoch nur unvollständig beleuchten. Es wird vorgeschlagen, Vertrauen als ein Beruhigungsmittel in Tauschbeziehungen zu verstehen, das entscheidend durch die performativen Akte der Selbstdarstellung des Vertrauensnehmers in der Handlungssituation erzeugt wird. Im letzten Abschnitt wird auf der Basis einer Heuristik von vier Strategien gezeigt, welche Perspektive sich aus dieser Vertrauenskonzeption für das soziologische Verständnis der Funktionsweise von Märkten ergibt.

Inhalt

Introduction

Since the 1990s, the concept of trust has experienced a renaissance in various social science disciplines. Interest in trust can be seen particularly clearly in areas concerned with questions of economic exchange and cooperation of actors in economic contexts. In organization theory and economic sociology, several recent publications indicate this development (Gambetta 1988; Kramer/Tyler 1996; Lane/Bachmann 1998; Cook 2001).

The background for this interest in the concept of trust is the assumption that it concerns a central mechanism for overcoming those barriers for exchange and cooperation that have long been known from the theory of non-cooperative games. Trust allows cooperative advance concessions, even though the possible choice of a non-cooperative strategy gives the negotiating partner an option that would bring him additional advantages and also damage the trust-giver.

Although the significance of trust for enabling mutually advantageous relations of exchange and cooperation has been largely acknowledged, so far, the functioning of trust in market processes has not been fully understood. According to the first thesis developed in the article, this is because research on trust has primarily studied the decision-making process of the trust-giver, but has not fully illuminated the trust-taker's contribution to the realization of the exchange relation. The actions coming from the trust-taker to produce the impression of trustworthiness have not been examined sufficiently. Yet, that is precisely what represents an essential element for overcoming possible exchange barriers in markets. The operational principles of trust are only revealed through the study of the performative acts of the trust-taker, with which he tries to produce the appearance of trustworthiness, and through which the trust-giver is motivated to his one-sided advance concession. Performative here means the production of the impression of trustworthiness, especially through acts of self-presentation with which the trust-giver tries to persuade the trust-taker of the sincerity of his intention to cooperate.

In terms of theory, only by emphasizing the performative act of the trust-taker's self-presentation can we take seriously a specific aspect of trust that is lost in those conceptions that stress norms, institutions, or calculations of the trust-giver as a basis of rela-

This paper was translated from the German by Barbara Harshav. A slightly different version was published in German in the *Zeitschrift für Soziologie* (vol. 31, no. 1, 2002, pp. 27–43). Financial support for the translation of the article has been given by Roskilde University and the International University Bremen and is gratefully acknowledged. The article was first presented at the workshop on "Social Capital, Trust, and Networks" organized by Roskilde University. I am grateful to the participants in this workshop, especially Klaus Nielsen. Thanks also to Christoph Deutschmann, Diego Gambetta, Hans Joas, Sabine Köszegi, Guido Möllering, Axel Paul, Harald Wenzel for their helpful comments.

tions of trust: that is, trust can be discussed meaningfully only when it is not possible for the actors either to exclude the risk of exploitation or to calculate it probabilistically.

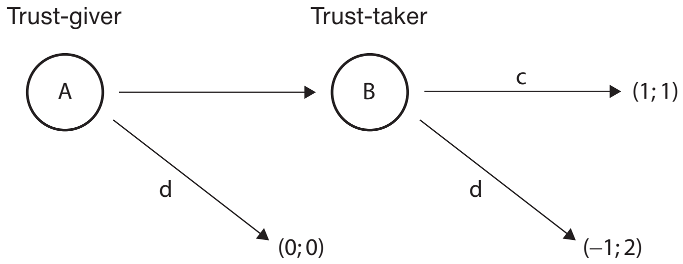
In modern economies, the increased complexity and flexibility of exchange relationships have given them structural characteristics that challenge the reliability of institutionalized expectations. Moreover, the calculative anticipation of the contingent decisions of the exchange partner has become more difficult. The result is that a willingness to trust has to be produced more strongly in the situation itself by acts that signal trustworthiness, without the trust-giver being able to calculate the sincerity of the decision "to trust." The second thesis developed in the article is that trust is to be understood as a tranquilizer that enables actors to accept an incalculable uncertainty in exchange relationships. At the same time this uncertainty cannot be eliminated by trust. In this sense, we can speak of the performative construction of markets.

In what follows, I shall develop these two theses in four steps. First (1), I shall introduce a definition of trust and explain the specific characteristics of trust. Based on an analysis of the structure of the relationship between trust-giver and trust-taker, I shall support the counterintuitive statement that the trust-taker should be the focus of the analysis of trust in exchange relations. Building on that (2), I shall critically discuss the different modes of explanation for the development of trust given by the literature on the subject. In the discussion, it will become clear that these conceptualizations do not do justice to the core substance of trust because either they overestimate the possibilities of calculation of the trust-giver, and/or eliminate the contingency of the decision of the trust-taker. In the next section (3), based on an article by Michael Bacharach and Diego Gambetta (2001), as well as on theoretical considerations by Niklas Luhmann (1968), Anthony Giddens (1991, 1994), and Harald Wenzel (2001), I shall develop a conception of trust that focuses on the self-presentation of the trust-taker. In the last part (4), I shall analyze the situational assumptions under which the self-presentations of the trust-taker obtain significance for market stabilization, and will discuss four strategies of performative production of the appearance of trustworthiness.

Trust

In this article, trust is defined as the expectation of the trust-giver that his one-sided advance concession in the exchange relationship is not exploited by the trust-taker, even though the latter could achieve a higher utility by choosing to defect. This is a standard definition that can be found in different formulations in the literature on trust (Beckert/Metzner/Röhl 1998; Coleman 1990; Dasgupta 1988; Gambetta 1988; Kreps 1990; Preisendörfer 1995; Raub/Weesie 2000; Ripperger 1998). Figure 1 shows the structure of the trust game with the pay-offs of the respective strategies. The used

Figure 1 The basic trust game



Source: Dasgupta (1988), slightly altered.

car market (Akerlof 1970) is a decision situation that can be described based on this definition. Here, the information about the quality of the exchanged object is asymmetrically divided between buyer and seller, and it is only after the sale that the buyer obtains information about whether the promised qualities of the car actually exist. The buyer's expectation not to be deceived by the seller, even though the seller would get an advantage from that, represents the trust of the buyer.

The definition of trust cited reveals four important systematic aspects.

1. Trust is a *social* expectation which means that trust always refers to another person or a corporate actor. I can trust my friends, my business partners, my bank, but not my bike or the safety of a railing.[1]

2. The trust-taker is free in his response to the one-sided advance concession of the trust-giver. The trust placed in the trust-taker can be either fulfilled or violated by him. This implies uncertainty for the trust-giver with regard to the action of the trust-taker which cannot be eliminated. On the other hand, this means that compulsory relations contain no trust.

3. Trust can be spoken of only in situations in which the trust-taker has an advantage from non-cooperative action that violates the expectation of trust-giver. Thus, as a buyer of a sports shoe, I trust that the shoe recommended to me is indeed the most suitable shoe for me to buy and not the one with the highest profit margin for the seller. However, I do not trust when I assume in traffic that other drivers will follow the rule of driving on the right side of the road. No one would have an advantage by deviating from this rule.

1 Such a clear demarcation, however, is not always possible. Thus, the sentence, "I trust the airplane I'm about to fly in," can be meaningful if the social system behind the functioning of the plane is meant. Thus, it can mean something like: "I trust that the airplane mechanics have done their work reliably and conscientiously."

4. Trust contains calculating considerations in the sense that I trust only when I actually think the trust-taker will act as he promises. This concept of calculation differs from the economic theory of action in that it concerns the subjective perception of the situation by the trust-giver and thus contains neither objective probabilities, a correct interpretation of causal relations, nor a complete grasp of information. It concerns only a subjective attitude of expectation. Instead of calculation, it is more appropriate to follow William I. Thomas (1951) and speak of *inferences*, in order to differentiate more clearly from the economic model of action.[2] When I enter into a one-sided advance concession, without the expectation that the trust will be fulfilled, I do not trust, but rather hope. Hope can be a reaction to despair, because of the lack of (perceived) action alternatives.[3]

The role of the trust-taker

The definition of trust and its individual aspects refers primarily to the trust-giver since it is his decision-making situation that is considered. This finds its justification in the intuitively offered interpretation of the sequence of games of trust, that is, that the trust-giver must be the initiator of the interaction, and the response of the trust-taker is only attached to it. Thus, the trust-giver is placed in the center as actor and the trust-taker is shifted to the secondary position of a condition of action.[4] Expectations are formulated by the trust-giver with regard to this condition, and the experiences from actual decisions of the trust-taker (cooperation or defection) then enter into the data for future decision-making of the trust-giver. This interpretation of the sequential logic of games of trust encourages underestimating the role of the trust-taker. If the process of the trust game is considered more closely, however, it turns out that it is precisely the trust-taker who is in the center. The two systematic reasons for that can be seen in Figure 1.

---

2 As Thomas puts it (1951: 5): "It is also highly important for us to realize that we do not as a matter of fact lead our lives, make our decisions, and reach our goals in everyday life either statistically or scientifically. We live by inference. I am, let us say, your guest. You do not know, you cannot determine scientifically, that I will not steal your money or your spoons. But inferentially I will not, and inferentially you have me as your guest." For the limits of the economic concept of calculation for understanding trust, see the excellent discussion by Möllering (2001), which relies primarily on Simmel, Luhmann, and Giddens.

3 For the terminological differences between trust, hope, confidence, and faith, see Ripperger (1998).

4 The difference between trust-taker and trust-giver does not mean that, in an interaction between two persons, these positions cannot be taken in succession by both. The asymmetrical nature of trust relations is merely an analytical abstraction. However, there are many social relationships in which these positions do not change between the actors involved.

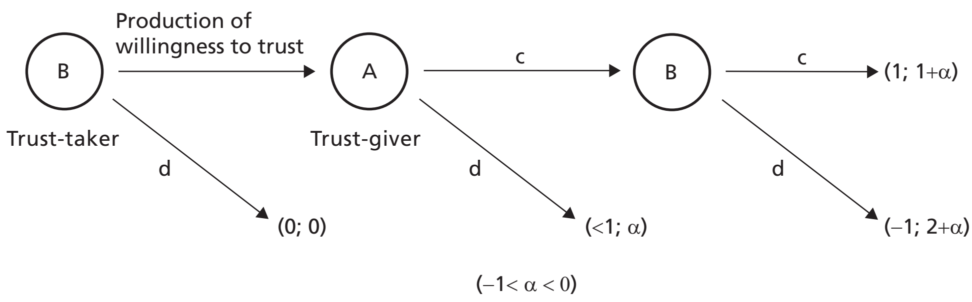
1. If the pay-offs of trust-taker and trust-giver are observed, it turns out that the trust-giver must have a much more ambivalent attitude toward the trust game than the trust-taker. The trust-giver can achieve a positive pay-off, but he also accepts the risk of exploitation, thus a negative pay-off. Not to get into the game of trust brings a neutral pay-off for him. The trust-taker, on the other hand, has a positive pay-off in any case, if only the advance concession of the trust-giver is achieved. Therefore, the trust-taker *always* has an interest in entering the trust game, independent of the intention of defection or cooperation.

2. If the scope of action of trust-giver and trust-taker are considered, another difference emerges, which attracts interest to the trust-taker. The trust-giver is essentially confronted with the binary decision to accept the risk of defection or not; this depends on the estimation of the trustworthiness of the trust-taker, his own tendency for risk, and the potential loss in case of exploitation (Köszegi 2000: 6ff.). The actions of the trust-taker, on the other hand, aim at the *production of trustworthiness.* This not only opens a broad spectrum of possibilities of action that can achieve this goal, but these actions also *sequentially precede the advance concession of the trust-giver.* The advance concession of the trust-giver results from the production of the impression of trustworthiness by the trust-taker.

These two points have far-reaching consequences for understanding trust in market relations. That is, the focus now shifts to the contingent actions of the trust-taker, who has an unambiguous interest in the materialization of the exchange on the one hand, and on the other produces or at least can influence the trust-giver's advance concession with his own actions. Assuming that the trust-taker is aware of this central position in trust games, one can hypothsize that such games are primarily initiated by the trust-taker. Hence the social sciences should orient their interest much more to the question of which repertoire of action evokes the impression of trustworthiness, to which the trust-giver attaches his advance concession.[5] This modified perspective on the structure of the trust game can be seen in Figure 2. Before the advance concession of the trust-giver is achieved, his willingness to trust has to be produced, for which the trust-taker must make an investment (α). This investment must be less expensive than

5 One commentator on the article noted that the trust-taker himself can be understood as a trust-giver, whose advance concession constitutes the investment in his trustworthiness. However, this argumentation is only partly appropriate. It is correct that the production of trustworthiness itself can be linked with costs, because the trust-giver's non-cooperation can cause a negative pay-off for the trust-taker. Thus, after an intensive sales pitch, a customer can decide not to buy the product. The difference with the advance concession of the trust-giver is that the trust-giver can obtain no advantage from non-cooperation, which would also injure the trust-taker. Yet, this is one of the four components of the definition of trust cited above. Therefore, the investment in trustworthiness must be distinguished from the one-sided advance concession in the game of trust. However, by refusing trust, the trust-giver might be able to avoid opportunity costs and obtain information at the same time.

Figure 2 The trust-taker as initiator of the trust game



the possible gain from a subsequent cooperative strategy, because otherwise the trust-taker would show an intention to defect. In case the game is terminated by the trust-giver, he has either a positive pay-off from obtained information – which must in any case be less than the utility of further cooperation (<1) – or a loss.[6] In the next move, the game corresponds with the game of trust represented in Figure 1, except that the investments (α) for the production of willingness to trust have to be deducted from the trust-taker's pay-off.

When do we trust?

To what extent do existing explanations of trust do justice to this central role of the trust-taker and his actions for the production of trustworthiness? In the research on trust, five approaches to the explanation of willingness to trust can be distinguished ideal-typically – tradition, identity, power/norms, institutions, and calculation. These conceptions are to be sketched briefly. From this discussion, it turns out that the role of the trust-taker stands out especially in such approaches in game theory that deal with reputation effects and credible commitments. Approaches that focus on tradition, power/norms, institutions and identity, on the other hand, consider the sequence of games of trust primarily from the perspective of the trust-giver. All five concepts, however, agree to represent the decision of the trust-taker (cooperation or defection) either as controllable, or as calculable by the trust-giver. Thus, they eliminate the element of uncertainty on the side of the trust-giver and ultimately question the very concept of trust.

Tradition. The meaning of tradition is grasped in the concept of "thick trust" (Bernard Williams) and is the focus of Francis Fukuyama's comments on the problematic of trust (1995), among others. Tradition indicates social relations linked with local

6 The result of the negative pay-offs for *both* actors in case the relationship is terminated before it achieves the advance concession of the trust-giver is discussed in Section 5.

communities or family relations in which trust is experienced as "naturally given." Systematically, this means that the actors in a trust game are often not even aware of the possibility of defection. The option of achieving a superior result of action through defection or of being exploited oneself is not part of the actors' cognitive frame.[7] In this conception of trust, the contingency of the decision of the trust-taker is eliminated. The problem here is not only that this is not a realistic general description of situations involving trust, but rather, under systematic points of view, that the missing option of the strategy of defection as a perceived action alternative eliminates the problem of trust itself.

Identity. A second line of argumentation that can be characterized as identity is a mirror image of that. Because of close personal contacts, the wishes and intentions of the trust-giver and the trust-taker achieve identification (Lewicki/Bunker 1996: 122ff.). The trust-giver thinks, feels and reacts like the trust-taker and therefore can reliably anticipate his reactions. Unlike the concept of tradition, this cognitive agreement leads not to eliminating the risk of exploitation, but rather to a complete knowledge of the action intentions of the trust-taker. Yet, because of the precise mutual knowledge of the way the partner acts, the aspect of uncertainty as a constitutive part of the problematic of trust also disappears in this conception.[8]

Power and Norms. Another explanation of the trust-giver's willingness to make a one-sided advance concession consists of emphasizing the control of the choices of the trust-taker by social power or social norms. This can be called a political or normative reinterpretation of the problem of trust. The consequences for the organization of production derived from transaction cost theory (Williamson 1975) can be interpreted as a solution to the problem of trust through power: hierarchy represents an efficient form of organization in complex contractual situations because control is gained over the trust-taker's decision-making options. Social norms influence the trust-taker's action because of the threats of sanctions associated with them, but can also influence the trust-taker's utility function so that he attaches a higher utility to cooperation (value rational action). Whether the trust-taker's actions are controlled externally or internally, this line of argumentation can be understood as a change of the dominant strategy so that the trust-taker chooses cooperation. Through this reinterpretation, however, the actual problem of trust also disappears.

---

7 This is precisely the romantic attraction of tradition. The actions of an alter ego can be anticipated, which leads to cognitive relief in decision-making.

8 See Giddens (1990: 33). However, it is possible to think of an explanation that does not accept the complete elimination of risk and thus is more appropriate to the problematic of trust. Identification processes are achieved in iterative relations, but the trust-giver must also consider the possibility of exploitation by the trust-taker, since an identification between two subjects can never be completely produced.

Institutions. The reference to institutions is one of the most widespread explanations for the willingness to trust, which can be linked both with norms and with calculation (Coleman 1990; Fukuyama 1995; Zucker 1986). Institutions are either understood as normative role expectations (Parsons 1951) or cognitive frames (Garfinkel 1963), and disregard of them results in sanctions. Or they are understood as hostages that reduce the risk for the trust-giver. Without denying the significance of institutions for enabling exchange relations, these strategies of explanation can also be criticized for eliminating the problem of trust because they abolish the risk of exploitation with reference to institutional precautions. Yet the reference to institutions is at least incomplete because, on the one hand, institutions cannot be instructive (or prescriptive) enough to set action guidelines for all decision-making situations; and on the other hand, institutions are controversial as distribution mechanisms for scarce resources, so there is no incentive for all actors to behave according to expectation (Offe 1999: 65ff.).

Calculation. Studies of trust based on the approach of game theory or rational choice theory can be characterized as based on the notion of "calculation." These approaches are considering partly the actions of the trust-taker. They focus on two solutions: On the one hand, the reference to *institutions* (*property rights*), which stretch a safety net in case of exploitation by the trust-taker: if trust is disappointed, the trust-giver has a claim to compensation for the damages he incurs. An example of this are warranties when purchasing a used car. By providing a monetary compensation for damages discovered after the purchase, the trust-taker loses the additional gain he could have obtained otherwise through non-cooperative action, and can thus make it credible that he wants to act cooperatively.[9] Despite an asymmetrical distribution of information, the trust-giver can agree to the one-sided advance concession without having to fear the trust-taker's intentions to defraud.

As a second approach, game theory studies how the action strategies of the actors change in repeated games.[10] There is a widespread and polished theoretical and experimental literature on the problem of conditional cooperation. Only its essentials can be sketched here (Axelrod 1984; Dasgupta 1988; Kreps et al. 1982; Kreps 1990; Raub/Weesie 2000). The idea of iteration contains the notion that the trust-taker's incentive for cooperation is enhanced when he is promised more gains from future

9 With such "hostages," the incentives for the trust-taker to exploit the one-sided advance concession of the trust-giver can be eliminated. However, for Thomas Schelling (1960), who introduced the idea of hostages in the explanation of the stability of the deterrence strategy in the Cold War, this reduction of the possibility of damages to the trust-giver is not based on trust: "… hostages may be the only device by which mutually distrustful and antagonistic partners can strike a bargain" (Schelling 1960: 239).

10 The explanation most often cited for the willingness to trust is that one-sided advance concessions by the trust-giver are based on previous experiences with the trustee. It is not only relevant in game theory.

interactions which he could not attain if he chose the strategy of exploitation in the current game, because the trust-giver would then stop cooperating. The exchange relation would not continue. This solution of the problem of trust is based on the calculation of the interest of the exchange partners in continuing the relationship.

In game theory, special attention has been paid to reputation effects (*inter alia*, Dasgupta 1988; Kreps 1990). They are also based on repeated interactions. Reputation effects, however, only demand that the trust-taker remains identical, while the trust-giver can change. Even though it is possible that the same exchange partners interact only once, the trust-taker will not consistently choose to defect if his behavior can be observed by third parties, who come into question at a later point in time as exchange partners. Through cooperation, the trust-taker constructs a reputation which wins the trust of other players. Here too, the trust-taker's self-interest is decisive; he maximizes his long-term utility through cooperation – or a strategy that alternates between cooperation and defection.

The explanations of trust relations based on game theory seem initially to evade the problems pointed out when discussing the other approaches. Thus, Dasgupta (1988: 51) defines trust as "expectations about the *actions* of other people that have a bearing on one's own choice of action when that action must be chosen before one can *monitor* the actions of those others." In this respect, it is precisely the contingency of action that raises the problem of trust. At the same time, however, game theory starts from unambiguous strategies that are produced by the preferences of the actors and the existing structure of incentives – like the expectation of a continuing exchange relation.[11] Actors act for their "net benefit" (Dasgupta 1988: 63) or are oriented to their "monetary pay-offs" (Kreps 1990: 101). In consequence the trust-giver can anticipate the strategy of the trust-taker at least probabilistically if he only knows the pay-off matrix of the trust-taker. In this sense, the explanatory approaches of game theory do not do justice to the contingency assumed in trust relations. For the strategic explanation of the trust-taker's willingness to cooperate, trust plays no role. This conclusion is confirmed by Williamson (1993), for whom the question of whether the trust-giver agrees to a one-sided advance concession is decided solely by whether there is a sufficiently high probability that filling the trust is in the interest of the cooperation partner. We discover the optimal strategy, *pace* Williamson (1993: 453), through "relentless application of calculative economic reasoning." In this conception, the predictability of the situation by the trust-giver is rated so highly that trust – as emphasized by Williamson himself – becomes a redundant and thus superfluous cate-

11 The trust game can also be constructed so that a multitude of equilibria are possible. But in this case, game theory loses its explanatory content because it cannot indicate which equilibrium is ultimately achieved. "It is here that historical accidents may matter" (Dasgupta 1988: 70). However, the number of equilibria can be reduced with more demands on Nash Equilibrium strategies.

gory. The notion of trust contributes nothing more to understanding exchange relations than what is already contained in the concept of calculation.

The production of willingness to trust

Tradition, the precise knowledge of the interaction partner, power, norms, institutions, reputation, and calculating the exchange partner's interest no doubt play important roles for exchange relations by contributing to the formation of reciprocal structures of expectation. Yet, they are incomplete explanations for willingness to trust because they aim at eliminating the uncertainty the trust-giver is exposed to – through ignorance, knowledge, power, social norms or calculation. In the process, the concept of trust is questioned theoretically. But also empirically, it seems implausible that uncertainty with regard to the action of the trust-taker can in fact be absorbed by the mechanisms cited.

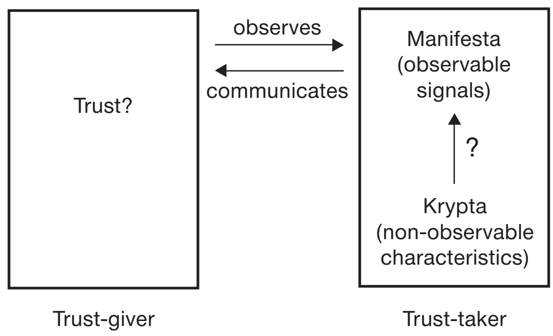
Just as institutions do not regulate all possible contingencies, so knowledge of another person can never be so perfect that her decisions can be anticipated with certainty. Also for the calculation of the intentions of the exchange partner it holds true that, even with all attempts at calculation, a final doubt cannot be removed. Despite social norms, a harmful violation of the norms by the trust-giver always remains on the horizon of possibility. Because of the increase of decisions as well as the number of actors involved, time restrictions, scarcity of information, and the need to delegate decisions become more urgent problems. Especially market relations in modern societies demand that risky advance concessions must be made without precise knowledge of the exchange partner, without relying on long-term relations, and despite only incomplete observation of his action with others, as in situations that are not extensively guaranteed by power or norms. The core of the problem of trust consists precisely in this "middle condition between knowing and not-knowing" (Simmel 1992: 393), even when institutions, social norms, power and calculations of interest contribute to forming expectations.

It is my contention that the missing component consists of the turn to the performative acts of self-presentation by the trust-taker, which help producing the willingness to trust in the situation itself, without thus abolishing the uncertainty of the trust-taker's decision. The central position of the trust-taker will be examined more closely in the following section with a distinction introduced by Michael Bacharach and Diego Gambetta (2001).

Krypta and manifesta

In their article, "Trust in Signs" (2001), Bacharach and Gambetta study the functioning of trust from a fundamental observation: it is not possible for the trust-giver to know whether the trust-taker does in fact have qualities of trustworthiness. These would be qualities such as honesty or good nature.[12] All the trust-giver can perceive are signs in the behavior of the trust-taker, from which he draws conclusions about his actual trustworthiness. Such signs can be biological indications like race, age, or skin color, but also concern clothing, body language, verbal expression, investments, or corporate logos. For this observation, Bacharach and Gambetta introduce the distinction between *krypta* and *manifesta*. Krypta stands for the actual qualities of the person and manifesta for the observed signals which form the empirical basis from which the trust-giver makes the decision for the first move in the trust game.

Figure 3 Krypta and manifesta



Based on Bacharach/Gambetta (2001).

Presenting the authors' extremely differentiated argumentation in depth would go beyond the scope of this paper. What is important for us here is the observation that the trust-giver is oriented toward the manifesta communicated by the trust-taker. This enables us to see four central aspects of trust games which are either not considered in the conceptions of the problem of trust cited above or are regarded only in a limited way.

1. Attention shifts to the actions of the trust-taker, with which he sends signals of trustworthiness to the trust-giver and thus tries to provoke his advance concession. The sequence of games of trust starts with the trust-taker.

12 In a recent book Gambetta and Hamilton (2005) have applied the theoretical considerations developed in Bacharach/Gambetta (2001) to the question of how taxi drivers in New York and Belfast establish their customers' trustworthiness.

2. To attain trust, the trust-taker must communicate signs that are interpreted by the trust-giver as signals of trustworthiness. Therefore, it is not enough for the trust-taker *to have* trustworthy qualities and intentions – e.g., to be honest – but these must also *be observable* for the trust-giver in the form of visible signs. "The deliberate use of signs, or signaling, is a fundamental part of making oneself appear trustworthy" (Bacharach/Gambetta 2001: 155).

3. The decision of the trust-giver to surrender himself to the action plans of the trust-taker with a one-sided advance concession is anchored in the action situation itself. In the concrete decision-making situation, the trust-taker must communicate such manifesta to the trust-giver that convince him of his trustworthiness.

4. The trust-giver cannot know whether the manifesta communicated by the trust-taker do in fact express the intention of trustworthy action. It is possible that the trust-taker communicates the signs with the deliberate intention to deceive the trust-giver in order to gain the pay-off from defection. It is possible just to fake the existence of trustworthy qualities (krypta) with manifesta.

The rationality of signals

Bacharach and Gambetta (2001) link the conception of krypta and manifesta with the theory of signaling developed by Michael Spence (1973). The economist Spence argued in the 1970s that signals could contain information relevant to decision-making only when it is cheaper for the person who in fact has the signaled krypta to produce the signals than for the person who does not have the krypta.[13] An example of that is the signals studied by Spence for identifying good employees in the labor market. An important signal of job-seekers is school or university diplomas. But diplomas can be considered a differentiating signal only when it is easier for good employees to achieve the diploma than for bad employees. Otherwise, the diploma would contain no information about the quality of the employee and would be unsuitable as a criterion for selection.

By linking their conception of trust with the theory of signaling, Bacharach and Gambetta (2001: 158) describe the decision-making of the trust-giver as at least bounded rational.[14] At least in some signals, the link between krypta and manifesta is not com-

13 As Bacharach/Gambetta (2001: 168) put it in direct reference to Spence: "The main result of signaling theory implies that a manifestum m is secure against mimicry if and only if it is cheap enough for a k [krypta] to display and too expensive for an opportunist to display."

14 Bacharach and Gambetta discuss in great detail the possibilities of mimicry of signals and make no strict correlation between krypta and manifesta (see, e.g., p. 174). But ultimately their theory aims at a *rational* explanation of trust, for which they have to maintain the as-

pletely arbitrary (because of different costs linked with the production of manifesta for persons who have the krypta and those who do not), and signals with these qualities are consulted primarily by the trust-giver for the decision to be drawn into a one-sided advance concession.[15]

Because this very assumption, which is essential for the conceptualization of signals in game theory, seems problematic for several reasons, it makes sense to expect a much looser relationship between krypta and manifesta. A first reason for this is empirical rather than theoretical, and can be seen in the increasing diversity of signals in modern economic structures, evoked by the pluralization of institutions, organizations and products, biographical options, cultural life styles and the internationalization of market relations. As a result, actors are confronted with such a plethora of signals as well as the rapid emergence of new signals that, because of limited cognitive capacities, their rational interpretation becomes increasingly more difficult and improbable.

Secondly, the trust-takers can be assumed to have an increasingly reflexive awareness of the significance of the communication of manifesta for their success in motivating trust-givers to cooperate with them. This leads to the increase of investments in the production of manifesta. For the trust-giver, this means being confronted with an inflation of signals, which are increasingly less capable of being differentiated (see Offe 1999: 64f.). The problem of the relationship of signals and krypta is also discussed by Dasgupta (1988: 63–64), who pointed to the following possibility (contradicting Spence's assumption): The trust-taker who does not have trustworthy krypta may be in the situation of carrying out higher investments in the production of signs of trustworthiness than the honest transaction partner. This gives rise to a pooling equilibrium whereby the trust-giver cannot correctly judge the actual trustworthiness of the trust-taker from the signals that shall indicate trustworthiness. It is not clear to the trust-giver whether the trust-taker is honest or dishonest.

Moreover, it is not only the trust-taker who is aware of the significance of signals to obtain trustworthiness. The trust-giver is also aware of the possibility of manipulating signals. This awareness is intensified by the media that publishes examples for the abuse of trust, hence making disappointing experiences of other trust-givers beyond personal experience accessible. As a result, the trust-giver inspects signals suspiciously and the production of the appearance of trustworthiness constantly demands ever more polished strategies.

---

sumption of the correlation between krypta and manifesta. To decide this is, ultimately, also an empirical question.

15 See also Raub/Weesie (2000) for the link of signaling theory and trust. Raub/Weesie develop a theory of how the trust-taker in a non-iterative game can motivate the trust-giver to the advance concession by a voluntarily produced hostage. Also for them, this hostage can be a reliable signal for the trust-giver only when the cost of signaling for the honest and dishonest trust-taker are different.

As a consequence, the modeling of trust games based on game theory is theoretically problematic for assuming the possibility of rational interpretation of signals. They do not do justice to the fundamental uncertainty of the trust-giver, which also composes the core of any meaningful talk of trust. But what happens when only uncertain conclusions can be drawn from the manifesta with regard to the krypta? It follows initially that the trust of the trust-giver can easily be shaken. If no really certain or probabilistic conclusions are possible from the signals for the trust-taker's intentions,

> a demoralizing oscillation of interpretation can result: the player will feel at one moment that he is being oversuspicious and should take the other at face value or, at worst, as someone who employs usual covers and, at the next, that a trap has been set for him. At one moment, he can feel that he has finally hit upon indicators that can't be faked, and the next moment, he can feel that this is exactly how the opponent wants him to accept these indications.
> (Goffman 1969: 69)

If this situation of double contingency is not to lead to a paralysis of action, in which every advantage of cooperative action is lost in advance, then despite the trust-giver's inevitable uncertainty, the view that the trust-taker will not exploit him must prevail. William James summarized this attitude of the trust-giver as the "will to believe": "Wherever a desired result is achieved by the co-operation of many independent persons, its existence as a fact is a pure consequence of the precursive faith in one another of those immediately concerned" (James 1897: 22). Trust can be described as the social mechanism that expresses the shutdown of the latent uncertainty of the trust-giver: trust works as a tranquilizer in social relations enabling the trust-giver to remain calm despite the uncontrollable freedom of action of the trust-taker.

Trust and dramaturgic action

Yet the question of *how* trust-givers are convinced that their advance concession will not be exploited is not yet resolved. The rejection of an explanation of the trust-giver's willingness to trust based on rational calculation does not mean that the actors would not seek inferences (Thomas 1951) that assure them if they decide on the risky advance concession. Trust-givers are usually not willing to attribute the results of their decisions simply to accident. It is my contention that an innovative way of explaining the assurance of the trust-giver lies with the trust-taker's performative acts of self-presentation, which are to convince the trust-giver of the credibility of the manifesta.

Anchoring trust in the performative acts of the trust-taker has already been discussed by Niklas Luhmann (1968: 37ff.), who sees trust based in the certainty of self-presentation. This idea is also considered in Anthony Giddens's remarks on trust in the early 1990s. Giddens (*unter alia*, 1994: 187ff.) introduced the term of active trust to express the notion that modern societies are increasingly dependent on the discursive and dialogic engagement of potentially conflicting actors. Trust in abstract expert systems, the characteristic trust-takers for modern societies, demands the personal communication of trustworthiness at access points where the nexus of system and person takes place.[16]

Building on these works, Harald Wenzel (2001) developed a conception of trust that starts with the performative acts of the interacting agents and their definitions of the situation. Wenzel analyzes trust as a form of *para-social interaction*, in which, through the advance concession of the trust-giver, a successful game of trust is *faked*, yet is in fact produced only with the action of the trust-taker – through the fulfillment of trust. For this to happen, the trust-taker has to succeed in convincing the trust-giver of a definition of the situation that interprets it as cooperative, i.e., he has to signal trustworthiness. This "enticement" of trust depends essentially on the trust-taker's performative self-presentation.

Like Giddens and Luhmann, Wenzel also refers to the concept of dramaturgic action introduced in the 1950s by Erving Goffman (1959). Goffman developed this term in analogy to the theater where the actor on the stage has to give a credible expression to the character he embodies to the audience. This situation is considered paradigmatic for social interactions in which the actor tries to convey a certain impression of his character or his intentions (his krypta!) with the dramaturgical means of self-presentation. The projection of the self must produce the impression of authenticity – i.e., the impression of the identity of krypta and manifesta – and represents the basis on which the trust-giver estimates the trustworthiness of the trust-taker. In the process, the trust-taker tries to produce the *impression* of trustworthiness, but the trust-giver decides the *actual* trustworthiness with his one-sided advance concession.

There are several prerequisites to creating the impression of trustworthiness. Luhmann (1968: 40) has already indicated that, in his performance of self-presentation, the trust-taker must deal with the expectations of the trust-giver in order to entice trust. The trust-taker must have a basically empathetic attitude. It can also be assumed that the trust-giver's willingness to trust is oriented toward socially legitimated ways of acting because, in case of damages by the trust-taker, the action can be justified in a face-saving way with regard to a third party: "You would have acted the same way in my place!" In this sense, we can speak of a socially constructed fiction of trust.[17] Moreover, Luhmann and Giddens indicate that presentations "on stage" must express a confident control of the situation. This applies to the cheerfulness of flight attendants as well as to the confidence expressed by financial consultants about the future prices of the stocks just recommended for sale. These acts aim at assuring the trust-giver. In personal relations, mutual self-revelation also plays an important role; it suggests that intimacy, but also possibly a "hostage" is exchanged.

16 See Beckert (2002: 263 ff.).
17 I am grateful to an anonymous reader for this point.

The concept of dramaturgic action emphasizes not only the decisive role of the trust-taker, but also offers an explanation for trust between actors who have no common history and therefore have to produce the appearance of trustworthiness in the situation. Because self-presentation contains no unambiguous sign for trustworthiness, the trust-giver's decision-making is not based on rational calculation. Ultimately, for the trust-giver, William James's "will to believe" is required if the cooperative exchange is to be realized. "There are, then, cases where a fact cannot come at all unless a preliminary faith exists in its coming. And where faith in a fact can help create the fact" (James 1897: 25). It is in this deliberate act that the creative element of trust exists.

Self-presentations play a bigger role for Wenzel than for Goffman. They not only have the function of producing the impression of trustworthiness, but also offer a common definition of the situation that prejudices the trust-giver's action. That is, the opening of the trust game leads to the moves of a gambit "into which those involved gradually draw each other, making the joint project irreversibly successful" (Wenzel 2001: 373). This can be illustrated by the implicit obligation to buy that one feels as a customer in a store, especially after a detailed consultation by a sales person. The performance of the sales person signals his expectation that there will be a purchase, and often the customer can resist this definition of the situation by fighting an inner urge to agree. This is expressed in such sentences as: "I'll think about it and come back," instead of a clear no. The explanation for this structuring effect of the first move, *pace* Harold Garfinkel (1963), is that actors normally take pains in social interactions to maintain at least the appearance of a smooth continuity in interaction.[18] We know that the trust-taker *expects* the one-sided advance concession from us. This expectation is also part of the definition of the situation. To violate it demands overcoming cognitive (or normative) resistance.[19]

The performative construction of markets

How can these considerations be applied in the sociology of markets? The sociological conceptualization of the functioning of markets sets out from a specific observation: the precondition for market exchange is not only an agreement on the price of the goods to be exchanged; the presumptions of the willingness to engage in one-sided

18 This can also possibly explain Köszegi's experimental observation (2000: 45) that trust-givers, after being exploited by a trust-taker, are still willing to cooperate with him. The trust-giver continues to define the situation as a cooperative game and tries to adhere to it despite the experience of disappointment.

19 In this respect, trust clearly accords with the gift exchange in which the first gift leads to a cycle of reciprocity, which creates its own assumptions. I am grateful to Axel Paul for this point.

advance concessions in view of incomplete and asymmetrically distributed information are also problematic. Along with the economic problem of price, the social problem of the possibility of opportunistic behavior of the exchange partner must be solved. The uncertainty with regard to the intentions of Alter Ego makes markets precarious social structures with the potential to implode when the willingness to trust is withdrawn. One central entrepreneurial function consists of the production and maintenance of the willingness to cooperate in view of the ineluctable freedom actors have to behave opportunistically. While the sociology of markets in past years has referred especially to the significance of social networks (Burt 1992; White 1992) and institutions (Beckert 2002; Fligstein 1996, 2001) for the solution of this problem, the performative commitment of the trust-taker has been widely overlooked. Thus, a significant aspect of the practice of markets has been omitted.

The discussion of the operation of trust represents the basis from which the role of performative self-presentations for the construction of markets can be studied. Therefore, the structural conditions in which dramaturgical action is particularly significant for the integration of exchange relations are examined first. Second, four forms of performative self-presentation for the production of the appearance of trustworthiness in market relations are distinguished typologically. The discussion of the four types is illustrated with examples.

Trust and the structure of the exchange situation

Not all market relations depend on trust. If the initiator can either calculate the actions of the exchange partner or integrate them through power, there is no need for the category of trust to explain economic exchange. There would be no hazards. Therefore, the question of the significance of trust for enabling market relations depends on the structure of the exchange situation. Generating the appearance of trustworthiness by performative self-presentation is to be expected in situations distinguished by the following features:

1. Uncertainty with regard to the qualities of the goods (or services) to be exchanged because of an asymmetrical distribution of information between principal (trust-giver) and agent (trust-taker). This is the case with products or services whose quality and value can be judged only imperfectly by the trust-giver. In this situation, the trust-giver is at the mercy of the claims of the trust-taker. The used car market mentioned above is a relevant example, but many other transactions can also be cited: buying insurance, booking a vacation trip, or hiring an employee. The asymmetrical distribution of information is naturally not a new problem in exchange relations, but because of the escalation of transactions, more complex products, and the limited capacity of processing information, it can be assumed that it has intruded more intensely into exchange relations.

2. The second structural feature consists of the competition between the agents. Because of the availability of rival and substitute products, trust-givers can choose between various trust-takers. The availability of many options for the trust-giver increases the uncertainty of whether the exchange with another agent would not be more advantageous. Because of limited cognitive capacity, this complexity can be reduced partially at most by the escalation of information. Trust is instead referred to in its function as a mechanism of tranquilizing which makes it bearable for the trust-giver to get involved with the trust-taker without having complete information. However, the result is also that there is an increasing *competition for trust* between the trust-takers, which appears in the escalation of performative acts that aim at producing and maintaining the impression of trustworthiness and the commitment of the trust-giver.

3. A third structural feature of situations that require trust is short-term exchange relations. They lead to an increase in non-iterative games of trust (Wenzel 2001: 340ff.; Ziegler 1998: 427) in which tradition and identity have less impact on integrating exchange relations, and trustworthiness has to be created on the spot.

Strategies of self-presentation in market relations

In situations distinguished by these structural qualities, the self-presentations of the trust-taker obtain significance for the integration of market relations.[20] They can succeed in reassuring the trust-giver and thus motivating him to advance concessions, even though uncertainty with regard to the action of the trust-taker is not eliminated.[21]

Based on the discussion of dramaturgic action, four strategies of self-presentation can be distinguished analytically, all of which can be used simultaneously. The strategies aim, on the one hand, at committing the trust-giver by increasing the cost of withdrawing from the relationship, and on the other at reducing the trust-giver's *perceived* risk of becoming the victim of exploitation. This succeeds to the extent that the trust-

20 Given the conditions mentioned in point 1 and 3, willingness to cooperate can also be promoted by *hostages* provided by the trust-taker. This is especially to be expected when the negotiating position of the trust-giver is strong – so he can successfully demand such a hostage. The strength of the trust-giver's negotiating position is dependent on the relative significance of the transaction for the exchange partner and the possibility of the trust-giver to threaten credibly to leave. As mentioned above, however, hostages are a functional substitute for trust.

21 Since the trust-taker's freedom of action also exists in the next round of the game of trust, it holds for trustworthiness, as it does for tranquilizers, that it must be "taken" (communicated) again and again in order to maintain the effect. Trustworthy behavior is itself one form of the communication of trustworthiness. Thus, Hirschman (1986: 142ff.) can describe trust as a good that increases with use.

taker can convince the trust-giver that the actual krypta coincide with the communicated manifesta.

1. *Commitment.* In the strategy of commitment, the trust-taker intends to produce trustworthiness by erecting cognitive or normative barriers to withdrawal. Wenzel called this strategy a gambit. Examples for it are the visit of an insurance agent to the customer's home, or the sales pitch mentioned above with which the trust-taker makes advance investments. Like the exchange of gifts, these investments contain the expectation of reciprocity, which is to be fulfilled by the trust-giver with his advance concession. The strategy of commitment does not aim at reducing the trust-giver's perceived risk, but rather at erecting barriers to the termination of the interaction. The trust-giver's investment is subliminally compelling for the trust-taker because it is a concession made in advance to which the norm of not disappointing trust applies (Luhmann 1968: 41). This explains the possible negative pay-off for both partners mentioned in Figure 2, when the trust-giver's advance concession does not occur: while the trust-taker must assume at least a small investment for the trust-giver's commitment, cognitive and normative costs of withdrawal may emerge for the trust-giver.

2. *Congruence of expectation.* In this strategy, the trust-taker uses the communication of signs to try to suggest a congruence of his qualities, ways of acting, and values with the expectations of the trust-giver. This aims at the situational production of confidence. Because the suggested congruence leads the trust giver to expect the trust-taker to fulfill certain role expectations, the trust-giver believes he can draw conclusions about how the trust-taker intends to act and how competent he is. The strategy can aim at the impression of a similarity between trust-giver and trust-taker. Empirical studies show that similarities of status, behavior, and life-style of the trust-taker correlate with a higher trustworthiness (Plötner 1994: 156; Zucker 1986: 70ff.). The strategy is used not only in the relationship between customer and supplier, but also in job interviews, and in marketing aimed at differentiated target groups. "Rituals of expectation congruence" are found in market relations in the communication of life-style, clothing, speech, national or ethnic affiliation, membership, etc.

3. *Competence.* By signaling competence, the trust-taker places himself "between" the trust-giver and a situation perceived as uncontrollable by him. Thus, the trustworthiness of the trust-taker emerges by conveying the impression of control of the situation, which gives the trust-giver the impression of *optimal protection of chances.* Typically, this strategy is found at points of access to expert systems, like courts (attorneys), banks (financial advisers), hospitals (physicians), or transportation systems (pilots, flight attendants). Competence as a strategy of self-presentation by the trust-taker is to be expected in situations with information asymmetry, in which the trust-taker's *ability* matters. Maintaining the impression of competence makes the separation between performances "on stage" and the activ-

ity "backstage" necessary (Goffman 1959) to conceal any lack of professional control and human fallibility. The more convincingly the trust-taker conveys the impression of control of the situation, the lower the trust-giver estimates the risk involved in the situation. This is equivalent to the increase of trust in the trust-taker (Das/Teng 2001: 257–258).

4. *Integrity*. The strategy of integrity is closely connected with the strategy of competence, except that in the situation, it is not the ability of the trust-taker that matters, but rather his *authenticity*. The communication of integrity changes the trust-giver's estimate of risk by deliberately diverting from the possibility of the trust-taker's insincere intentions of action. Max Weber's (1981: 279ff.) discussion of "strategic membership" of businessmen in certain churches or clubs in the US, which aims at achieving trustworthiness in business dealings, is a classic example of the performative signaling of integrity. Current examples are the advertising campaigns for new issues of stocks (IPOs) which aim not at explaining the economic indices of the enterprise, but rather at reassuring investors in view of the uncertain prospects of their investment. Thus, in Germany, show-business celebrities were used as spokespeople in advertising media, and their perceived trustworthiness was transferred to the stocks of the enterprise for sale. Because these advertising spokespeople have a good reputation, which they acquired in a completely different context, they are perceived as honest brokers whose own willingness to invest is considered proof of the trustworthiness of the enterprise. Another example is the political stabilization of the agricultural market by media coverage showing leading European politicians eating beef at the height of the mad cow disease crisis. Here the authenticity of the statement that eating beef is harmless is made credible by a voluntary experiment on oneself.[22]

22 The second example indicates that the strategy of integrity can be linked with the concept of credible commitments. Here, however, the guarantees and self-obligations offered by the trust-taker are not viewed in the aspect of rational calculation of costs, but rather in their *function as symbols* for the trust-giver. An example of this is the warranty for a used car mentioned earlier. The significance of the warranty in the purchase seems initially to be that the risk to the trust-giver of his one-sided advance concession is removed, which changes the pay-off matrix represented in Figure 1 so that no negative pay-off for the trust-giver can emerge even if the trust-taker chooses to defect. This changed pay-off matrix increases the trust-giver's willingness and interest in a one-sided advance concession. This reading, however, is not precise. In fact, no one would buy a used car that can be assumed to lack the promised qualities, only because it is known that these qualities must later be provided by the seller at his own cost. The reason for this is that the material and emotional costs (e.g., in a legal debate) connected with it in fact do not lead to a full compensation, but can easily cause costs beyond the utility from the deal. Therefore, it seems more convincing to interpret such guarantees as a *signal* for authenticity. Thus, they help increase the trust-giver's willingness to trust; however, they do not allow unambiguous conclusions of the actual intentions of the trust-taker and do not change the pay-off matrix in the abovementioned way.

These four strategies of performative self-presentation aim at producing the appearance of trustworthiness, on the one hand, by "drawing" the trust-taker into the situation (commitment), and on the other, by minimizing the risk *perceived* by the trust-giver of his one-sided advance concession. Thus, the trust-giver's willingness to trust is also developed in the situation. Even if, as shown in Section 5.1, the meaning of the trust-taker's self-presentation depends on the structure of the situation, and willingness to trust cannot be constructed *only* on self-presentations, the communicative influence of the subjective evaluation of risk by the trust-taker has thus far been an underestimated element of the stabilization of exchange relations. The issue here is not a theory of manipulation of the trust-giver, but rather the question of *mobilizing the willingness to cooperate* under conditions of uncertainty as a problem always to be solved in the situation. In this sense, we can speak of a theory of the performative construction of markets.

Conclusion

This article develops an understanding of trust in market relations that starts with the performative acts of trust-takers. It proceeds from a critique of the dominant analysis of trust games and the role of tradition, identity, power/control, institutions, calculation, and reputation for explaining trust. These considerations of trust are based too strongly on the possibility of control or the calculation of the actions of the trust-taker and thus do not do justice to the central quality of trust. This consists of the ineluctable uncertainty with regard to the action of the trust-taker. The conception for studying trust in market relations proposed here starts from the systematic examination of the structure of trust games, and thus shows the significant role of the trust-taker, which can be illuminated theoretically with the distinction between krypta and manifesta introduced by Bacharach and Gambetta (2001). By arguing that there is often an incomplete provision of information and an asymmetrical distribution of information between exchange partners and that it is not possible to derive the krypta reliably from manifesta, I have, however, objected to the rational explanation of the appearance of trustworthiness that Bacharach and Gambetta strive to achieve. Instead, willingness to trust and trust are understood much more strongly as contingent results of performative acts, which are not linked unambiguously with the action intentions of the trust-taker. Thus, the issue is not a theory of manipulation of the trust-giver, but rather the necessary reassurance of the trust-giver. The appearance of trustworthiness must be achieved in the action situation, in light of the contingency of the trust-taker's action. Only if this is successful will the trust-giver agree to provide the one-sided advance concessions.

This is not intended in any way to dispute the significance of institutions, norms, long-term relations, and calculation in explaining how possible barriers to exchange may be overcome. It is essential, however, that cooperation not be *reduced* to these mechanisms of integration. The performative production of the willingness to trust must be examined as an independent dimension in the explanation of stable market relations. Independent means that trust builds on a principle in which the uncertainty of the exchange situation is not actually reduced, but rather, the actors reassure one another about their mutual intentions. Uncertainty remains irreducible in the action situation and is converted to certainty only through the completion of the trust game.

The notion of the performative construction of markets can be connected extensively to the two most significant recent sociological theories of markets. Both the structural theory of markets developed by Harrison White (1992) and the approach outlined by Neil Fligstein (1996, 2001) of "markets as politics" see the starting point of a sociological theory of the market in the entrepreneurial activities by which markets are structured and competition is simultaneously restrained. These conceptions agree with the considerations developed here, since they too shift the question of the emergence of the willingness to cooperate to the center of the sociology of markets. In answering the question, White relies mainly on network structures, whereas Fligstein emphasizes institutional structures. This paper expands these approaches by identifying a central problem of entrepreneurial agency in the production of the appearance of trustworthiness. Without coping successfully with that, no stable exchange structure can materialize. The theoretical approaches can be developed further into a common perspective of market sociology in which the mechanisms of coordination of market exchange are systematically studied.

References

Akerlof, George A., 1970: The Market for 'Lemons': Quality Uncertainty and the Market Mechanism. In: *Quarterly Journal of Economics* 84, 488–500.

Axelrod, Robert, 1984: *The Evolution of Cooperation.* New York: Basic Books.

Bacharach, Michalel/Diego Gambetta, 2001: Trust in Signs. In: Karen S. Cook (ed.), *Trust in Society*. New York: Russel Sage, 148–184.

Beckert, Jens, 2002: *Beyond the Market. The Social Foundations of Economic Efficiency.* Princeton: Princeton University Press.

Beckert, Jens/André Metzner/Heiko Roehl, 1998: Vertrauenserosion als organisatorische Gefahr und wie ihr zu begegnen ist. In: *Organisationsentwicklung* 17(4), 56–66.

Burt, Ronald, 1992: *Structural Holes.* Cambridge: Harvard University Press.

Coleman, James, 1990: *Foundations of Social Theory.* Cambridge: Harvard University Press.

Cook, Karen S. (ed.), 2001: *Trust in Society.* New York: Russell Sage.

Das, T.K./Bing-Sheng Teng, 2001: Trust, Control and Risk in Strategic Alliances: An Integrated Framework. In: *Organization Studies* 22, 251–283.

Dasgupta, Partha, 1988: Trust as a Commodity. In: Diego Gambetta (ed.), *Trust. Making and Breaking Cooperative Relations.* New York: Blackwell, 49–72.

Fligstein, Neil, 1996: Markets as Politics. A Political Cultural Approach to Market Institutions. In: *American Sociological Review* 61, 656–673.

——, 2001: *The Architecture of Markets. An Economic Sociology of Twenty-First Century Capitalist Societies.* Princeton: Princeton University Press.
Fukuyama, Francis, 1995: *Trust. The Social Virtues and the Creation of Prosperity*. London: Penguin.
Gambetta, Diego (ed.), 1988: *Trust. Making and Breaking Cooperative Relations.* New York: Blackwell.
Gambetta, Diego/Heather Hamill, 2005: *Streetwise. How Taxi Drivers Establish Their Customers' Trustworthiness.* New York: Russell Sage Foundation.
Garfinkel, Harold, 1963: A Conception of Experiments with 'Trust' as a Condition of Stable Concerted Actions. In: O.J. Harvey (ed.), *Motivation and Social Interaction.* New York: Ronald Press, 187–238.
Giddens, Anthony, 1990: *The Consequences of Modernity*. Cambridge: Cambridge University Press.
——, 1991: *Modernity and Self-Identity*. Stanford CA: Stanford University Press.
——, 1994: Risk, Trust, Reflexivity. In: Ulrich Beck/Anthony Giddens/Scott Lash (eds.), *Reflexive Modernization.* Stanford: Stanford University Press, 184–197.
Goffman, Erving, 1959: *The Presentation of Self in Everyday Life.* Harmonsworth: Penguin.
——, 1969: *Strategic Interaction.* Philadelphia: University of Pennsylvania Press.
Hirschman, Albert O., 1986: *Rival Views of Market Society*. New York: Viking.
James, William, 1897: *The Will to Believe.* New York: Longmans Green.
Keynes, John Maynard, 1967: *The General Theory of Employment, Interest, and Money*. New York: Harcourt Brace & World.
Knight, Frank, 1921: *Risk, Uncertainty, and Profit.* Boston and New York: Kelley.
Köszegi, Sabine, 2000: *The Trust Building Process in Virtual Organisations: An Experiment.* Working Paper OP 00/1. Vienna: University of Vienna. Online access: <http://gerda.univie.ac.at/orgplan/>, research, working papers.
Kramer, Roderick. M./Tom R. Tyler (eds.), 1996: *Trust in Organizations: Frontiers of Theory and Research.* Thousand Oaks: Sage.
Kreps, David M., 1990: Corporate Culture and Economic Theory. In: James E. Alt/Kenneth A. Shepsle (eds.), *Perspectives on Positive Political Economy*. Cambridge: Cambridge University Press, 90–143.
Kreps, David M., et al., 1982: Rational Cooperation in the Finitely Repeated Prisoners-Dilemma. In: *Journal of Economic Theory* 27, 245–252.
Lane, Christel/Reinhard Bachmann (eds.), 1998: *Trust Within and Between Organizations.* Oxford: Oxford University Press.
Lewicki, Roy J./Barbara B. Bunker, 1996: Developing and Maintaining Trust in Work Relationships. In: Roderick M. Kramer/Tom R. Tyler (eds.), *Trust in Organizations: Frontiers of Theory and Research.* Thousand Oaks: Sage, 114–139.
Luhmann, Niklas, 1968: *Vertrauen. Ein Mechanismus der Reduktion sozialer Komplexität.* Stuttgart: Ferdinand Enke Verlag.
Möllering, Guido, 2001: The Nature of Trust: From Georg Simmel to a Theory of Expectation, Interpretation and Suspension. In: *Sociology* 35, 403–420.
Offe, Claus, 1999: How Can We Trust Our Fellow Citizens? In: Mark E. Warren (ed.), *Democracy and Trust.* Cambridge: Cambridge University Press, 42–87.
Parsons, Talcott, 1951: *The Social System.* Glencoe, IL: Free Press.
Plötner, Olaf, 1995: *Das Vertrauen des Kunden.* Wiesbaden: Gabler.
Preisendörfer, Peter, 1995: Vertrauen als soziologische Kategorie. Möglichkeiten und Grenzen einer entscheidungstheoretischen Fundierung des Vertrauenskonzepts. In: *Zeitschrift für Soziologie* 24, 263–272.
Raub, Werner/Jeroen Weesie, 2000: Cooperation via Hostages. In: *Analyse und Kritik* 22, 19–43.
Ripperger, Tanja, 1998: *Ökonomik des Vertrauens.* Tübingen: Mohr Siebeck.
Schelling, Thomas. C., 1960: *The Strategy of Conflict.* Cambridge, MA: Harvard University Press.
Simmel, Georg, 1992: *Soziologie: Untersuchungen über die Formen der Vergesellschaftung,* Vol. 11: *Collected Works.* Frankfurt a.M.: Suhrkamp.
Spence, Michael, 1973: Job Market Signaling. In: *Quarterly Journal of Economics* 87, 355–374.

Thomas, William I., 1951: *Social Behavior and Personality: Contributions of W. I. Thomas to Theory and Social Research.* Ed. Edmund H. Volkart. New York: Social Science Research Council.

Weber, Max, 1958: *The Protestant Ethic and the Spirit of Capitalism.* New York: Scribner.

Wenzel, Harald, 2001: *Die Abenteuer der Kommunikation. Echtzeitmedien und der Handlungsraum der Hochmoderne.* Weilerwist: Vellbrück.

White, Harrison, 1992: *Identity and Control.* Princeton: Princeton University Press.

Williamson, Oliver, 1975: *Markets and Hierarchies.* New York: Free Press.

——, 1993: Calculativeness, Trust, and Economic Organization. In: *Journal of Law and Economics* 36, 453–486.

Ziegler, Rolf, 1998: Trust and the Reliability of Expectations. In: *Rationality and Society* 10, 427–450.

Zucker, Lynne G., Production of Trust: Institutional Sources of Economic Structure, 1840–1920. In: *Research in Organizational Behavior* 8, 53–111.

Recent Titles in the Publication Series of the MPIfG

MPIfG Discussion Papers

DP 05/7
R. Mayntz
Forschungsmethoden und Erkenntnispotential
Natur- und Sozialwissenschaften im Vergleich

DP 05/6
J. Beckert
The Moral Embeddedness of Markets

DP 05/5
S. Ganghof
High Taxes in Hard Times How Denmark Built and Maintained a Huge Income Tax

DP 05/4
R. Boyer
How and Why Capitalisms Differ

DP 05/3
A. Trif
Explaining Diversity in Industrial Relations at Company Level in Eastern Europe: Evidence from Romania

DP 05/2
B. Ebbinghaus
Can Path Dependence Explain Institutional Change? Two Approaches Applied to Welfare State Reform

MPIfG Working Papers

WP 05/8
F. W. Scharpf
No Exit from the Joint Decision Trap? Can German Federalism Reform Itself?

WP 05/7
A. Trif, K. Koch
Strategic Unionism in Eastern Europe: The Case of Romania

WP 05/6
F. W. Scharpf
Recht und Politik in der Reform des deutschen Föderalismus

WP 05/5
W. Streeck
Vom "kurzen Traum" zum langen Alptraum?

WP 05/4
W. Streeck
Nach dem Korporatismus: Neue Eliten, neue Konflikte

WP 05/3
C. Trampusch
Sequenzorientierte Policy-Analyse: Warum die Rentenreform von Walter Riester nicht an Reformblockaden scheiterte

WP 05/2
W. Streeck, C. Trampusch
Economic Reform and the Political Economy of the German Welfare State

MPIfG Books

L. Krempel
Visualisierung komplexer Strukturen. Grundlagen der Darstellung mehrdimensionaler Netzwerke
Campus, 2005

S. Leiber
Europäische Sozialpolitik und nationale Sozialpartnerschaft
Campus, 2005

S. Ganghof, P. Manow (Hg.)
Mechanismen der Politik. Strategische Interaktion im deutschen Regierungssystem
Campus, 2005

M. Hartlapp
Die Kontrolle der nationalen Rechtsdurchsetzung durch die Europäische Kommission
Campus, 2005

A. Sorge
The Global and the Local: Understanding the Dialectics of Business Systems
Oxford University Press, 2005

W. Streeck, K. Thelen (eds.)
Beyond Continuity: Institutional Change in Advanced Political Economies
Oxford University Press, 2005

J. Beckert
Unverdientes Vermögen. Soziologie des Erbrechts
Campus, 2004

Ordering Information

MPIfG Discussion Papers
Order printed copies from the MPIfG (you will be billed) or download PDF file from the MPIfG website (free).

MPIfG Working Papers
Online at the MPIfG website.

MPIfG Books
At bookstores; abstracts on the MPIfG website.

www.mpifg.de
Go to *Publications*.

New Titles
Consult our website for the most complete and up-to-date information about MPIfG publications and publications by MPIfG researchers. To sign up for newsletters and mailings, please go to *Service* on the MPIfG website. Upon request to info@mpifg.de, we will be happy to send you our *Recent Publications* brochure.

ERPA
MPIfG Discussion Papers and MPIfG Working Papers in the field of European integration research are included in the *European Research Papers Archive (ERPA)* which offers full-text search options: http://eiop.or.at/erpa.