Information Technology, Political Institutions, and Generalized Trust: An Empirical Assessment Using Structural Equation Models

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ABSTRACT

In a recent study, the authors reveal with structural equation models that the positive effect of information technology on generalized trust is mediated by political institutions. Although insightful, a key question remains: Is it the effectiveness and efficiency, the universality, and/or the power-sharing capacity of the state that mediates this effect? Drawing on new institutional economics, political culture, and theories of the welfare state, the authors derive a number of hypotheses connecting information technology to generalized trust vis-à-vis elements of the state. The study shows with structural equation models that what accounts for the technology-trust relationship is not necessarily the public allocation of resources or political mechanisms of sharing power, but the incentive structures found in effective and efficient legal institutions that reduce uncertainty and increase generalized trust. The paper concludes by outlining the implications and directions for future research.

Keywords: Effectiveness and Efficiency, Generalized Trust, Information Technology, Power-Sharing, Universality

INTRODUCTION

Trust is often identified as the ‘lubricant’ of social interaction and the ‘glue’ that binds people together. A high level of generalized trust is thought to promote economic performance, foster collective action, generate happiness and well-being, and lay the foundation for life satisfaction (Bjørnskov, 2003; Knack, 2002; Putnam, 1993; Uslaner, 2002; Zak & Knack, 2001). We encounter the utility of trust not only in our everyday person-to-person interactions but also in our relationships with our political leaders, employers, and medical professionals. And we also recognize that a certain amount of trust is necessary in order for cooperation to occur in the political, economic, and civic realms.

Yet the causes of trust remain theoretically and empirically open to debate. Although
Nannestad (2008) recently noted that the determinants of trust can generally be categorized within four broad explanations—institutions (Delhey & Newton, 2005; Knack & Keefer, 1997), social relationships (Putnam, 2000), homophily (Brewer, 1981; Putnam, 2007), and cultural values (Uslaner, 2000)—relatively little attention has been paid to the role that information technology plays in producing trust. In an attempt to address this empirical void, Robbins and Grigoryeva (2010) tested a new institutional model of trust (Greif, 2006; North, 1990), while contrasting this approach with divergent predictions from an overjustification and crowding perspective (Mulder, Dijk, De Cremer, & Wilke, 2006; Deci, Koestner, & Ryan, 1999). They found with structural equation models (SEM) that political institutions foster generalized trust, and to the extent that technology encourages generalized trust, it does so indirectly, operating through political institutions. They suggest that the effect of political institutions is observed because technology alters relative prices and/or strengthens monitoring and sanctioning capacity. This promotes the emergence and expansion of political institutions that then reduce perceived uncertainty and cultivate trust.

While this is a key contribution to the generalized trust literature, we argue that it is difficult to determine, with their current measurement of “formal institutions”, which elements of the state mediate the technology-trust relationship. In this vein, we place political institutions at the center of our analysis and attempt to disentangle the features of political institutions that account for how information technology produces trust. Our hypotheses follow that political institutions contribute to the development of trust when individuals perceive them to be effective and efficient at punishing and sanctioning noncooperative behavior, universalistic in their public allocation of resources, and power-sharing among political winners and losers as well as minority groups. We argue, however, that only two of which are dependent on information technology: effectiveness and power-sharing. This is because information technology increases the enforcement capacity of political institutions; facilitates local collective action and civic engagement that then leads to the diffusion of power and the development of democratic institutions; and does not either increase or decrease the amount of resources political institutions allocate to the public.

The data for our analysis comes from the World Values Survey (1999-2001) of 57 countries and from other country-level data sources, such as the World Bank. We use structural equation models to test these hypotheses and find that while the universality of political institutions are associated with generalized trust, only the effectiveness of legal property rights institutions and contract enforcement significantly mediate the relationship between information technology and generalized trust.

The remaining paper is organized as follows. In the next section of this paper we introduce the dependent variable and define generalized trust. The hypotheses linking information technology to political institutions to generalized trust are presented in the following section. The next section outlines the data and the methodology used. Finally, we summarize the findings, discuss the implications, and outline directions for future research in the discussion and conclusion.

**GENERALIZED TRUST—THE DEPENDENT VARIABLE**

Trust is usually classified along two dimensions: rational choice or norm-based, and particularized or generalized. Rational choice, or strategic, trust is both cognitive, relational, and situational, where \( i \) must believe that \( j \) takes \( i \)'s interests into account under uncertain conditions (Cook, Hardin, & Levi, 2005). For instance, I may trust a lawyer for legal advice but I will not trust a lawyer to perform surgery on my child. Norm-based, or moralistic, versions of trust, on the other hand, conceptualize trust as a moral or personal attribute of individuals, where trust is non-strategic and often unconditional (Durkheim, 1893, 1984; Mansbridge, 1999; Uslaner, 2002). Under these conditions, trust is non-strategic and often unconditional.
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