

## **Invest in Trust as A Road to Superior Local Governance: A Proposal for Research**

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### **Abstract**

Trust in government, especially at local levels is an ongoing topic that interests and draws attention of researchers worldwide. When a government is trusted or is perceived as trustworthy people are more willing to cooperate which usually leads to a better performance. Despite the benefits that a government may gain from being trustworthy, in reality a government will decide to neglect a tendency to be trusted in favor of other incentives it views as more rewarding. The primary goal of this article is to discuss the meaning and all the elements of trust in order to propose to undertake a study to examine why or why not local government chooses to invest in trust using the relevant economists' tool, the prisoner's dilemma game theory model, to explain individual and group behavior in the trust relationship between local government and its citizens. Hence, to result in mutually beneficial outcomes, the concept of the Golden Rule will be proposed as a way to embrace investment in trust from both players in the game of trust to overcome distrust and take advantage of mutual cooperation by the local government and the citizen. The output of this article can act as a basis for knowledge that will be used in future relevant research, especially to carry forward practical recommendations on the promotion of trust for the local government and the citizen.

**Keywords:** Trust, golden rule, ethical compass, local government, citizenry

## Introduction

Though it depends on countries and local situations, the level of trust in government globally has been found to be in deterioration for a very long time. Consequently, the trend for trust in local governments, as part of the executive branch, is inevitably following a similar pattern (Van de Walle, 2017; Foster & Frieden, 2017). One possible explanation, in the case of local governments, is that they are furnished with delineated powers and duties to manage their own public services, and their primary societal responsibility is to strive to bring benefits, including the quality of life and economic development, for their citizens and the communities they serve; these are deemed as their core values (Monaghan, 2017). Hence, local governments doing more is better than doing less; at the same time, reducing what local governments do to live up to those values or performing to unacceptable standards is not desirable as it will most likely impact the expectation levels of their citizens which are inevitably influenced by trust (Lowndes & Pratchett, 2012).

It is believed that public trust is at the heart of the work of government agencies and government officials. The main reason is because citizens are taxpayers and law-abiding; if they do not trust, government agencies run the risk of both lacking a budget to work and chaos due to the fact that the citizens may rebel and overlook the law of the country. In addition, a lack of trust may have the effect of demotivating citizens to cooperate with the public sector, so that the performance or existence of the public sector will no longer be meaningful. The Organization for Economic Co-operation and Development (OECD) pays a lot of attention to how bureaucratic organizations like governments are performing to create trust as it believes that “ethics are the key in bureaucracy” and ethics are built on “trust”. Furthermore, trust is the basis of bureaucracy and being trustworthy will ultimately lead to good governance and superior performance. Despite the importance of value in trust, the level of trust of an individual is different and depends on a variety of factors; these may include differences in beliefs and cultures, racial and social characteristics (such as economic status and education), the level of participation and interaction with government officials and agencies, understanding and recognition of responsible activities or campaigns that the government administers, and people's understanding of the nature of work performed by the government, which may not directly and immediately affect the people (Office of the National Economic and Social Development Board, 2007).

Since the Constitution of the Kingdom of Thailand B.E. 2540 (1997) and the Determining Plan and Procedures in Decentralization to the Local Administrative Organization Act B.E. 2542 (1999), several important changes have been made to the local administration of Thailand, especially the ongoing decentralization process and promotion of public participation processes in managing communities. As a result, the local governments’ — both forms of local administration: ordinary local government (municipal and provincial administrative offices) and special local government (Bangkok and Pattaya City) — context of economic, social, and political matters has been continually transformed, so that the authorities of the local government have a greater awareness of the people’s right to freedom as well as to self-government, and their role as citizens in democracy. However, it does not necessarily mean that the implementation of the decentralization policy to

the local governments will be sprinkled with rose petals. Despite improvements that were made due to the positive impact of decentralization, the obstacles have been identified. The central government cannot fully allocate income to the local governments (as prescribed in the Determining Plan and Procedures in Decentralization to the Local Administrative Organization B.E. 2542 (1999)) and cannot transfer certain local public service tasks. At the same time, local governments cannot generate enough revenue of their own to be self-reliant and, thus, are unable to initiate their own local development. Structural problems, specifically separation of powers between regional administrations and local governments, still reveal some overlap, which produces a gap in administration and public services. Administrative systems tend to be more bureaucratic, lack mobility, and cannot meet the needs of the people effectively. These are just some of the obstacles that arise with local governance, which consequently are identified as issues that lead to a reduction in trust in local government and subsequent inferior performance.

That said, despite the rationale of what a local government should do so as to uphold its high level of trust — that is to “invest in the conditions of social cooperation for mutual advantage” (Suchanek, 2007) — from an economic perspective, the reasons behind the limited investments in trust (not making a sufficient effort to meet or live up to expectations) may be related to possible arbitrary risks due to the limitation of authority and power under the law, as well as to the unlikelihood of tangible returns from which a local government would benefit (Petersen & Vredenburg 2009). Principally, greater levels of trust will be gained by local governments through the successful delivery of sound public services, which is a vital mechanism for local governments to honor legitimate trust expectations, and a greater level of trust should eventually lead to greater stability and ensure the survival of the political regime in local government (Hetherington, 1998; Levi & Stoker, 2000; Fulmer & Gelfand, 2012). Conversely, dissatisfaction derived from expectations which are not met or achieved at lower levels will reduce trust in the trust relationship between local government and citizens and consequently lead to problems or political strife (Nye, 1997; Chanley, Rudolph, & Rahn, 2000; Klijn, Edelenbos, & Steijn, 2010). As a result, it is very critical that local government strives to honor legitimate trust expectations, which is an important foundation and can be a creation tool, by making contributions as a way to demonstrate “the fulfillment of legitimate trust expectations” (Suchanek, 2007). In other words, local government can simply gain more trust by living up to the promises (being ethical) it makes as a way to demonstrate its core values. By being more ethical, local government will be awarded trust which can empirically be seen as producing less resistance or conflict as well as more compliance and cooperation.

To further explain this, first, we have to understand that while citizens are considered to be the genuine owners of a local government (through the election of the representatives and leader who are the true drivers of local government), nevertheless, the important decisions are rendered by the local government itself rather than by the citizens (Coff, 2003). Secondly, the term of office of the administrators in local government, who are the elected administrator’s team and representatives, is usually only four years and their performance are evaluated annually. Therefore, they cannot wait for the investment in or implementation of

policies with a long gestation period, which normally are considered more important than the shorter-term policies. As a result, they tend to adjust their strategic plans and policies according to the short-term (such as fulfilling routine operations) rather than initiating a long-term effort or implementation of long-term local government development programs (such as establishing a long-term financial mechanism for sustainability), which often offers high uncertainty, so as to satisfy the needs of a majority of the citizens. In some cases, local governments expand information asymmetry to possibly reduce the chances of citizens actively intervening in the local government's decision-making processes and, in some cases, as a way of reducing political conflicts which will be troublesome for their administration (Koma, 2010).

It remains unclear how a local government may realize its responsibility and role from a normative perspective because, despite the benefit it may gain from raising levels of trust through various chances of promoting trustworthy activities, the decision may not always be in harmony with the Golden Rule to “invest in the conditions for social cooperation to mutual advantage” as a way to raising the trust level in the trust relationship (Suchanek, 2007). Studies on such issues just outlined would bring about a position to understand what forces are shaping this phenomenon in Thailand; the author ultimately hopes that the output of this study will play a major role in bringing about this renaissance of the situation. The research will involve the presentation of empirical evidence of some kind in an attempt to systematically and explicitly apprehend the trust phenomena. The local governments within Thailand will be used as a unit of analysis for this study to understand the nature of trust relationship between local governments and their people, along with utilization of a number of methods which will later be used to address answers to the study's research questions. Hence, the primary objective of this article is for it to be used as a starting point for the author to conceptually discuss a gap in understanding the precise rationale regarding why a local government should choose to invest in trust as a way to be responsible as well as to avoid possible conflicts with its local citizens and to lay a theoretical foundation for upcoming research studies.

### *Theoretical Background*

Most people know of trust as a part of human interaction and behavior (Christensen & Laegreid, 2003; Hetherington, 2005; Zou & Jiang, 2010; Reitan, Gustafsson, & Blekesaune, 2015). Luhmann's (1979) definition of trust involves the realization of one's own expectations toward a solution for specific problems of risk. So, trust involves risk and is considered an expectation that arises from uncertainty, sometimes with the absence of comprehensive information, with the belief that one party will not exploit the relationship while not left vulnerable (James, 2002). This draws a generalized concept of trust as well as highlights critical elements to be considered in the trust relationship which include: incomplete information, risk, vulnerability, expectations about future outcomes, and willingness to be vulnerable (Baldvinsdottir *et al.*, 2011). So, it can be summarized that it is vulnerability and risks that drive trust. Moreover, there are several connotations to define trust and they are used in a myriad of different ways. However, there is still no clear definition of trust.

For years, literature from various disciplines has contributed to shaping the trust concept and its definition so much that the concept itself has become very broad and rich. This not only helps us to better apprehend the mechanism of trust and its role in the relationship of those who are involved but also adds a deeper understanding to the literature of this topic. To better understand the nature and conditions of trust, author proposes to categorize the major trust concept from various sources in an orderly fashion using similar classifications to Lewicki & Bunker (1995) and Soh, Reid & King (2007) to develop a construct of trust based on the categorization from each context below:

**Table 1** Classification of Trust's Perspectives

<b>Discipline</b>	<b>Perspective of trust</b>
Philosophical thinking	An ethical principle
Personality theories	A distinguishing quality or characteristic of an individual (trait)
Societal perspectives	An institutional phenomenon
Interpersonal relationships	A communication or expectations of an individual in an interpersonal relationship
Economic/business	A substantial element in economic transactions/game

By following this classification, the viewpoints of each discipline will form the specific characteristics of different types of trust, and lead to the solidified view that helps the formation of the precise trust concept and inaugurate conceptual framework for relevant logical validity to this study.

*Philosophical thinking* – The philosophical thinking in regards to the concept of trust, including its relevant nature and conditions, is rooted way back to the civilization in the period of ancient Greece (Bailey, 2002). During that time, the most profoundly accepted scholar who had brought the early concept of trust into the limelight was Plato (424-348 BC). Plato introduced an important characteristic of trust: that is, there is always a price to pay from doing bad deeds, so it is believed that an individual's fear of punishment will prevent him from doing bad deeds, committing crime, or breaking the law which will embrace others' confidence and people will rely more on each other, which Plato emphasized as a main characteristic of trust. In other words, Plato believed that when people trust each other, it means that they positively believe that their confidence will not be harmed, despite the fact that the outcomes of trust relationship are unpredictably risky (they are vulnerable). Others will also value the same principle and will not break the trust relationship (to exploit their vulnerability) because this cooperative relationship can be managed through social norms or the enforcement of laws (Bailey, 2002). So, Plato's elementary thought on the concept of trust is not only still relevant to the context of today's world but laid

out a significant contribution to the concept of trust in other disciplines and is still being used by many trust researchers (Wang & Emurian, 2005). In addition to Plato's basic understanding of trust, there are many philosophical definitions of trust in the literature of this kind that supplement the understanding of trust previously introduced by Plato and that should also be highlighted, such as Baier's (1994) and Fukuyama's (1995). Baier's (1994) confirms the philosophical perspective of Plato on trust that a trust relationship occurs when the vulnerability to the chances of being harmed by others in a trust relationship is at an acceptable level where an individual agrees to the vulnerability and starts trusting his counterpart in the trust relationship. Similarly, Fukuyama also agrees that a trust relationship occurs regularly and the decision to initiate or abandon a trust relationship is often made at the individual level. However, Fukuyama further expands the philosophical perspective on trust by explaining that surrounding forces such as culture and social norms also play significant roles in an individual's decision-making process whether or not to accept the vulnerability in a trust relationship (Fukuyama, 1995). In a nutshell, the early concept of trust in the view of philosophical thinkers is that it is a vital part of human interaction which is a necessary, spontaneous and habitual occurrence. So, trust is a foundation of every society that creates social norms and shared values and is part of ethical principles. Without trust, society will be organized in a disorderly or unformed manner. However, these understandings also create a crossroads to a later argument on trust in regards to whether trust is an individual characteristic or influenced by an institutional phenomenon.

*Personality theories* – The focal point in the studies conducted by the personality theorists is to find an explanation why each individual copes with the world or other people differently. In the view of personality theorists, trust is based on an individual's style in exercising feeling, emotion, belief, etc. (depending on each person's preference) to respond to a situation when the individual is put into the risky position of being vulnerable (Cheung & Lee, 2006). That said, personality theorists believe that each individual has his own style of dealing with trust situations, based on his past experiences, culture, or even family background (Hofstede, 1980). So, to trust someone is not really based solely on the other party (trustee) and personality psychologists believe that an individual's characteristics play a vital role in helping to judge whether to trust or not to trust based on the generalized view of that person's trustworthiness. This helps explain why some people have a tendency to trust (in the same situation) and some do not (Rotter, 1967; Rotter, 1971; McKnight *et al.*, 1998). Trust is lifelong rather than an event: at one point in a life time people may be likely (or unlikely) to trust more, so, this theoretically means trust is a personality trait. If that is the case, then this explains why small children are likely to trust other parties when adults do not (Bowlby, 1982; Erikson, 1968; Rotter, 1971; 1980; Fukuyama, 1995). In short, the personality theorists' view on trust is based on the belief that everyone is born with a disposition to trust; over time people develop an expansive range of trust in different situations based on life experience, emotion, habits, etc., which create different expectancies in a trust relationship, which

personality theorists often call social learning (Erikson, 1963; Rotter, 1967; Erikson, 1968).

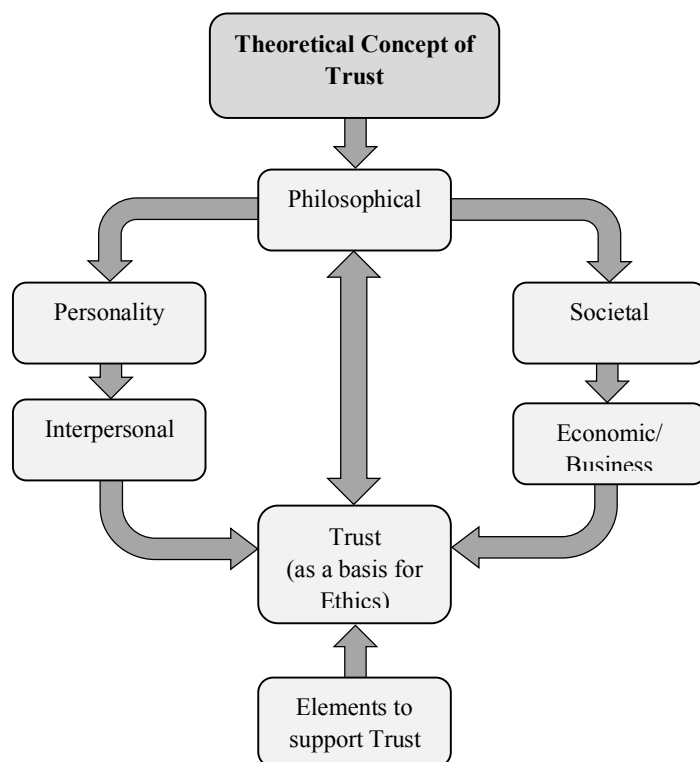
*Societal perspectives* – While personality psychologists believe that trust is based on the personality trait, something which everyone is born with, sociologists place emphasis more on the situations or people that an individual encounter in their relationships with others. Sociologists do not object to the viewpoint of personality theorists that everyone is born with an identically basic trust; however, they argue that over time basic trust is challenged by a number of life experiences (either good or bad), which vary from person to person. So, in this sense, basic trust remains unharmed throughout an entire life; instead, situations or people that individual encounters in life constantly change and are deemed critical to the innate willingness to trust in each individual (Lewis & Weigert, 1985). Based on this argument, sociologists see that trust is an interpersonal process as human relationships are, for the most part, interdependent or mutually reliant on each other, so that trust is considerably an essential element for numerous social and transactional relations (Luhmann, 1979). Additionally, the reasons why an individual's inborn trust shifts or is broken down into a different array is mainly because innate trust in each individual is challenged differently by different societal aspects. Thus, sociologists believe that trust is determined by the interaction with society and the situations or humans that an individual interacts with rather than by the personality trait as explained by personality theorists; hence, it is the sociology that matters most in the trust relationship (Granovetter, 1973; Fukuyama, 1995; Hosmer, 1995).

*Interpersonal relationship* – Based on the viewpoints of personality theorists and sociologists, the main focus of social psychologists in investigating trust is to identify the characteristics or contexts that make the trusted party appear to be more trustworthy, more willing to be trusted or to be vulnerable (Lewicki & Bunker, 1995). Social psychologists look at situations or contexts that have an impact on the formation of a trust relationship and which in this case are relevant to interpersonal relationships rather than a person's state of mind or contextual elements alone, as they take the view that either internal elements (i.e., personality, competencies, etc.) or external elements (i.e., environment, etc.) are all influential for development of a trust relationship as well as its outcomes. Additionally, social psychologists strive to investigate different types of interpersonal trust that can be created and found that interpersonal trust can be developed in two different contexts: (i) intimate personal relationships, and (ii) business (working) relationships (Lewicki & Bunker, 1995).

*Economic and business* – Economic and business transactions are one kind of interpersonal behaviour between two parties: the “principal” and the “agent”. The agent (i.e., a business partner) tries to do everything possible to maximize his/her profits in the relationship and, thus, theoretically can never be trusted (Williamson, 1974). In this environment, the principal (i.e., a firm) is running the chance of encountering more risks (i.e., making less profit, managing inefficiently) due to

the untrustworthiness of the agent, as he/she always tries to maximize the profit (Hill, 1990). One of the measures the principal deploys as a way to defend itself against an opportunistic agent is to apply the “control”; a serious measure employed by a principal over an agent’s actions to enforce behaviour/outcomes and which is often associated with penalties. Conversely, some principals choose to apply the “contract” measure; a more lenient safeguard interaction to enforce outcomes (i.e., communicating, negotiating, etc.). However, both measures come with a price by increasing the transaction costs of the “principals” in addition to the already existing costs embedded from being more vigilant in selecting their “agents” (trying to distinguish who will or will not cooperate) (Hosmer, 1995). So, trust in an economic and business relationship is an economically rational decision arising from an inability to distinguish an agent who is cooperative or opportunistic. That said, trust is a critical component in economic and business transactions because being trustworthy creates a reputation which can enable principals to more simply identify agents who are more likely to cooperate, thus reducing transaction costs (Bromiley & Cummings, 1995; Hosmer, 1995). So, the economic researchers’ prime focus in their studies is attempting to investigate the relationship between the business partners, opportunistic behaviours and how to reduce transaction costs (Williamson, 1993).

From the aforementioned review of the literature, the integrated concept can be presented as follows:



**Figure 1** Integrated View of Trust



It shows that the conceptualization and operationalization of trust that have evolved over time have a number of assumptions can be drawn portraying some consensus about the nature of the concept of trust despite some dissimilarities. Summarizing these findings, there are two parties involved in a relationship: the trustor and trustee, and there is always a possibility that the trustor will be harmed by the trustee's actions. So, by electing to enter into a trust relationship the trustor spontaneously, based on his analysis of the investment in the trust relationship, agrees to being exploited or to put himself in a risky position of getting nothing in return (vulnerability). At the same time, the trustee too can be exposed to an identical situation by getting nothing in return, and still not being perceived as being a trustworthy individual, despite his tremendous effort to invest in trust (Suchanek, 2017).

So, we have to understand that the first thing that drives trust is an innate willingness of a person to trust and take on the vulnerability and risks or what can be called a propensity to trust, which can be considered as a pre-requisite characteristic of a player who wants to enter the trust relationship game (Yang, 2006). Because once trust is invested in the trust relationship, then all the trustor can do is only evaluate expectations and decide to take further actions which may (or may not) contribute to the repeated interactions (Huff & Kelley, 2003).

The elements to support trust development between trustor and trustee, as further described by Suchanek (2012) are: (1) ability (the capacity of an individual to perform/complete tasks reliably), (2) non-opportunism (willingness to embrace trust relationship rather than destroying trust invested by actors in a trust relationship arising from an innate temptation to maximize profit), and (3) righteousness (doing no harm to others). Suchanek (2012) further explains that, in the trust relationship, a trustee signals his ability, which can be referred to as the capacity to perform what one says he can perform, to be trusted through various activities such as, corporate social responsibility (CSR), pro bono work and so on. Based on evidence provided by the trustee, the trustor has the role to decide whether or not the trustee should be trusted (whether the trustor should invest his trust, putting himself in a vulnerable or risky position, in the trust relationship). However, it is noticeable that ability is situation-specific (specific to the thing that one is being trusted to do) and not generalizable. In any given relationship, one will gain (or reinstate) trust if he can do what he says he will do (Costa, Roe, & Taillieu, 2001).

Like every other game, cooperation in the game of trust, where two players must decide whether or not to cooperate with each other, can be altered when one player decides to honor incentive over the trust or being trustworthy as perceived by another (Brühlhart & Usunier, 2012). The potential opportunistic behavior of one party, as a way to protect himself from being vulnerable or at risk (to protect one's interest rather than the other's), is really troublesome in the trust relationship and often a game changer of the structure of the game of trust or trust relationship in a way that the players are looking for an incentive to cooperate, rather than trying to neutralize the vulnerability faced by others. So, being non-opportunistic means value trust created to remove vulnerability or meeting the choices of others to foster credible commitments in exchange relationships and not taking advantage. In the trust relationship, righteousness can be the way to illustrate if players really care for one another -

for their own gratification but they really care (Johnson & Mislin, 2011). The righteousness element is a way to improve trust relationships by reducing friction between parties, improving perception of the player's (trustee's) trustworthiness and building a perception of ability, so that consequently trust will be built (Wu, Chen, & Chung, 2010).

Hence, to comprehend the role of trust in the context of the trust relationship between local government and citizens, a citizen, based on the aforementioned concept, can be referred to as a trustor who elects to abandon control over the actions performed by the trustee or the local government despite the vulnerability (involving the risk of failure or harm if the trustee will not behave as anticipated) he may have to endure about the outcome of the actions (whether beneficial or harmful) (Kim, 2010). Realizing that trust involves some level of risk and that risk has consequences - in harmful or beneficial ways, citizens recognize that those consequences, beneficial or harmful, are dependent on the actions of their local government (Mossberger, Wu, & Crawford, 2013). Citizens will trust when they are confident that their local government will behave in the way that beneficial consequences will result. Conversely, citizens will most likely elect to abandon the trust relationship as soon as they realize that there is more to be lost from the harmful consequences than will be gained from the beneficial consequences. So, in order for the local government to gain or establish a trust relationship with its citizens, local government must do what it can to increase citizens' confidence, such as keeping promises or doing no harm, that will allow citizens to trust that their investment in trust will result in those positive consequences (Warm, 2011).

Why is trust important? On an interpersonal level, there is the belief that the other will not do anything to harm one's interests or welfare, as we need to feel physically and emotionally safe. We have to feel that we can be who we truly are with someone; it is exhausting to put up a front all the time (Walker *et al.*, 2010). When people trust each other, they are more willing to openly express their thoughts, feelings, reactions, opinions, information, and ideas (Lamothe & Lamothe, 2011). When the trust level is low, people tend to be evasive, dishonest, and inconsiderate in their communication (Nunkoo & Ramkissoon, 2012). On a task-related level, there is the belief that someone has the ability to do what needs to be done and that they will do it, as we have to be able to count on others to survive. In a trust relationship between local government and citizens, the more citizens can trust local government, the more effectively they will work together (Kim, 2010). By trusting others, we can share resources, we can divide up the work, and we can give - and accept - help. In general, by trusting each other, we are able to accomplish mutual goals - we can help each other. So, this leads to the question of how someone can increase the likelihood that others find him trustworthy (Greenwood & Van Buren III, 2010).

#### *Understanding the game of trust (as a way to build trust)*

Being trustworthy is a fundamental and essential part of every relationship. Almost every communication and relationship (including between local government and citizen) extolls the virtue of trust in relationships, as trust can mean the ability for somebody to count on someone else, which is a considerably important foundation (Hardin, 1940; Lewis &

Weigert, 1985; Barney & Hansen, 1994). But not only can trusting and being trustworthy be hard to define, deciding to invest or not to invest (to build or destroy) in a trust relationship, especially for local government and its stakeholders, can be even more troublesome (Lewicki, Elgoibar, & Euwema, 2016).

To trust means to rely on another that he will not take advantage of you, while simultaneously you do not take advantage of the other as well (Walker *et al.*, 2010). Principally, when one decides to trust someone, that is because of the previous reputation of the trustee or his illustration of a willingness to perform an action that is beneficial (by abandoning his opportunistic behavior or engaging in an action that is considered not harmful) to the trustor high enough for the other party to consider engaging in some form of cooperation with him. So, a trust relationship is a form of game involving different players and choices in a way that they may choose in order to earn reasonable payoffs as well as to act or not act in some certain ways (Kim, 2010). To explicitly explain this, economists and social psychologists normally use the prisoner’s dilemma (PD) to evaluate the different categories of solutions to the PD problem that players may choose in playing the game; in this case, how the trustor and trustee choose (or choose not) to invest in the game of trust. In order to propose possible solutions for solving dilemmas in the game of trust (trust relationship), the model displayed below of an adaptation from game theory (Myerson, 2013) will be utilized (Figure 2) to exhibit a model in order to explain the exchanges between the players in the PD game theory and understanding the investment in the game of trust.

		Player B	
		$i > 0$	$i = 0$
Player A	$i > 0$	1      1	-1      2
	$i = 0$	2      -1	0      0

**Figure 2** Illustration of the PD game of trust  
(Source: Adapted from Suchanek (2007))

Where:

- Player A = Local government (the trustee)
- Player B = Citizen or other stakeholders (the trustor)
- Player A,  $i$  = Investment in legitimate actions
- Player B,  $i$  = Investment in trust

The players in the PD game theory are not aware what another player’s action will be because communication is not permitted in this type of game; and because the players are rational, each player presumes the other player in the game will as well try to maximize his benefit. As a result, in order to win, players must find the winning strategy that gives the most payoffs or “dominant strategy” (the best option under given conditions). Hence,

for Players A and B the dominant strategy is to not cooperate ( $i = 0$ ). This suggests that even though most of us are aware about the benefit of trust and being trustworthy, the decisions can be influenced by other motivations or incentives under certain conditions which will not contribute or be beneficial to the trust relationship. For instance, if investment in legitimate actions is too costly or does not lead to the highest payoffs possible for Player A, then he will most likely choose not to cooperate in this game and exploit his dominant strategy instead (Player A,  $i = 0$ ). On the other hand, if Player B sees that he may be vulnerable or so highly at risk that it will be not be worthwhile to invest in trust (because it will be too costly if Player A does not act in line with Player B's expectations), Player B will also elect to exploit his dominant strategy (Player B,  $i = 0$ ), which means he will not cooperate in the trust relationship, leaving Player A in a vulnerable position had he chosen to invest in his legitimate actions. Additionally, as mentioned earlier, since communication is not allowed in the PD game theory the potential gain by both players (Player A and Player B,  $i > 0$ ) is often unrealized, which means no achievement or collective benefit will be gained from this trust relationship (Player A and Player B,  $i = 0$ ). So, given the above PD game theory model of trust relationship, in order to create trust or to gain mutual benefit from the trust relationship both players must act against their own existing incentives (e.g. payoffs) simultaneously and collaboratively leaving the question, '*how do we do that?*'

From the aforementioned dilemma on the structure of trust relationship, Suchanek (2007) explains that, even if investment in legitimate actions is likely to be the best solution (win-win) for local government which will ease the conditions in the future for local government, in reality not all local governments choose to embrace this strategy as their dominant strategy. We need to understand why local government behaves in the opposite way, for instance, perpetuating budget cuts, creating information asymmetry (reducing public transparency), undertaking moral hazards, or reducing R&D investments, all of which are often perceived as creating vulnerability or being harmful to citizens. We have to realize that decisions that are made based on: (1) the instinctive human nature of being rational (maximizing profit or being returns-oriented, rather than being risky), and (2) delimited alternatives (e.g. lack of abundant management resources), govern the "moves of the game" level in response to payouts (not investing in trust) and are influenced by hesitancy in how other players might react in the trust relationship. In addition, the levels of the "rules of the game" (institutions and institutional arrangements), also known as policies or rules, also play a significant role in how the game is played (Suchanek, 2017). If the level of the institutions and institutional arrangements are in favor of investment in a trust relationship, then the move of the game will likely be geared toward investing in trust.

By following a three-step model in which two premises of a different nature are set out, a normative nature and an empirical nature, and which helps identification of a practical *conclusio*, presented in Suchanek (2007), the general argument structure is as follows (Figure 3):

- (1) **Premise 1** – Normative orientation
- (2) **Premise 2** – Empirical conditions

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- (3) **Conclusio** – Practical conclusion

**Figure 3** Illustration of the three-step model general argument structure  
(Source: Adapted from Suchanek (2007))

From the above general argument structure, the primary question of the argument will be: Why would players in the trust relationship (game of trust) behave the way they behave (3), despite the fact that certain values in the relationship will be agreed/embraced by both players (1) (e.g. investing in trust creates improved conditions in the future). So, the response based on premise (3) and (1) is in (2); is also considered to be an underlying of the PD structure, which reveals empirical conditions that are in the way between will and incentive-driven. Therefore, the practical conclusion and its relevant research questions can be specified in the following Figure 4:

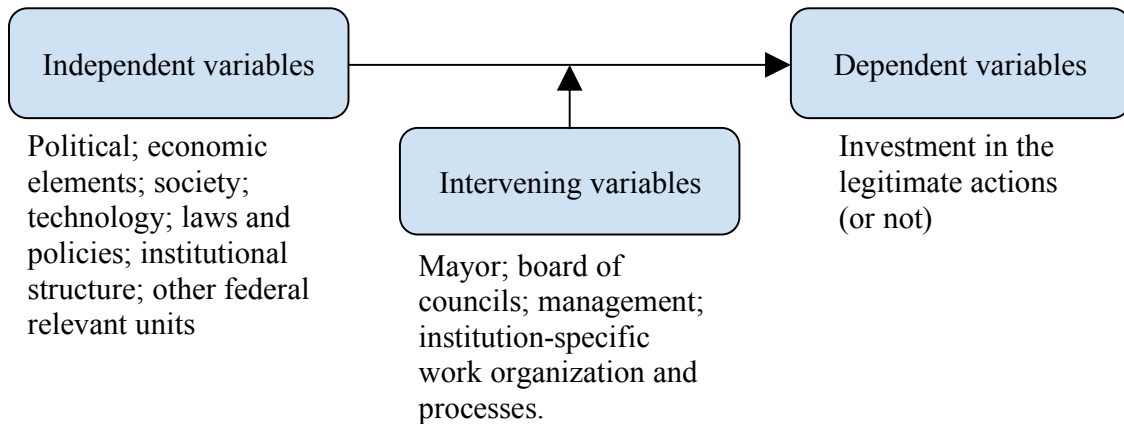
- (1) **Premise 1** Which role does the ultimate mutual advantage outcomes of “improved conditions in the future” play as goals to be pursued?
  - On which values are both players likely to agree?
  - Which crucial elements that drive actions and strategies by both players?
- (2) **Premise 2** How do the institutions and institutional arrangements function and how do they influence investment in the trust relationship decisions?
  - Under what empirical settings do local governments really act?

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- (3) **Conclusio** Implementation of practice-relevant indications (Golden Rule).
  - Which ideas and heuristics can drive local governments to realize their responsibility?

**Figure 4** Research general argument structure and research questions  
(Source: Adapted from Suchanek (2007))

By answering the research questions above, the implications of investment in the trust relationship between local government and citizens will be understood and perhaps help solve the dilemma by changing the structure of the PD game theory in the game of trust between local government and citizens so that both players have a motivation to cooperate, while simultaneously reducing the chances of being vulnerable. Figure 5 below exhibits the linkage between dependent and independent variables.



**Figure 5** Linkage between research variables and investigation objects

From the above, the *dependent variable* can be classified as the present investments (or not) in the way that will meet expectations of others as a way to build trust in a single unit of analysis (local government), while the *independent variables* in the model include institution-external elements. The *intervening variables* are institution-internal elements, which are varied by local government and impact on the overall company-external environment.

*Golden Rule as way to embracing trust*

We, as members of society and local government, expect delivery of public services, political performance, security, and economic well-being with quality and satisfaction in return for the trust we all invest in. At the same time, we do not expect to find any unclear democratic values (e.g. corruption) arising from the trust relationship, although in a given situation, there is an extremely high chance that the institution-internal and institution-external elements may not support the decision-making process in the trust relationship (Dalton, 2000; Kim, 2005). Hence, the guiding principle for the players in the game of trust has been established as a realization of the responsibility of the players in preserving trust in the trust relationship which can be referred to as the Golden Rule (Suchanek, 2017).

Suchanek (2017) explains that the Golden Rule is a form of moral norm that is built into and is common in every society in the world to demonstrate that one is caring for others. An example that can be found in the context of Thai culture is the expression “Ao jai kao, Ma sai jai rao” (“เอาใจเขามาใส่ใจเรา” or put yourself in other people's shoes). The expression is meant to express that if you want desirable actions done to you, then you, too, should do desirable actions (or do no harm) to others. It is another way to say your trust will never be betrayed which will be a signal, as well as to reduce hesitancy by other parties, to invest in the trust relationship. So, the normative orientation which will be proposed as a Golden Rule is: “Invest in the conditions of social cooperation for mutual advantage” (Suchanek 2007).

The above statement, “Invest in the conditions of social cooperation for mutual advantage”, is considered a self-commitment (responsibility) of the local government as a trustee and a way to reduce the vulnerability of the citizen as a trustor investing in the trust

relationship. By doing so, Suchanek (2017) explains that there are three basic forms of self-commitment contributing to increase the chances of investment in the trust relationship or of fulfilling legitimate trust expectations of the trustor, which include: (1) Keeping promises (do your best to deliver what you said you would do), (2) Adhering to rules (comply with the relevant rules and regulations), and (3) Respecting moral values (follow common values set out in society on a regular basis).

### *Concluding remarks*

Conceptually, trust deals with the interaction between two or more people. To trust means hoping that the other will act in line with one's interest and not leave one in a vulnerable or risky situation. Although the trust concept is often related to interpersonal interaction between people, since personal relations are not always possible, the aggregate or institutional level (e.g. local government) has been created.

One way to look at trust, at the interpersonal level, is to consider the elements or behaviors that contribute to the concept of trust which may include: (1) Intention (intent to do well to others), (2) Character (being honest, sincere, and behaving with integrity), (3) Transparency (it is about how open you are in your communication with others and not operating with hidden agendas), (4) Competence or capability (your ability to do things), (5) Reliability and consistency (keeping your promises and meeting your obligations), and (6) Integrity (having a set of values that other people agree with and you live by those values and other people agree with those values).

Trust relationship is a game which in general communication is not allowed. When one player decides to trust another that means that, based on his evaluation of the honesty, fairness, or benevolence (as well as the other elements mentioned above) of the other player, he is confident that the other party will not act against his interests or do harm to him. A failure in trust may be interpreted as a failure of competence to be benevolent or honest which may derive from the cost to change or comply (either in a monetary or non-monetary way) being too high or simply because the choice in the game is not appropriately set up in an incentive-compatible manner. As a result, three possible leverages for solving the game of trust (dilemma situations) in a win-win solution have been identified as: (1) via trust, (2) via institutional arrangements, or (3) via how they connect. Furthermore, three elements to support trust development among players in the game of trust are: (1) ability, (2) non-opportunism, and (3) righteousness. In addition, another option to improve interactions in the trust relationship or investments in trust is realization of the Golden Rule. Therefore, the outcome from this proposed study not only will be fruitful to academia but improvement in the trust relationship between local government and citizens will bring about positive change to the performance of public governance and a consequent improved quality of life of the people.

Finally, if a study of this kind is believed to be a necessity, the deemed suitable research methodology for this study is the 'interpretive' methodology (Walsham, 2006). In order to understand the complete view of the social reality in regards to trust relationship between local government and citizens and all the crucial elements that are involved in

formation of the relationship, the interpretive method is the qualitative methodology that is built on a grounded theory approach and used to generate knowledge to understand all facets of the social reality including personal experiential level (Grix, 2004). The overall design of the study will consist of: 1) a comprehensive literature review, 2) qualitative data collection based on selection of participants from the central, regional and local level of Thailand, and 3) examination and analysis of the collected data as a way to answer all the proposed research questions. Additionally, the approach that will be utilized during the data collection is in-depth interviews and focus groups. To capture a deeper understanding of the trust relationship and its coherence to other relevant elements, case studies will also be used with the aim to ensure that the results of the research have validity and reliability. Additionally, in order to precisely apprehend the degree of closeness between the central government's role in regional and local governance that embraces (or not) the trust relationship, there is a necessity that the physical existence of the researcher will be required. Hence, the researcher will need to spend time working within the local government areas, especially those selected to be used as case studies of the study.

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