László Tóth

Trust: a transaction cost influencing psychological mechanism[1]

Abstract
Our world is more and more characterized by complexity and interdependency. In the developing New Economy it is expected that the role of information and knowledge transfer, along with the role of cooperation, are some of the most important issues. Some psychological mechanisms, such as trust, will be instrumental ingredients of the new economy. It is speculated that the functioning of such complexity-reduction and cooperation-aiding, such a psychological mechanism as trust becomes a focal point of interest. This paper aims to clarify the workings and influence of trust on economic transactions, prices, and cooperation.

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During the past century, mainly as a result of the rapid development of technology, humanity had gone through a change that had never been experienced before. Our world, including the world of economics, is more and more characterized by complexity and interdependency. In every aspect of life, people face an increased number of choices. As a result of the increase in the quantity of options, it becomes ever harder to predict the results of our decisions (Sztompka [1999], pp. 13.), or rather it becomes ever harder to make decisions that are economically rational. Because of these developments, the importance of well established complexity-reduction psychological mechanisms, such as trust, increases significantly.

As the result of the technological boom a new era began, in which neo-classical economic theory proved inapt to explain various economic phenomenon. Partly because of this, in the past decade, the basic assumptions of neo-classical economic theory, such as profit maximizing, totally informed *homo oeconomicus* model, has received a countless number of criticisms. In economic science the *homo oeconomicus* model is used in order to help analyze economic phenomenon without bringing in the human factor with its complexity. However, in the new economy it becomes crucial to shift the focus from product characteristics to human beings interacting in their transactions and to their existing relations among each other. The main reason for calling for a shift in focus is that the characteristics of the new economy are significantly different from the characteristics of industrial society and economy. The organizations are larger and more complex than ever before, and at the same time they are less and less circumscribable.[2] At all levels of the economy the mutual interdependence of the actors is growing (Sztompka [1999] p. 12.). The number of professionals with specific skills and knowledge in the job market has rapidly increased. These so-called specialists differ from the traditional workers in the sense that they are less interchangeable with others, as well as their skills in the given field are significantly higher than of their peers. For the professional completion of a complex task, there is a need for a highly specialized workforce, and a need is present for well-coordinated joint work of these specialists. Because of the rise of interdependency in the economy, there has been a call for a shift in the focus of economic science from competition to cooperation. According to Misztal ([1996] p. 269. – in Sztompka [1999] p. 12.), as the result of the growth in global interdependency, trust has become an essential element of cooperation. „Trust increases the efficiency of exchange by reducing the expectation of opportunistic behavior and consequently lowering associated transaction costs" (Bromiley and Cummings, 1995; John, 1984; - in Bichierri, et. al. [2002]).

Of course the importance of trust had been recognized long ago by economists; however, only today has it become necessary to re-examine this factor in relation to the workings of cooperation, to the formation of prices, and to the transpiration of transactions in the market and inside the organizations.

The general role of trust in the economy

Virtually all economic transactions include an element of trust as a building block (Arrow [1972]). Without trust the possibility of mutually beneficial economic transactions occurring decreases, and the chances for cooperation declines. „The result is lower economic welfare through less than optimal specialization and arguably lower social welfare more generally, as altruistic preferences remain unfulfilled" (Raiser [1996] p. 16.). Social scientists view trust not only as a lubricant of cooperation (Dasgupta [2000]; Sztompka [1999] p. 62.) but also as the lubricant of the entire „engine" of the social system (Hámori [1998] p. 89.). People, who do not trust in others will only cooperate in a system of formal rules and

[2] For instance, „in the European Union, one half of the available workforce is outside the organization, not in full-time jobs" (Handy [1995]).

regulations. Establishing and running such a system, the adherence to the regulations and the enforcement of the rules, creates a special type of tax[3] in a society that operates under a low trust environment (Fukuyama [1995] pp. 27-28.). According to Fukuyama such an over-regulated system is characterized by immensely long and complicated contracts, by the tendency for the rejection of innovative ideas, and by the inclination for settling disputes through legal means. The absence of trust, by increasing transaction costs, cuts down on the number of possible transactions, it reduces the chances of the realization of new ideas, and therefore it lessens overall economic potential.[4] The problem of trust – mistrust, of course, is not a new phenomenon. When commerce became part of everyday life, in order to handle mistrust among actors in a transaction, people mechanized trust, in the form of locks and scales. Later when commerce grew into a more complicated system, there was a need for another type of manifestation of trust; that is, when laws, contracts, regulations and other abstract forms of trust appeared (Fitzpatrick [2001]. In an ever more complex and rapidly changing society, the level of predictability declines quickly, and the above mentioned forms of trust are unable to counter the growth of uncertainty.

The special role of trust in the knowledge or information economy

In the transactions of the new economy the role of information becomes a central issue. Information by itself or bundled together with any product emerges as the most important commodity of the new economy. Information differs from other products produced by the economy, for instance, from a pair of shoes, in a sense that it cannot be touched or inspected before purchase. Products bundled with information content to a certain degree can be inspected, but it is not so with products completely built of information. Once information goods are examined by the buyers, it turns out to be useless to purchase them, since their content has already been revealed. Therefore, the magnitude of the information asymmetry between the buyer and the seller, as explained by Akerlof (1970), will be much larger than in the case of traditional products. In transactions where information goods are traded, trust can greatly influence the price at which the product or service will be exchanged. The price of information is mainly determined not by its information content, but rather by the information connected to the product, such as who produced it, who sells it, and in what manner the buyer can use the product after purchasing it. Although the price asked by the seller could provide a signal to the buyer about the quality of the products or services, in practice it is unlikely that the price is an apt clue. After all, no one would choose either the least nor the most expensive surgeon for an important surgical procedure based only on this cost information. One would probably decide along another dimension.[5] „The critical problem for the commercial providers of content is to find a way to convince the user that they actually have timely, accurate, relevant, and high-quality information to sell" (Varian [1998]); that is to say the content providers problem is that in what manner can they influence the trust level of the buyers.

Within the knowledge management literature, especially in the practitioner oriented approach, it is a common occurrence to see statements such as: „Trust is, after all, the single most important precondition for knowledge exchange" (Rolland and Chauvel [2000] pp. 239. – in Ford [2001] p. 3.). This statement is particularly true in the case of tacit knowledge. One of the most important problems for organizations is the issue of handling this type of knowledge transfer among members of the organization. It is especially true for organizations

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[3] Transaction cost.

[4] „Keefer and Knack (1997) have recently found a positive association of trust to economic growth, where trust is measured by the degree of confidence individuals would have in an anonymous counterparty" (Raiser [1999]).

[5] It could be the reputation of the doctor, or of the hospital.

in the new economy, where in the global environment the two or more parties in a transaction do not know each other at all, the geographical distance between them is significant, their cultural backgrounds differ, and often their only mean of communication is electronic.

Technological innovations, such as the Internet, allowed us to create a global marketplace. In this virtual marketplace a pricing mechanism often found in classical markets came to the front: bargaining. Fixed prices are characteristics of other parts of the economy, where the buyers are passive price takers (Szabó – Kocsis [2002] p. 187.). In the e-commerce „the possibility exists for individual bargaining even when the buyers are in the millions" (Szabó – Kocsis [2002] p. 189.). According to Szabó and Kocsis (2002) dynamic prices could lead to such price differentiation where, „each and every product and service is sold to various buyers fall for different prices." In a rapidly and constantly changing global sized market the level of uncertainty is much higher than on the markets of the traditional economy. Despite this fact that on the Internet the costs of searching are close to zero, and therefore the buyers can receive almost perfect price information (Szabó – Kocsis [2002] pp. 187-188.) other type of transaction costs can appear. The new type of transaction costs stem from individually customized prices,[6] from the uncertainty arising from the questionable quality of the products and services, and from the large number of market participants and of their geographical dispersion and anonymity. Because these transaction costs boost existing uncertainties, buyers and sellers need supporting mechanisms to help them to deal with the risks of such market.

Defining trust

Over the past two decades, in almost all areas of social sciences, trust has been recognized as an indispensable social (psychological) mechanism that is an integral part of all social interactions. No better proof for this is the significant increase in the number of publications in the fields of psychology, political science, sociology and economics. Unfortunately, with the surge of interest the confusion around the notion of trust grew simultaneously. It is fair to say, with some exaggeration, that almost as many definitions are at hand as studies available dealing with the concept of trust.

In the trust literature, a main cause of confusion stems from the fact that many authors fail to separate the notions of trust and confidence.[7] Of the authors who do make the distinction, Luhmann's (2000) approach seems to be the most promising:

> „The distinction between confidence and trust thus depends on perception and attribution. If you do not consider alternatives (every morning you leave the house without a weapon!), you are in a situation of confidence. If you choose one action in preference to others in spite of the possibility of being disappointed by the action of others, you define the situation as one of trust. In the case of confidence you will react to disappointment by external attribution.[8] In the case of trust you will have to consider an internal attribution and eventually regret your trusting choice."

Based on this clarification, we can look at confidence as a macro-level And trust as a micro-level phenomenon. This dual approach suits well the micro and macro level investigation of economics, and easily allows the inclusion of the concept of trust into the analysis of economic transactions and cooperation. For instance, if in a society the confidence level declines in regards to the legal system, the possibility of transactions will also diminish, since people will only trade with those whom towards they feel high personal trust. In the

[6] That is to say because of the rapidly changing prices.
[7] Or often define each other circularly.
[8] One will blame others, or he will allude to external factors.

absence of confidence, when personal trust is also low, the seller will raise the price in order to make it worthwhile for him to risk the buyer failing to pay for the product. At the same time, the buyer is willing to pay only a lower price afraid that the product's characteristics do not necessarily meet the attributes pitched by the seller. At an adequately high level of confidence (placed in institutions or organizations), economic actors are willing to participate in transactions with complete strangers whom they do not have any personal trust relations. The reason for this is that, although unfamiliarity suggests a greater level of risk, the higher level of confidence presumes that if the transaction turns out to be some kind of failure, there is a much larger chance for legal redress. A similar interrelation is true in the case of cooperation. If in a society there is a high level of confidence, that is to say a „confidence culture" exists, then the transaction costs significantly decline, and the chance for cooperation increases (Offe [1996] p. 10.).

Supplementing Luhmann's approach, we can say that trust exists basically at the interpersonal level. In the trust literature, one often finds notions as trusting in a group of people (collective trust), or as trusting in a system (system trust), but all of these concepts are in fact forms of confidence. In other words, confidence between an individual and an institution or an organization (Earle [1995]). Differentiating between the concepts of trust and confidence is particularly important, since in the area of e-commerce, where significant anonymity and large geographical distances exist, the concept of confidence weighs in heavily. The success of e-commerce essentially depends on whether there will be an institutional system which will gain the confidence of the market actors, and thus allows the smooth functioning of this market.

Interpersonal trust and confidence in social institutions are two very different notions (Rothstein [1998]). The problem with the concept of confidence is that it is backward looking, only limited to the familiar world, and is based on past experiences (Earle [1995]). According to Luhmann, however, (interpersonal) trust is forward looking; it is an advance on the future success. In other words, it is a bet on others' future possible actions (Sztompka [1999] p. 25.).

Confidence and trust thus differ from each other in their alternatives (Luhmann [2000]), but they are connected (Zaheer and others [1998] – in Bicchierri and others [2002]), and together they influence each other, while they also shape transactions.

Economic actors often form opinions about a group of people, institutions and organizations, based on past transactions conducted with individual representatives of the collectivity (McEvily and others, Stewart – in Bicchieri and others [2002]. Confidence, or collective trust, forming in this manner, later could be transferred, or it could serve as a proxy when forming a personal trust relationship with other members of the collectivity. Especially so when the personal knowledge of the other members of the collective entity is missing or limited (Bicchieri and others [2002]. It is often characteristic of economic transactions that one or more (or even all) actors in the exchange are organizations (a company or firm), and that the transactions are embedded in an institutional framework. Therefore, it is safe to say that virtually all economic exchanges include in themselves an element of both confidence and trust, and these two components are present simultaneously in different magnitude, while mutually influencing each other.

The minimal group paradigm (based on the work of Tajfel) of social psychology is an excellent illustration of the discontinuity between individual and group behavior. According to this paradigm, when facing the same choices, individuals tend to act differently depending on whether they face an individual or a group, or when they are a member of a group (Bicchieri and others [2002]. Presumably this is the reason for the formation of this complex relationship between confidence and trust, in which these two phenomenon are mutually influencing each other, allows them to transform into one another.[9]

In the trust literature there seems to be agreement on the elements necessary for the formation of trust: uncertainty, risk, and vulnerability. „In the textbook world of perfect information it is hardly necessary to have trust. Thus, the ground for trust, and distrust, is at the same time the realm of imperfect information and uncertainty" (Hámori [1998] p. 85.). Trust comes to our aid when a future event is not completely under our control (Sztompka [1999] p. 21.), as well as when „the increasing social and technical complexity elevates the probability that some key portions of the system cannot be safely counted on" (Clark and Short [1993] p. 384. – in Sztompka [1999] p. 13.].

The functioning of trust in the transaction

Economic psychology notes that the social identity of an individual or collective actor can significantly influence the outcome of a transaction, or the magnitude of the transaction costs measured in money (Garai [2003] p. 194.). For instance, how much easier it is for a consultant to sell a study, than for a university researcher to find funds for the same research, even if she requests a much smaller amount.

Social identity becomes a central issue for examination of the new economy when we take into account another special characteristic of the information good. Namely, the fact that the buyer always searches for information that is compatible with her already existing information, knowledge, abilities, and thus her social identity. What is for some simple data is for others indispensable information, depending on which social identity the buyer possesses, or which social identity category she wishes to strengthen by purchasing and utilizing the information. Social identity is also a determining factor in the formation of the level of trust and confidence.

In transactions, where trust is a decisive factor, it is crucial to examine the attributes, characteristics, and relationships of the participating actors, since the magnitude and direction of trust (distrust) is largely a function of these qualities. Because of the peculiar nature of an information good, the actors in a transaction will look for other guides beyond the attributes of the product when deciding whether to go ahead with the transaction. And under what conditions if they do so. In order to demonstrate this idea, let us look at an example:

The classical form of information transfer is education, where the seller in the economic sense is the teacher, while the student acts as the demand generating buyer. When the college student yearning for knowledge is contemplating on whether to enroll in a certain class taught by a certain professor, then just because of the nature of the transaction, she has really limited information about the class curriculum. Since for her decision, the student cannot gather more information about the „product", or service, without taking on the given subject, she has to look for other guiding points. In this type of situations the student will come to a positive decision when she trusts that the professor will deliver the „product" as promised. In order to reach this particular point of trust, the student will examine both her own and the professor's identity. The student will analyze whether she, as a student, possesses that special identity feature that would allow her to harness the information delivered by the

[9] The experiments of Bicchieri et al. (2002) validated the thesis of Zaheer et al. (1998), according to which „collective trust may influence economic activity over and above individual trust… [The results] suggests that the effects of an initial experience with a given representative of a collectivity extend beyond that relationship to interactions with other members of the collectivity" (Bicchieri et al. [2002]).

teacher.[10] At the same time, the student will also consider whether the professor's identity is in line with the expectation that he can deliver the given information. For example, the professor's 30 year experience in the given field, his teaching background, his scientific famework assumes an identity, which signals that he is capable of delivering the information product at the promised level of quality.

When the actors in a transaction are searching for guiding points, in effect interpreting the available information connected to the transaction, they are trying to maneuver to a social identity dimension in which the consummation of the transaction is possible; i.e., in which all actors reach the necessary or desired level of utility. It is certainly possible to have more than one such dimension. Out of the possible dimensions which will be chosen depends on the mutual maneuvering of the actors. Along the various identity dimensions the magnitude and the nature of trust varies. The level of trust and in what direction and magnitude it will influence the transaction costs, and therefore the price, depends on which dimension the parties agree on. Hence, prices are directly influenced through transaction costs, by the trust level between the parties involved in the transaction; and the level of trust depends on which social identity dimension their agreement is founded.

The relationship between trust and social identity in economic transactions

When we discuss the emergence of the issue of trust in connection to a transaction, then we actually highlight the fact that actors in a transaction aim to find some kind of mechanism that could lessen the complexity of the decision making process. Instead of striving for a completely informed state, which could be extremely costly or even unattainable,[11] the buyer and the seller concentrate on finding or developing a trusting state in which the chance for the creation of a costly „game” [competition] falls. In a costly bargaining game the buyer would intend to gather as much information as possible about the information good, while the seller would attempt to shield all crucial information. If the buyer is successful in gathering enough information, then it will probably be useless for her to purchase the information good, since she has already taken the „product” into possession without actually paying for it. Therefore, it is crucial for the vendor to offer some other kind of guiding points that show that the good is exactly what the buyer needs, without actually giving away the content. If the seller is unable provide further information beyond a certain point about the product, then there is no other solution for increasing the level of trust in the transaction than attempting to represent herself as a reputable seller who deserves the buyer's trust. In other words, she will try to maneuver the transaction into another identity dimension, where the level of trust is hopefully higher. These types of maneuvering techniques are characteristics of the entire economy. Firms often spend significant amounts on advertisements, not in order to send more information to the potential buyers about their products; instead these campaigns are designed to strengthen their identity by communicating to the buying public that it worthwhile it to buy from their company. These advertising campaigns are also regularly aiming to persuade buyers that the given firm's products help them to attain or to strengthen a certain social identity dimension they might desire. 'Reputation is a capital asset' (Dasgupta [1988] p. 62.), it is a sort of investment, a resource which allows us to elicit from others some other valuable assets, among them, their trust and all that goes with it” (Sztompka [1999] p. 75.).

[10] For instance, she has completed 4 years or collegiate level algebra necessary to be able to use the information that will be given.
[11] For instance, in the case of the information good, where the buyer does not have the opportunity to fully inspect the product before the purchase.

Human beings have a tendency of creating various social categories, into which they classify themselves and others to. The peculiarity of this process is that the individuals tend to exaggerate or diminish the difference between themselves and others in order to shape or strengthen the dimensions of their social identity (Garai [1997] p. 61.). The connection between trust and social identity in economic transactions, or in the development of cooperation, can be deduced logically from the evident fact that „people tend to trust those who are similar to them, and tend to distrust those that differ from them [along one or more significant dimensions] (Earle and Cvetkovich [1995] p. 17. – in Sztompka [1999] p. 80.). The reason for this, according to Hardin ([1993] p. 512 – in Sztompka [1999] p. 80.) is that individuals are better at foreseeing the behavior of others when those others are similar to them by the criteria of an important category. The level of trust is positively correlated with the degree of familiarity. Businessmen and tourists often frequent the same hotel and restaurant chains, they look for the same foods and stores to which they are accustomed at home. In an environment where the levels of uncertainty and risk are high, the occurrence of a transaction between two parties is likely when the actors are familiar with each other, and in addition they are members of a well definable group or association (Cook and others [2002]). In such situations, group (or category) membership is unambiguous for every participant, and the transactions will materialize between the member of the group, while those outside the boundaries of the group will be excluded from any transactions (Cook and others [2002]).

Of course social identity does not only include categories such as skin tone, religion, ethnicity, or some kind of group membership (for example: family), but also refers to various social roles (for example: employee, employer), or to social qualities such as rich or poor. „People often adjust their trusting expectations to social roles, rather than to persons. As people usually have multiple roles, with different expectations accruing to each, they may be trusted in one capacity and distrusted in another" (Sztompka [1999] p. 56.). These are exactly the situations in which the above mentioned maneuvering mechanism gets underway.

> „One of the emotional – and value centered approach of sort to trust is associated with Jones and George (1998), according to whom the development of trust depends on the two parties' ability to form the same definition, frame of representation, about a given (social) situation. The emergence of a mutually acceptable frame of representation rests on how the actors' value system, attitudes and emotional states are similar to each other, and how mutually they perceive this similarity" (Tarnai [2003] p. 687.).

Though not explicitly stated, the above cited approach attributes the development of trust to the previously outlined social identity phenomenon. Our value systems, attitudes and perhaps emotional states are similar to others' if they stem from the same place, i.e., they are the characteristics of the same social category. An important note: besides similarity it is crucial to highlight the significance of the mutual perception of similarity. The cardinal purpose of the maneuvering mechanism is to verify that the other party has similar views on the situation, on the handling and the conditions of the potential transaction. Since this is the situation when trust can influence the transaction, or prices, in a way that the two parties can possibly reach the most optimal agreement. Theoretically, if the actors in a transaction are successful in developing a similarly high level of trust towards the other, then the negotiated price will be as close as possible to the equilibrium price defined by classical economic theory. Implicitly, if a significant asymmetry exists between the trusting attitudes of the two parties, and the transaction still materializes, then the price of the product or service will be closer to the preferred price of the less trusting party. Fundamentally, at the initial point, it is almost certain that the parties involved in the transaction have asymmetric levels of trust. It is easily imaginable that in a situation one party completely distrusts the other, while the other feels a high level of trust towards him. As Balazs [2002] notes, in the trust literature most authors view, or at least implicate, that trust is a relation, often implying reciprocity. Of course this assumption is irrational since, as mentioned above, there is a possibility for significant asymmetry in the levels of trust; therefore, reciprocity and mutuality are not necessary requirements for the existence of trust (Balazs [2002]). Hence, in accordance with Balazs [2002], it is preferable to view trust as an attitude rather than a relation. In a transaction the relationship between the parties is characterized by the social identity dimension on which the agreement is based, and the quality of the relation is the result of the maneuvering. However, the trust attitudes of the parties towards each other are still a necessary part of the analysis, since by itself the identity relations of the parties could prove to be misleading. Consequently, it is essential to highlight the importance of the trusting attitudes of the actors to a given identity dimension. For an illustration of these thoughts let us borrow an example from James S. Coleman [1990] in regard to the doctor-patient trust relationship. According to Coleman, in the U.S. the classical trust relationship between a doctor and her patient has been shaken in the past decades. This is proved by the enormous increase in the number of medical malpractice lawsuits filed by the patients against their doctors. This led to an increase in the prices of certain medical procedures,[12] some doctors gave up on private practice, and in at least one city doctors refused to treat female lawyers or wives of lawyers. The example shows that the loss of trust eventually led to a rise of medical costs, and to a worsened availability of services (Coleman [1990] pp. 102-103).

In a social relationship, in order to reduce the perceived levels of uncertainty and risk, and to increase the level of trust, the parties will begin maneuvering. They are trying to find (or form) such social dimensions in which a given situation will be judged similarly by all actors, and the reactions of others can be predicted. The reason for the importance predictability is one of the most significant lessons from game theory: it is not only important what I think you will do, but also what I think what you think I will do. Actually this is a vicious circle that often leads to suboptimal outcomes.[13] Trust, if its level is necessarily high, will break this circle. The degree of trust, and how much it leads to an optimal outcome, depends on whether the parties are able to find a common frame of representation, a social identity dimension, which allows better forecasting and predictability of the reactions of the other parties involved in a given situation.

In the trust literature we can often find reference to observations that some individuals have a trusting, while others have a distrusting disposition. As in a societ,y the level of confidence is a product of history. The trusting impulse of an individual is the product of personal biography (Sztompka [1999] p. 99.). But, are those that exhibit high level of trust towards strangers overly naive? Kőszegi [2002] argues, citing Yamagishi and Kikuchi and others [1999], that those with a trusting disposition develop a kind of „social intelligence" during they lifetime, which enables them to easily differentiate between trustworthy and untrustworthy actors. Regarding this issue, Sztompa's ([1999] p. 127.) reasoning is also noteworthy, according to which: not individual personality traits, but the personal capital characteristic of the individual is the cause for the more common and higher level of initial trusting impulse.

> „The assets we posses serve as a kind of insurance of our trust, because they lower our relative (subjective) vulnerability in case trust is breached. Having large resources we have backup reserves, the potential losses mean less to us, and thus our relative (subjective) risk is lowered. This predisposes us to more uninhibited bets of trust" (Sztompka [1999] p. 127.).

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[12] As the result of the rise in the prices of malpractice insurance.

[13] Think of the prisoner's dilemma.

Those individuals who encountered many personal sufferings during their life, understandably trust less in others and are more likely to send signals that indicate a lower level of expectations regarding possible cooperation. Other actors might interpret these signals as that it is not worthwhile to cooperate with such individuals. „Hence, those whose backgrounds worked against developing trust in their early years may later not only fail to grasp opportunities when they are available, they must also be offered fewer opportunities than others are offered" (Hardin [1997]).

Our trusting impulse towards others thus depends not only on the characteristics of a given situation, but also on our personal experiences, and on our personal distinctiveness or similarity to others; in other words on our social identity.

Summary

Our world is more and more characterized by complexity and interdependency. In the developing New Economy the role of information and knowledge transfer, along with the role of cooperation, have become among the most important issues. As a result of the specific nature of information (as a product), the buyer is, most of the time, unable to inspect the product before purchasing. Thus there is a need for other clues to decide whether to go ahead with the transaction. Hence, it is speculated that the functioning of such a complexity reducing and cooperation aiding psychological mechanism as trust becomes a focal point of interest. The importance of trust had been discovered by economists long time ago; however, it has only recently become necessary to investigate the role of this factor in the process of cooperation, in the market and in the internal organizational transactions, as well as in connection with the formation of prices. The level of trust between the participants of a transaction directly influences cooperation, price and the entire transaction through transaction costs. And the level of trust between the two parties depends on which social identity dimension their agreement is founded, itself the result of mutual social psychological maneuvering.

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