

TRUST *and*  
ORGANIZATIONS  
Confidence Across Borders



*Edited by*

Marta Reuter, Filip Wijkström,  
Bengt Kristensson Ugglå



# Trust and Organizations

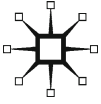
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TRUST AND ORGANIZATIONS

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The editors, Stockholm,  
October 2013

## CHAPTER 1

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# Trust Contextualized: Confidence in Theory and Practice

*Bengt Kristensson Ugglå, Marta Reuter, and  
Filip Wijkström*

What is the role of social trust in society and in organizational life? Does trust, as many imagine, function as a sort of a web that holds together the entire machinery of society, as a lubricant that oils the wheels of exchange and transactions? Or is it, in reality, a loose but sticky glue that produces inertia and slowness of reaction, hampering mobility and change? What mechanisms have developed in modern society to create, manage, maintain, and convey trust, not only in such different organizational settings as corporations, agencies of public administration, and civil society organizations, but also across these boundaries and other settings? What happens in the transition zone between different societal contexts, when trust is being recontextualized in diverse institutions and cultures? And—perhaps of particular importance today—what can we learn from the logic of de- and recontextualization of trust, in situations where public confidence is shattered?

Questions related to the fundamental conditions and functions of social trust have probably always been important to people. It is fairly uncontroversial to postulate that trust is an inevitable prerequisite for all kinds of human interactions, regardless of time and place. If the way in which we relate to each other and to our institutions were characterized only by distrust and lack of confidence, hardly any of us would

dare to take our car on to the roads, take the bus to work, leave our children in kindergarten, or drop them off at school. Nor would we take the risk to prepare the food that we have purchased at the supermarket, go to our neighbors for dinner, or eat from the menu at a restaurant, although we seem to do this in very different ways in different countries, as shown by Kjærnes, Harvey, and Warde (2007) in their book *Trust in Food*. Neither would we, which brings us to the main concern of this book, dare to strike complex business deals, care to reach out to create a European Union, or, indeed, share rich flows of information between different types of organizations.

For good reasons, in many situations we have to take for granted that we can trust other people. Although most of us realize that it would be naive to approach fellow human beings with a form of blind trust that does not include some degree of skepticism, we can, nevertheless, not escape the fact that some kind of mutual confidence has to be in place for all of us to be able to live our daily lives together. This is true in the case of close dialogical relationships as well as more institutionalized and formalized contexts in today's organization society. However, when making the transition between (informal) dialogues and (formal) institutions, as well as between different organizational, institutional, and cultural settings, we are confronted with a complexity of trust matters that asks for our attention as social scientists.

The above applies in particular to the realms of economy and politics; arguably, nothing would work in these spheres if people did not trust one another and the institutions in place. The frequently heard reference to particular fields of these realms as *trust industries* has thus a lot of truth to it. In today's world, it is no longer possible to reduce trust to a "soft" issue, in comparison with more tangible phenomena such as money and legal structures. In fact, many of the profound challenges and urgent problems that we experience in our time, ranging from democratic deficits and economic crises to the lack of self-esteem in many peoples' everyday life, become more comprehensible if we understand them as a spectrum of a trust and confidence crisis (Reuter, Wijkström, and Kristensson Uggla 2012). Such a reading of our contemporary world and the human condition opens up for more fruitful strategies to tackle the dilemmas that our societies face today, no matter if they are dressed in the language of governance (Ostrom 1990; Anheier 2013), social capital (Putnam 1993; Coleman 1996), or framed as an interplay between trust and distrust (Hardin 2004; Papakostas 2012), just to mention a few possible approaches. This applies not the least to the economic predicament dominating the European news at the time of

writing and publishing this book. There are, in our view, good reasons to interpret the crippling debt and currency crisis that currently affects Europe as a crisis of trust, and that this particular diagnosis should guide the actions taken in order to cope with the situation.

### Trust and Organizations

For the purposes of this book, we have assembled a number of social science scholars from different disciplines, and asked them to reflect on the intricate relationship between social trust and organizational life, as well as on the ways in which these two constitute and shape each other. It is nowadays almost a truism to say that we live in an *organization society*; at the same time, many of us are probably not even aware of the degree to which organizing and organizations pervade the late modern world, governing, structuring, and framing most, if not all, societal activities, processes, and exchanges (see, e.g., Ahrne 1994 and Brunsson 2010). In this increasingly organization-based web of societal relations, trust plays a number of pivotal roles, which, however, have so far not been satisfactorily explored by the social sciences.

Our point of departure in this anthology is the conviction that the idea of trust holds one important key to the understanding of matters related to the existence, functioning, and behavior of organizations, and that this has become even more evident in postindustrial societies. At the most basic level, trust could be seen as the key ingredient holding organizations and institutions together; after all, what are these if not imaginary creations of the human mind, sustained only by our sheer belief—or confidence—in their existence, stability, and operational capacity? If the elemental trust of citizens, in the workings of the organizational and institutional system that we all are embedded in, were at some point withdrawn, that system would crumble to dust within moments. From this point of view, all organizational structures and governance practices are fundamentally dependent on a degree of trust, no matter how different its empirical form in different contexts. At the same time, however, the reverse is also true; in the late modern world, characterized by an increasingly impersonal nature of human relations, organizations and institutions themselves can be understood as instruments or vehicles that help create, relay, and administer basic trust across geographical, cultural, and social distances. As some of the chapters in this book will illustrate, organizational practices that aim at confidence building can, however, also be a potent instrument in processes that ultimately call into question and/or undermine trust,

creating spirals of mutually reinforcing need for control and lack of confidence.

This interdependent and context-bound nature of the relationship between trust and organizations is the focus of the present volume. Strangely enough, the importance of trust and confidence—two related concepts that, despite the nuanced difference in meaning, will be used interchangeably in the book—has become a major theme in the social sciences only in the recent decades. Despite the growing interest in this subject, however, the common tendency to think of trust in a univocal, rather simplistic way, has generated a situation where the concrete trust-related practices developed in the spectrum of different contexts have been given scant attention. As a result, a contextual approach to trust is largely missing in the social science literature. Here, the chapters and authors of this book make a valuable contribution, and hopefully also open up a more nuanced scholarly conversation about the context-bound nature of trust and confidence in organizational and social life. The texts assembled in the volume offer a rich variety of perspectives that may contribute to a better understanding of the potential conflicts and dilemmas arising when trust is constantly being (re)contextualized in ever-new organizational, institutional, and cultural settings.

In order to understand how differently trust can be expressed in different contexts, the best place to start may be from firsthand experience. Several years ago, one of us editors participated in a Swedish delegation visiting a top-ranked university in the United States, with the purpose of initiating cooperation between that university and our Swedish institution. The discussions during our meetings went well, and there seemed to be no real complications in the negotiations with our American colleagues. A feeling of mutual understanding and trust arose surprisingly quickly, and after a few intense days, during which pleasant meetings had been interspersed with social activities, our delegation returned to Sweden with high expectations in terms of possible future cooperation between the two institutions.

Shortly after returning, we received a follow-up email from the American partners with many kind words—and an attachment. As we opened and read the attachment, however, our mood changed completely: suddenly, it was as if all of the trust that had emerged during the visit in the United States had been taken away, and the enthusiasm disappeared. Why? The reason may, at the first sight, seem trivial. The attachment contained an extensive draft of a contract, where each paragraph in detail regulated the obligations and commitments to the project. Every single part the delegation had discussed could be found in the document—but the information was now presented in a dry, dense

legalese that immediately produced a feeling of confusion on our part. What had happened? Did the American friends get cold feet about the collaboration? Did they no longer trust us? Time passed and the email remained lying in the in-box, without any replies from us Swedes. The motivation to follow up the initiative seemed literally crushed, and we felt as if this entire ambitious project, with all its positive energy, had with one blow run out of steam.

After some time, we received a phone call. It was our American colleagues who, from across the Atlantic, sounded somewhat surprised and confused, wondering what had happened to us. Why didn't we respond to their enthusiasm? Had something dramatic happened and changed the scene since we had parted ways? Why had we not responded to their email in order to continue with our cooperation? Their disappointment was evident.

Only then did it dawn upon us, what we undoubtedly had known in theory, but in practice, and in a rush, had forgotten: contracts and formalizations are assigned very different meanings and functions in Sweden and the United States. While we, in our informal Swedish everyday life, usually tend to view a handshake as the ultimate sign of trust—and a contract, in contrast, as a signal of lack of confidence, due to the fact that some form of “insurance” is required to trust the counter party—on the other side of the Atlantic, a contract actually manifests a tangible expression of mutual trust.

### **The Complexity of Trust and Organizations: The Importance of the Context**

Misunderstandings in interorganizational interactions that arise from cultural differences are naturally not a new object of interest for social scientists. However, within the academic debate on trust and its role in human and organizational relations, the importance of the context has not received enough attention. The above-described experience of how the prerequisites for trust and reliance can change when entering into new settings discloses a complexity far beyond the instrumental logic of those who attempt to portray trust as a capital easy to manage. Thus, this example may serve as an appropriate starting point for a conversation about the fundamental conditions of trust in different organizational, institutional, and cultural contexts.

First, we can learn something about how complicated it is, in terms of trust, to move between theory and practice when trust is being contextualized, because in this transition a number of unpredictable

transformations take place—transitions in both directions—which reinforce the conviction that trust is not something simple and univocal.

Second, the above anecdote demonstrates that a “trust capital” cannot be treated as an abstract and universal asset that may simply be transferred and used in new situations, because trust can only exist as something strongly contextualized and situation dependent. Furthermore, the prerequisites for the distribution and organization of trust also differ distinctively between different countries, cultures, organizations, and institutions.

Third, we can learn something about the profound ironic logic of formalization. In the transition between theory and practice, and boundary transgression between different settings, the occurrence of not only control systems, rules, and institutionalizations, such as the contract in our story above, but also different kinds of auditing, have a fundamentally ambiguous effect on trust. These kinds of institutionalizations and follow-up mechanisms can in some contexts strengthen, but in other contexts weaken, the capital of trust.

Fourth, and indirectly laying the foundations for this book, the anecdote says something about our embeddedness—as social scientists but first and foremost as humans—in our own institutional (in this case Northern European) trust culture. The above-described incident illustrates the need for an autoreflexive stance—a skeptical attitude toward one’s own assumption about trust and its workings, if you wish—in any discussion of trust as a societal phenomenon that aspires to relevance beyond the present particular cultural context. We will return to the implications of this ambition for the present volume further in this chapter.

Finally, in a list that certainly could be made longer, the story above points toward the need to take the role and complexity of trust in inter-organizational relations seriously. This is of extraordinary importance in a world characterized by increasingly transnational relationships and by an increasingly global information logic. In today’s society, trust-related challenges are not limited to a local or national specificity, as we are all confronted, on a daily basis, not the least due to the new digital information system, with the most diverse organizational, institutional, and cultural logics, and constantly forced to face our counterparts across the many increasingly blurry boundaries in the globalizing world.

### **Trust across Borders**

The last of the above reflections serves, in fact, as the main departure point for most of the contributions in this book. In a recent analysis of



the interplay of trust and distrust in society, the sociologist Apostolis Papakostas (2012) draws attention to the role of boundaries—spatial, social, and organizational—in the creation and management of trust and of its counterpart, distrust. Sharing this perspective, the research presented in most of the chapters in this volume is grounded in the realization that trust-related dilemmas are at their most pronounced at broadly understood junction points, where established boundaries between organizations, institutions, and/or geographical/cultural settings are being put into question, stretched, or crossed. Indeed, one of the main conclusions that can be drawn from the empirical studies presented in this volume is that when we move between distinct geographical, institutional, and organizational contexts and differing social practices, trust itself undergoes a series of profound transformations.

Most of the contributions in the book revolve in one way or another around the question of how trust logics play out—and, frequently, are instrumentalized—across organizational, institutional, or national borders; these three dimensions of boundary crossing form a sort of a font for the discussion that runs as a red thread through the individual chapters. In some of the texts, this may mean investigating what happens to trust and its prerequisites in interactions and exchanges between individual organizations and their distinct organizational cultures. For others, it may entail enquiring how trust is affected, transformed, and used—but also what role(s) it plays itself—in the meeting between different institutional logics (cf. Friedland and Alford 1991), or when societal actors operate across the border between different institutional spheres. Finally, in yet other chapters, it can involve exploring the ways in which trust is used, managed, reproduced, and recreated in the world of increasingly ubiquitous transnational interactions. Notably, these three dimensions are certainly not mutually exclusive; on the contrary, as the texts in this book illustrate, the significance of trust and the complexity of the trust-related societal dynamics and mechanisms become even more acutely visible when these dimensions overlap—as they most often do in real life.

### **Trust in Theory and Practice**

Today, a comprehensive range of international literature, both academic and more popular in tone, addresses trust and confidence in depth, linking often the challenges and dilemmas associated with trust to related concepts, such as social capital (see, e.g., Putnam 1993; Fukuyama 1995; Hardin 2004 and 2006; Cook, Hardin, and Levi 2005; Trägårdh

2009). We do not intend to repeat here the insights from this meritorious literature, although several of the contributions to this anthology build upon and refer to some of the theories and concepts developed there. Neither do we have the ambition of developing a theory of trust of our own. The aim of this publication is, instead, to illustrate and shed light on the richness of the organizational and institutional contexts in which the complexity of trust—and the dilemmas related to trust management—manifest themselves.

As several of the book's chapters show, the issue of trust and distrust at the societal level is intimately linked to issues of control and monitoring, key concepts in governance literature. Today's organization society is, however, less characterized by micromanagement and hierarchical delegation, and increasingly dominated by self-organizing and self-reporting systems, regulated by objective-based management, decentralization, and local autonomy in the form of a kind of control "from within." These trends have led to the emergence of a generalized accounting and control culture that is becoming increasingly pervasive in our societies, giving rise to concepts such as "audit society" (Power 1999). The "control addiction," which according to critics such as Power emerges as a result of the excesses of the audit society, is characterized, among others, by the ironic development logic also characterizing other addictions: although there are short-term profits, in the long run, more trust-related problems are created than solved.

In this context, it is important to recall that the opposite of trust is not suspicion or distrust. Just as it would be both naive and devastating for the concept of trust if we, in all situations, blindly trusted others, it seems a simplification to identify institutions solely with distrust. As the chapters in this book illustrate, trust and distrust are rather intricately intertwined with and feeding into each other in our institutions, and criticism, control, and auditing can be understood as integral parts of the complex dialectic of our "trust industries."

In the present volume, as an alternative to the more dystopian perspectives that see potential conspiracies lurking behind such headings as "audit society" or "regulation society," we have chosen to focus on the fundamentally ambiguous nature, as well as on the multidimensional meanings, of trust in relation to practices such as accounting and auditing. Through our selection of empirical case studies we explore and illuminate how, on the one hand, strong trust capital seems to require control, auditing, follow-up processes, review, and so on; while on the other hand, these activities, despite the best of intentions, can contribute to undermining that very same capital. One of the lessons that may

be drawn from some of the studies presented here, is thus that even when the purpose is to inspire confidence, the growing number of institutionalized systems for inspection and evaluation may lead, over time, to a hollowing-out of public trust as well as of interpersonal relationships in general.

### **Trust Seen through a Nordic Lens**

The character of the contributions to this publication is multidisciplinary, as the dilemmas related to trust for, in, and between organizations clearly transcend the horizons of a single academic discipline. Our ambition has also been to illustrate the universality and ubiquitousness of the importance of trust through the broad range of organizational and institutional settings that are in focus in the individual chapters. While some of the texts focus on corporations and on the workings of trust in commercial activities, others discuss the ways in which trust matters to—and is utilized by—civil society organizations, both at the national and at the global level. Dilemmas surrounding the public's confidence in political and public administration projects and the measures taken to instill such confidence are the focus of yet other contributions to this volume. Some of the chapters take also an explicit aim at the borderland between these different societal spheres and sectors, exploring what happens to trust when organizational practices and activities combine commercial and public as well as civic logics and rationales.

This diversity of perspectives notwithstanding, the approaches used and the analyses developed here are inevitably influenced by the Northern European—specifically Swedish—background of the collection's authors. While the research discussed here displays a very broad empirical range, from studies of the European currency and commercial certification systems to local Indonesian trade union negotiations and the dilemmas of local welfare service provision in Swedish municipalities, the scholars analyzing and reflecting upon these empirical settings are all firmly embedded in the Swedish institutional context, and thus susceptible to relating to trust in a rather particular way. This cultural background inevitably constitutes a very particular lens through which we regard trust and distrust. This is illustrated poignantly by the final chapter of this book, where the historian Lars Trägårdh reflects upon how, and suggests why, Sweden stands out from most other societies when it comes to its exceptionally high degree of social trust, as expressed in people's confidence both in fellow citizens and in the public institutions.

The “Nordic perspective” that permeates this book is, however, characterized not only by the presumable influence of the wider cultural Nordic view of trust on the book’s contributors. More importantly (from a theoretical point of view), it is also characterized, on the one hand, by a strong interest common among Swedish organization scholars for institutions and institutional analysis (see Brunsson and Jacobsson 2000 on standardization as a good example of this so-called Scandinavian new institutionalism); and on the other hand, by a strong critical and constructivist current within Swedish organization studies (see, e.g., Czarniawska and Sévon 2005). Although the contributions in our volume stretch across many disciplines and several different approaches, we argue that these trends in the Swedish organization studies give also an echo here. In most chapters, an explicit or implicit interest in institutions as the normative and governing structures in which organizations are embedded—and as important conveyer belts and manipulators of social trust—is apparent. At the same time, our common focus on the ambiguous, multidimensional, and double-edged nature of trust, and our somewhat questioning attitude toward many of the trust-building organizational practices and strategies prevalent in different organizational fields, position us close to the critical Scandinavian tradition in management and organization theory (for a contribution in this tradition dealing explicitly with the matter of trust in organizational analysis, see Furusten and Werr [2005]).

### **Contents of the Book**

There is in today’s public debate, in spite of the increased insight into the critical significance of trust, a recurring tendency to view trust-related issues as somewhat flimsy, as a luxury, and, therefore, as a challenge not particularly urgent. In order to illustrate that it is not possible to marginalize these issues, by reducing trust to a “soft” concept, we have chosen to start our book with a text that goes right to the center of the severe financial crisis that has hit the world in general, and Europe in particular, in several shockwaves since 2008. Johan Fornäs’s chapter, “Currency for Europe: Monetary Solidity, Trust, and Identification across National Borders” addresses the trust component associated with the European currency, which, second only to the European Union (EU) flag, stands out as the most important symbol of the EU project. The symbolism of the European currency—as a coin with two sides—is not only expected to engender confidence in the currency, but also in the overall EU project.

Fornäs shows how currency, in addition to serving as a means of payment, also ties people and societies together: the currency communicates meaning and cultural identity to the same degree as it serves as

a means for transactions. Through the interaction between the motifs on the front and reverse sides of the coins, the designers have chosen to manifest the motto “United in diversity,” which is fully in line with the salad bowl metaphor characterizing the EU (in contrast to the American melting pot metaphor). This construction makes it possible for the common currency to be included in national contexts by offering varying interpretations for different countries—at the same time as these interpretations are redefined as being European. Thus, the trust-building project identified by Fornäs in his research on the symbolism of the European currency appears far from unambiguous. The EU project, rather, attempts to actively balance the national and the transnational, the cultural and the financial, the symbols’ abstract cultural expression and the concrete institutionalized everyday practices, the individual and the collective, the local and the global. As the author notes, “it is in this fascinating borderland that trust is expressed and created.”

The common currency could be viewed as an example of an elaborate attempt to create an institution, whose aim it is to evoke and maintain the general public’s trust in a specific political and financial project. According to many sociologists, such confidence does not arise on its own, but is utterly dependent on well-functioning social institutions generating trust for the entire social unit. One such institution is the audit. Maria Gustavson and Bo Rothstein’s contribution to the anthology, “Can Auditing Generate Trust? The Organization of Auditing and the Quality of Government,” sheds light on one of the main aims of auditing: to secure the general public’s trust in the public administration. At the same time, the chapter problematizes the complex relationship between the audit institution and social trust. Auditing has existed, in some form, for as long as we have had organized societies, and the need of such an institution can be derived from the question of the extent to which citizens are able to trust the complex social agreements in modern society. The authors highlight an interesting interrelationship between auditing and trust: auditing is necessary to assure the quality of public administration and to increase citizens’ confidence that public authorities function as they are supposed to. At the same time, the audit institution is itself ultimately dependent on citizens’ trust in audit activities and in the auditors’ impartiality; without such trust, auditing becomes meaningless. The chapter addresses the points of reference for each of these two dimensions and the dilemmas generated. Moreover, the authors expand the scope of their discussion from Western societies and pose the question of whether the relationship between auditing and trust can take a similar form in other contexts, especially in societies where trust in public administration is claimed to be based on values other than those found in the Western

world. Is it possible to speak about different types of “trust regimes”? Gustavson and Rothstein’s discussion on the conditions of auditing in African countries indicates that we should be careful in assigning too much significance to cultural patterns and differing values. Doing so, we risk missing the increasingly transnational normative driving forces and their significance for society’s development. One such driving force is, for example, the logic of the professional identity, which results in audit professionals outside the Western world tending to identify themselves with the values and the practices that, according to the authors of this chapter, have the potential to generate social trust.

Niklas Egels-Zandén’s contribution, “From Global Consumer Power to Local Worker Power,” also touches upon the transnational dimension of trust moving across boundaries, reconfigured in different contexts. This chapter focuses on how trust is constructed in the relationship between process and result, based on empirical research into how global consumer power is “converted” or “translated” into local worker power by civil society actors operating at the international level. The background is the global interrelation between, on the one hand, Western consumers and multinational companies with strong brands; and on the other hand, employers and employees at the local level, in this case Indonesia. The chapter sheds light on the relational complexity that emerges both between various levels in production chains, with numbers of intermediaries between local factories in the “South” and the global brands in the Western world, and between many different types of actors (such as trade unions, consumer rights organizations, nongovernmental organizations [NGOs], large global companies, local producers, etc.) which, in the case of Indonesia, appear at different levels.

Against this background, it is possible to understand the puzzle why local producers and factories in Indonesia, who were previously not at all interested in or dependent on the requirements of the relatively weak local trade unions, still find themselves negotiating with these unions. The “currency” that has made this situation possible is trust. The author illustrates how a threat directed at Western consumers’ trust in global brands strategically connects these consumers, organizations in the transnational civil society, and Indonesian trade unions. Civil society actors can use the trust of consumers in brands and their *power to take their money elsewhere* as a “hovering hand” over the global companies, and thereby make the latter force their local suppliers to participate in negotiations with trade unions. The relational link that the author reveals between global trust processes and local power struggles is definitely worth attention.