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Trust: Money, Markets and Society

When financial and economic systems fail, trust in the state and its institutions pays the price. After the economic crisis and its exposure of the irresponsibility of global capitalism, the first step to restoring social trust is understanding what went wrong, writes historian Geoffrey Hosking.

A liberal, free market society needs "trust in the trustworthy" as the core of its values, not just as a Quixotic moral "extra". That trust depends on the relationship between the state, money and markets. The state functions best when it is constitutional and observes the rule of law, because then it is most likely to be trusted and able to raise income as public credit, to maintain a stable currency and to act as public risk manager. Successful trade, manufacture and investment all rest on that basis. To a remarkable extent, the system still functions reasonably well. But our western — especially Anglo–US — unregulated financial systems of the past three decades have encouraged participants to forget that fundamental rule and have thus generated our present crisis.

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The 2000s were bad years for social trust, at least in the UK and USA. They were the culmination of several decades during which generalised social trust had been declining. Surveys in the UK suggest that, when asked in 1959 "Would you say that most people can be trusted?" 56 per cent replied "Yes"; in 1998 the equivalent figure was 30 per cent. In the USA, when asked the same question in 1964, 55 per cent answered "Yes", but in 1995 only 35 per cent. In both cases the lowest figure was among young people, which suggests that later generations have been growing up less trusting. Figures from most continental European countries also show a fall, though a less marked one.¹

Things do not seem to have improved since then, and 2007–9 were years of spectacular outbreaks of distrust, especially, but not only, in Britain. What do we mean, by trust, and why is it so important? I define trust as follows, both in relation to persons and events or fate:

attachment to a person, or collective of persons, based on the well–founded but not certain expectation that he/she/they will act for my good;

the expectation, based on good but less than perfect evidence, that events will turn out in a way not harmful to me.

Trust is crucial because it is the tool we use to face our own future. It affects how we take decisions and how, in order to do so, we assess risk and seek security. In the majority of cases the process is unreflective, but in difficult or unfamiliar situations we carry out that assessment more consciously. When we do so, we discover that life is very complicated and that ascertaining and interpreting all relevant facts is usually impossible. That is why the German sociologist Niklas Luhmann asserted that trust is a device for dealing with a complex reality. Trust enables one to keep the process of decision taking within manageable bounds by taking some factors for granted, relying on persons to act in one's favour or on events to turn out favourably, on sufficient but not exhaustive grounds. "The complexity of the future world is reduced by the act of trust. In trusting, one engages in action as though there were only certain possibilities in the future."²

One could object, of course, that in that guise trust becomes a kind of anaesthetic, that it leads us to neglect realities and de-motivates us from dealing with problems that could in fact be tackled. Luhmann, however, saw that potential concern in a positive light: "Trust, by the reduction of complexity, discloses possibilities for action which would have remained unattractive and improbable without trust — which would not, in other words, have been pursued at all." Put more simply, "A complete absence of trust would prevent [one] even getting up in the morning."

Total distrust, then, is paralysing: it can only lead to panic or despair. Generalised social trust is the background which enables us to exercise the minimal trust necessary to undertake any actions. It is an important component of "social capital", the background of confident and peaceful social interaction against which we expect to live our lives and conduct our affairs. It was in this spirit that Samuel Johnson once asserted "It is happier to be sometimes cheated than not to trust."

Robert Putnam has suggested that since the 1960s this social capital is being eroded. According to him, membership in associations of civil society in the USA has drastically declined, and as a result the peaceful and mutually trusting interaction of citizens necessary to democracy may be under threat.³ In the same key, in 1995 Francis Fukuyama warned:

The decline of trust and sociability in the United States is [...] evident in any number of changes in American society: the rise of violent crime and civil litigation; the breakdown of family structure; the decline of a wide range of intermediate social structures like neighbourhoods, churches, unions, clubs, and charities; and the general sense among Americans of a lack of shared values and community with those around them.

He attributed these evils to "the inherent tendency of rights-based liberalism to expand and multiply [...] rights against the authority of virtually all existing communities."⁴ Later he modified and partly retracted his indictment, indicating that the changes he observed were the result of the transition from an industrial to what he called an "information society", and that actually some new forms of solidarity were emerging within that changed social structure.⁵

In the UK, trust in institutions certainly seems to be declining. By the 1990s it was becoming clear that there was growing public distrust of many institutions, official and professional, in which people used to place their confidence. Michael Power showed that both governments and the public had become

more distrustful of professional people and tried to check on their performance by means of inspections, audits and the meeting of targets. As a result, there are today more overworked teachers and demoralised social workers, there is more litigation, greater reluctance to help the police, greater recourse to private health care and the like.⁶ This was certainly a keynote feature of the Thatcher, Major and Blair administrations, which endeavoured to replace civil service delivery of operations with contracts between government and private agencies.

The way we receive information about public life deepens this distrust. In politics, serious and complex issues are compressed into sound bites and downgraded in favour of stories involving splits, quarrels, scandals, flamboyant personalities and the latest eye-catching happening. Violence sells much better than patient negotiation and hard-won compromise; terrorists have an inbuilt advantage in the struggle for media attention.

Politicians feel compelled to "spin", to present their policies in ways that will attract immediate notice and appear to offer total solutions; when the subsequent results are disappointing, the public loses interest and, worse, increasingly distrusts politicians. In effect the media "have decided [...] that politics is a dirty game, played by devious people who tell an essentially false narrative about the world and thus deceive the British people." Sensing this situation, but not knowing what to do about it, politicians constantly appeal for the public's trust. It has become one of the most insistent themes in current political rhetoric.⁷

The most far-reaching crisis of trust burst forth in 2007–2009, when it was discovered that major banks in the US and UK were on the brink of disaster, having taken on far too much debt, and that British MPs had been fiddling their expenses to support a life-style most of their constituents could only dream of. The latter scandal affected only the UK, but the former plunged virtually the entire global economy into a recession from which it is only painfully recovering, if at all. This succession of crises epitomises what it is about our society that has undermined public trust. Before making any positive recommendations, it is important to discover what has gone wrong and why.

Learning to trust

In spite of our claims of distrust, we do actually trust most people around us, and the institutions with which we interact. But the way in which we trust depends heavily on the society around us, on its symbolic systems and its institutions. Trust, especially unreflective trust — as in boarding a plane — is part of the deep grammar of any society.

The symbolic systems and social institutions we rely on are usually the ones we have grown up with. These can vary greatly over time. Just to take an example: in mediaeval Europe, how would I have coped with the massive uncertainty and dangers of life, the risks of famine, disease, brigandage and warfare? In the first instance through family and friends. Probably, also, through attaching myself to a local lord, who would protect me physically. I would belong to some kind of village community, which would allot me strips of land, so that I could feed myself and my family, and which might help me out in case of an emergency, such as sickness or a fire — provided I did the same in return. Or I might put my trust in God and the church, by saying my prayers regularly, participating in processions to bless the fields and pray for rain, visiting a local shrine to the Virgin Mary or a favourite saint, or seeking

help from a monastery.

Fast forward several centuries: how do we face analogous risks nowadays in advanced western societies? In case of illness, I am likely to put my trust in medical science and its bearers, the medical profession. Family and friends remain important, but to cope with sickness, accident and old age, I am likely to take out an insurance policy or join a pension scheme. When all else fails, I fall back on the state—supported social security system. Notice that these arrangements depend on two very powerful factors in modern society: money and the state.

How have we come to place so much trust in money and the state? The institutions that mediate money are banks, which developed out of money lending. The original bankers did their business from benches (*banco* in Italian is a bench or counter) and tables in the city streets, but as they became more successful they moved to stouter buildings. A bank accepts deposits from its clients, who entrust it to them since its vaults are safer than the family strongbox, let alone the mattress.

The bank promises to pay out that money when the client needs it, but all the same, in apparent contradiction, it lends much of that money to other clients. In other words, it extends credit, or trust. In a way this is risky: banks are borrowing short and lending long. What if all their clients turn up together to withdraw their deposits? But in normal circumstances that is very unlikely: an essential skill of banking is to be able to foresee when those circumstances may change. In general, banks specialise in gathering information about the state of trade, the creditworthiness of their customers, and in assessing the risks inherent in lending money. That is how they stay afloat and earn the trust of their clients.

Money is more trustworthy if it has the backing of state power. But much depends on the nature of the state. Absolute monarchs were known to be financially untrustworthy. If a monarch failed to repay a loan, what could you do about it? After all, he headed the law courts through which you might seek redress. Sure enough, monarchs could and did default, ruining their creditors in the process: France did so in 1648, England in 1672, Denmark in 1660, Spain several times. For monarchs not so much was at stake: their reputation depended less on financial probity than on their success in winning battles, the sumptuousness of their courts and the lavishness of their hospitality.⁸

Credit was more secure where the rulers' reputation depended on their financial probity. That was a discovery made in late—mediaeval Italy, whose cities were tight little self—governing units, which frequently made war on one another. Those wars had to be financed, and the city fathers — usually themselves merchants, bankers or lawyers — found that the best way to do this was to float municipally guaranteed public loans among the citizens. Genoa and Venice were the first cities to do this.

At first the loans were obligatory: wealthy citizens would form syndicates to make them and in return would be assigned priority on the revenue from the excise tax. That was little different from the practice of monarchs. In time, though, it occurred to the city fathers that they could offer wealthy potential investors an incentive monarchs could not. After all, the loans were guaranteed by an elected body of the lenders' own associates, many of whom were themselves subscribers, and all of whom would suffer badly if their credit were impugned; not much in life comes in more trustworthy form than that. Hence

compulsion was not necessary: if one paid annuities offering an attractive rate of return, citizens would subscribe voluntarily.

By the sixteenth century, the demands of warfare had become too burdensome for any city–state to rival a large monarchy on its own. Only a league of them could do so. That is what happened in the Netherlands where, in the sixteenth and early–seventeenth centuries public credit was very successfully deployed on a similar basis to finance a protracted war against Spain. Wealthy citizens were willing to subscribe to loans bringing in an annuity, even at a modest interest rate, provided it was guaranteed by an assembly of their own colleagues and had the first claim on tax revenues.

Paradoxes and portents

On the face of it, this kind of finance was difficult to practice in a country like England, which was large, mainly rural, ruled over by a monarch and with little tradition of urban self–government. That was what happened, however, in the late–seventeenth century. The new king who came to the throne in 1689, William of Orange, was himself a Dutchman, familiar with the political and financial practices of his homeland. Anxious to enlist the English for a war against France, he was prepared to accept restrictions on his rule — in a word, a constitutional form of government. The bargain was that the great landowners and London merchants would consent to being seriously taxed in order to establish trustworthy forms of public credit in return for gaining control over parliament, the army and navy, and the state budget.

The theorist of the new political settlement was John Locke, whose main work was written before but published after 1689. He believed trust was essential to political arrangements — indeed to all stable social life. Human beings, he asserted, "live upon trust". Ordinary people were bound by the law of nature to trust one another except where untrustworthiness was blatant, for only thus could society hold together. If people regularly broke their oaths and violated contracts, society would fall apart, or, to borrow a phrase from Thomas Hobbes, life would become "nasty, brutish and short". For Locke, trust more or less replaced the untrammelled power of Hobbes's sovereign, the "Leviathan", as the basic cement of society.

The 1689 financial–constitutional settlement was underpinned by the creation of the Bank of England, on the model of the successful municipal banks of Italy and the Netherlands. Opened in 1694, with a large public subscription, it was the only chartered joint–stock bank in the kingdom and remained so until 1826. Investors who purchased so–called "gilt–edged" bonds from the Bank of England had their dividends or annuities guaranteed by parliament as the first call on tax revenues. The Bank thus managed the government's debt. It also issued paper money backed by gold and by the credit of the monarchy; limiting the money issue to stabilise the value of the currency was a paramount priority.

On this basis it became possible to establish the National Debt as a permanent and trustworthy institution. People with spare cash would purchase shares in it as the safest way to keep their money secure while also receiving dividends or annuities. Banks and commercial companies would place their reserve funds there, secure in the knowledge that they would retain their value, provide a regular income and could be recalled at any time when needed. The middle and upper classes got into the habit of investing in "the funds" to strengthen their confidence in the future by providing against the risks of illness and old age, and making provision for dependents and heirs.

It was crucial that these arrangements were backed by the rule of law, guaranteed by effective law–courts. This is the main contention of the "institutional school" of economics, for whom the establishment of the sanctity of property and contracts was a decisive step forward, indeed, in the long run, made possible the industrial revolution and modern economic growth.

The first result of augmented trust was that England (after the 1707 union Britain) was able enormously to expand its money supply and thus to make war effectively and also to subsidise its allies without ruining its finances. Furthermore, the habit of secure investment gradually transferred to the private market too. Commercial companies issued shares, tradable like treasury bonds. They lacked the solid trustworthiness of the National Debt, but in prosperous times they offered much better returns. In 1773, a Stock Exchange was established to bring greater order into the buying and selling of such shares. Only professional brokers and jobbers were allowed to trade there: they were experts in assessing companies and advising investors. Many of their transactions had to be carried out speedily to react to changing market conditions, and without immediate payment, so that their trust in each other had to be rock–solid, and this suggested their clients could trust them too.⁹

Another way of both raising capital and providing stability was through insurance companies. These had first been launched in late–mediaeval Italy and provided cover against the risk of trading voyages going wrong — which fairly frequently occurred. As Shylock remarks caustically in *The Merchant of Venice*, "Ships are but boards, sailors but men: there be land–rats and water–rats, water–thieves and land–thieves, I mean pirates, and then there is the peril of water, wind and rocks." If any of these struck, you would receive compensation from the insurance underwriters; but because the risks were high, so were the premiums, and few traders could afford them.

Insurance was established on a regular basis only gradually during the eighteenth century when several pre–requisites came together: statistics of disease, mortality and disaster, probability theory and a regulated stock market. Only by combining these could a company calculate the likelihood of accident, illness or death striking its various clients and link that likelihood to the probable returns from investment; consequently, only in that way could confidence in life assurance be fortified and sustained.¹⁰

This was an unprecedented and reliable method of assessing risk, providing security and thus bolstering confidence in the future. Moreover, insurance funds not being used to compensate those who had suffered misfortune were available for investment. By the late–twentieth century this was one of the main sources of investment finance.

Another keystone of our modern trust structures is the taxation system. Its extension in Britain in the late–nineteenth and early–twentieth centuries was based on the principle that risk needs to be distributed as widely as possible. Up to the mid–nineteenth century, nearly all taxes were indirect (customs, excise and various duties) and thus fell especially heavily on the poor. Thanks to the introduction of income tax and various forms of property tax ("rates") in the localities, this injustice was eased, and it gradually became possible for state and local councils to finance or subsidise police, education, health services and social welfare; in other words, to mobilise public finance for the benefit of the population as a whole and not just for the armed forces and the wealthy. As a result, the population became more educated, better protected against crime, illness and poverty.

This did not happen without a tremendous political struggle — notably around UK Chancellor of the Exchequer David Lloyd George's "People's Budget" in 1909 — but it did happen and, as a result, the nation–state became the generally accepted "public risk manager".¹¹ For this to work it was crucial that the Treasury be successful in conveying an impression of fairness, efficiency and probity. Martin Daunt, in his major study of British taxation, asserts, "The creation of a high degree of trust in the state and public action permitted a shift in attitudes, away from criticism of the state as prodigal to acceptance of the state as efficient."¹²

In the end, then, the nation–state created effective new ways of enabling ordinary people to provide against risk and misfortune in their own lives. Note, though, that the shifting of risk provision on to the financial markets and the state entailed a focus on economic growth as a guarantee of their successful functioning. This in turn provoked a shift in our search for security: economic growth has become the great trust–generating myth of our time. When UK Prime Minister Clement Attlee launched the National Health Service in July 1948, he remarked, "All our social services have to be paid for, in one way or another," so that "only higher output can give us more of the things we all need."¹³ All western statesmen have periodically repeated this mantra. Investment in economic growth became a panacea for all ills. In recent decades this has worked pretty reliably, but it has also erected a new storey — in fact several new storeys — onto the already highly leveraged edifice of trust on which we base our lives.

Heading for the crash

In the later–twentieth century, there was a voracious demand for these repositories of purchased confidence. With the deregulation of financial markets during the 1980s, insurance companies and pension funds became leading participants in financial markets, the dominant purchasers of both bonds and shares. In the 1960s in the UK, for example, pension funds owned some 20 per cent of British stocks and shares; by 1998 that share had reached 65 per cent. In the period 1980–1993 the aggregate assets of institutional investors in the USA, Japan, Germany, the UK and Canada increased by more than 400 per cent, and more than doubled as a proportion of GDP.

In the second half of the twentieth century, many people in advanced countries also guaranteed their future by investing in urban real estate, taking out large mortgage–backed loans not only in order to have a secure roof over their heads, but also because houses and flats offered a better and safer return than most other forms of investment. Placing trust in bricks and mortar has worked well for those who have been able to afford them, but, as *Financial Times* commentator Martin Wolf has pointed out, it also turned most of us into "highly leveraged speculators in a fixed asset that dominates most portfolios and impairs personal mobility."¹⁴ That is, we became dependent on an over–stretched safety net of trust.

The availability of cheap credit provided oxygen for a dangerously swelling bubble in real estate. Mass investment in it created illusory wealth and also a new underclass, the first–time buyers and those on low pay, who had little hope of ever owning their own homes. It is no accident that the current crisis was sparked off by US sub–prime mortgages, which were originally designed to enable some of the low–paid to become house owners. By 2007, levels of outstanding US credit were running at more than double the levels of 1929, immediately prior to the previous Great Crash: 365 per cent of GDP as

opposed to 160 per cent. It had more than doubled since 1980, while household debt had also doubled from 50 per cent in 1980 to 100 per cent in 2007.

Within the financial sector debt rose even more precipitately, from 21 per cent in 1980 to 83 per cent in 2000, and then 116 per cent in 2007.¹⁵ By the early–twenty–first century, a majority of the population of the USA, and of many European countries too, had become massive purchasers of confidence in the future. But they had done so by greatly increasing indebtedness, by blowing up asset bubbles and by tacitly encouraging bankers and other financial actors to behave irresponsibly.

This is where we come to the downside of capitalism. It has two salient defects. First of all, it is liable to both manias and panics. This is natural, since it depends on trust, and trust is prone to considerable fluctuations. We tend to trust beyond, sometimes well beyond, the point at which evidence suggests we should be more cautious. But our trust is not infinite, and when we begin to distrust, we do so abruptly and cumulatively.

Second, unrestrained capitalism creates blatant inequalities, which weaken social trust. Long before Karl Marx, many people in England were horrified at the mountains of debt being piled up by the treasury, at the rise of an idle *rentier* class living off the labour of the poor, at the corruption of the wealthy and powerful who provided each other with easy opportunities of making yet more money. The downside of the constitutional and financial revolution was the Poor Law and the workhouse. Structures of trust always seem to create boundaries of distrust and hence future sources of conflict. That is one of the paradoxes of trust.

Global legacies

We may think this is all past, but in fact we are reproducing this injustice today. We have ensured that most of the benefits of worldwide trade accrue not to the people who need them most but to the citizens of the relatively wealthy countries.

The international financial institutions set up after 1945, which once promoted stability and reduced poverty, are no longer doing so. If the globalised economy of the nineteenth century was dominated by Britain and reflected British interests, today's globalisation is dominated by the US and reflects that country's interests as well as its culture and institutions — its trust structures in fact.

The US and other developed countries protect their own agriculture and ailing industries in a way that impedes the access of poorer countries to their markets. Developed countries ensure that capital flows are liberalised, since they make money from them, but that labour flows are not, though they would help poorer countries to earn money in their own way. Intellectual property rights obstruct the delivery of lifesaving generic medicines to those in poorer countries who need them and cannot pay first–world prices.¹⁶ And so on. We are repeating the mistakes of the eighteenth and nineteenth centuries, and metaphorically consigning the world's "bottom billion" to the workhouse.¹⁷

Not only was this investment inequitable, it was also unstable because, to attract funds, it was based on incontinently growing debt — which looked at from the other end meant ever–growing credit or trust based on little that was trustworthy. Much of it was invested in physical assets, especially real estate,

on the assumption that they would go on increasing in value indefinitely. Many of the banks and funds mediating such investments borrowed huge sums in the expectation of profiting from these price movements; in addition they received substantial fees for each transaction, and thus had an interest in making them frequent. In the UK, bankers' total bonuses trebled between 2002 and 2006 alone, from £3.3 billion to £10.1 billion (cUS\$5 billion–US\$15 billion).¹⁸ The risks were global, the safety nets national. Nation–states — our public risk managers — could no longer manage risk, since their means of assessing that risk were utterly inadequate.

The "super–crisis" of 2007–2009 thus arose out of risky financial practices going back a quarter of a century. No one had cared to question them too closely, since they enriched state coffers, fuelled the trust–generating myth of economic growth and bolstered the trust expectations of advanced western populations. Those expectations were amplified and converted into a toxic brew by weak regulation of financial institutions and by the unrestrained greed of bankers and fund managers. In October 2008, the Bank of England estimated that altogether UK banks would have to write off US\$2.8 trillion by the end of the crisis — i.e. nearly double its annual GDP.¹⁹

When Lehmann Brothers collapsed in September 2008, the whole banking system of at least the UK and USA nearly went down with it, gripped by a paroxysm of universal distrust. But at this point in both countries the state hastily honoured its role as public risk manager, coming to the rescue with huge loans, share purchases and insurance guarantees. In the UK by autumn 2009 they totalled £850 billion (cUS\$1.2 trillion) or more than half annual GDP, while earlier in the year they had reached no less than US\$8 trillion in the USA, a sum most of us find impossible to imagine.²⁰

The more we place our trust in institutions whose *raison d'être* is monetary operations, the more we reshape our social lives according to the standards set by those operations and by the legal arrangements which support them. As Georg Simmel pointed out long ago, because money is a universal and neutral instrument with a precise, calculable value, it tends to reduce all our social actions to a series of quantitatively conceived means without ends and without autonomous significance.²¹ It favours those who, in Oscar Wilde's words, "know the price of everything and the value of nothing". That is the situation we increasingly find ourselves in today. Even relationships between sub–units of companies and institutions are quite often mediated in monetary terms, and therefore justified in those terms too. For that reason the practices of accountants, lawyers and state officials determine much of the routine of our lives, imposing on us forms to fill in, reports to write and targets to meet, for it is they who will pronounce on whether or not we are providing "value for money".

What is to be done?

It is, perhaps, no accident that it is in the UK and the US that the subjection of social practices to financial and juridical criteria has advanced farthest. These are also the two western societies in which there has been the most marked social polarisation. Inequality is closely linked to low levels of generalised social trust. It is easier to trust people who are like oneself. The same applies to social class: the Russians have a saying "The well–fed will never understand the hungry". Research suggests strongly that the percentage of people agreeing with the statement "Most people can be trusted" is higher in countries with more equal societies, and the same differential is found within the states of the

US.²²

More specifically, the greater the degree of social inequality, the lower the status of women tends to be.²³ The social capital represented by generalised trust is vital for the peaceful life of any society, which is probably why unequal societies have higher rates of mental illness, drug abuse, obesity and teenage pregnancy, a higher prison population and lower life expectancy than more equal societies at a similar level of economic development.²⁴

These abuses arise directly from the way we place our trust nowadays in financial markets, the legal system and the state. What can be done? The first thing is to recognise the problem. After all, capitalism, the rule of law and the nation–state have given us great benefits but they have their own pathologies, which need to be more clearly recognised. At the moment, they are poorly understood and the result is widespread cynicism. We are unlikely to find workable solutions unless we have studied the way structures of trust have changed and evolved in the past in response to challenges and conflicts.

In every kind of society trust is the structural cement that sustains the framework and makes peaceful cooperation possible. At the same time, by drawing boundaries trust generates new forms of alienation and distrust, which can prove extremely destructive. What can we do to maximize appropriate trust while minimizing misplaced distrust? That is one of the fundamental questions that faces humanity today, but we have no hope of finding workable solutions unless we study the way trust has functioned in past societies, and thus come to understand better the very diverse forms in which it still exists today.

Another problem is that nowadays all share–issuing companies are structured on the basis of limited liability, that is, the responsibility of shareholders for the company's debts is limited to the amount they have invested and does not jeopardise their other assets. This is crucial when it comes to attracting investment, and that is the reason limited liability was instituted. But when it was introduced as a general principle in Britain in the mid–nineteenth century, there were many who warned that the severance of ownership from responsibility would facilitate recklessness and even fraud. In a House of Commons debate on the subject, opponents accused supporters of limited liability of encouraging "adventurers to interfere with and ruin established traders *without risk to themselves*".²⁵ They warned, "If men were allowed to subscribe £100 to a company and be no further liable, a spirit of gambling would develop, to the detriment of the country and its tradition of sober judgement."²⁶

After the bank crashes of 2008 that warning seems prophetic.

What can we do to improve levels of trust, without which social interaction becomes problematical and full of traps for the unwary? Our political and financial leaders seem inclined to try to return to the world as it was up to 2007. If they do, another huge financial–political crisis awaits us in the years ahead. I have no magic solutions to offer, but it is clear that somewhere along the line we have lost the links between markets and trust. We need to restore them. Human beings normally, though not invariably, grow up trusting; so this is a natural faculty we can build on and strive to maintain. Trust in the trustworthy needs to be consciously fostered: in doing so we are working *with* the grain of human nature.

Understanding the way trust and distrust have operated in the past should help us to identify better ways of minimising misplaced distrust and maximising trust in the trustworthy. Doing so may be a condition for our survival.

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164

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