



# SHIFTING THE TRUST RELATIONSHIP

Money and Society

# Fundamental uncertainty

- ◎ Ontological uncertainty
  - We don't know and we can't know
- ◎ They rely on conventions, institutions
  - Assume that the future is similar to the past (adaptive expectations)
  - Conventions can change rapidly
- ◎ Trust as a means of dealing with uncertainty
- ◎ Money as a means of dealing with uncertainty

# Trust and Confidence

- A belief about future behaviour and outcomes
- Trust
  - Belief about intentions
  - Uncertainty very relevant
- Confidence
  - Belief about capabilities
  - Less uncertainty
  - Luhmann, N. 1988, "Familiarity, Confidence, Trust: Problems and Alternatives," in *Trust: Making and Breaking Cooperative Relations*

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# Trust and Confidence

- ◎ Parallel conceptualisation
- ◎ Trust
  - Belief about behaviours and outcomes derived from Agency aspects
- ◎ Confidence
  - Belief about behaviours and outcomes derived from Structure aspects
- ◎ As agency and structure cannot be separated, neither can trust and confidence

# Trust and Confidence

- ◎ Agency-based Trust-system
  - Agency more important
  - Bank relationships based on personal knowledge
- ◎ Structure-based Confidence-system
  - Structure more important
  - Relationships based on rules
- ◎ Predominance of either system determined
  - Make-up of system
  - Knowledge available

# Money

- Money a means of dealing with uncertainty
- Money is a social construction
- Allows us to avoid agency-based trust relationships and use structure-based confidence relationships.
- Government is what provides this structure system
- Money is a creature of the state, but the relationship isn't straightforward.

# The crisis

- ⦿ Confidence System dominates before Crisis
  - Limited knowledge about individuals within banks and limited knowledge about their ability to express agency
- ⦿ Shock threatens viability of banks.
- ⦿ Prompts a collapse in confidence
- ⦿ People look to replaced lost confidence with Agency-based trust.