

8. Local clusters, trust, confidence and proximity

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1. INTRODUCTION

The question of trust, although seldom studied as such, is often at the heart of local development analyses. The term is frequently used in research studies about districts or local systems of innovation. For Camagni, for example, it is the family or cultural bond and the relation of trust that goes with it that explain the agglomeration process. As for Becattini (1992), he believes that trust plays an important part in the socio-economic construction of relations in industrial districts, thus following Marshall's (1898) hypothesis which suggests that 'informed' trust is generated by the relations between the actors of one group (firm, district) and is then diffused into this collectivity. Trust is often presented as an indispensable ingredient of collective action and of the group's constitution at local level, or, to put it more simply, as an element that is inseparable from local interactions. It is thus a crucial concept in analysing the requirements and impacts of local clusters, something that is reflected in many of the other contributions to this volume.

Researchers in spatial and regional economy are interested in trust relationships because they relate to two conjectures that can be summarised as follows:

1. Local interactions have a crucial advantage over long-distance relations;
2. Local interactions are based on relations of trust.

From the combination of these two propositions, many researchers deduce that the existence of trust relationships is a determining advantage in the success of local systems of production or groups of producers, in particular because it protects against the anonymous nature of long-distance relations.¹

Interest in the concepts of trust and cooperation (two concepts that are often assimilated) is the result of Anglo-Saxon (Gambetta, 1988; Lazaric and Lorenz, 1998; Nooteboom, 2002; Weber and Carter, 2003) and then French (Aubert and Sylvestre, 2001; Laufer and Orillard, 2000; special issues of the *Revue du Mauss*, 1994 and of *Economies et Sociétés*, 1998) analyses of trust relationships and of the application of this concept to concrete situations. Indeed, this type of research provides opportunities to analyse the altruistic and super-cooperative behaviour of economic actors. These opportunities are exploited by researchers in spatial and regional economy because of their growing interest for questions related to learning and local organisational dynamics. Three main directions have been explored:

1. The analysis of *milieux* and innovating *milieux* (Hansen, 1992; Camagni, 1995). In this case, trust is considered as a commodity that generates solidarity between actors – a process that has more to do with the emergence of a collective behaviour than with an explicitly cooperative relation. From this point of view the definition of trust adopted is very close to the one proposed by Arrow (1974), who considers trust as a necessary lubricant of social relations.
2. A direction explored by conventionalist authors, and primarily by Storper (1995). They believe that the extreme complexity of inter-individual exchanges resulting from the high degree of uncertainty in transactions generates the need for interpretative intermediations, that is, local conventions or culture.
3. In the analysis proposed by researchers who study proximity dynamics (close to the spatial and regional economy above described but more evolutive), emphasis is put on the existence of community confidence, but also on determinants that are more related to individuals or even to the organisations in which they are embedded (Dupuy and Torre, 1998a, 1998b; Torre, 2000; Torre and Chia, 2001). In this case, a distinction is made between trust and rules inasmuch as trust is non-alienable and is therefore of great importance in face-to-face relations. It can thus help solve production-related problems.

These analyses highlight the link between trust and location, social relations being embedded in local contexts of interactions. However, they do not consider situations which go beyond a context of local interactions and which occur ‘in a modernity that increasingly tears space away from place by fostering relationships between absent “others”, locationally distant from any given situation of face-to-face interaction’ (Giddens, 1994). To transcend this slightly naïve outlook on the trust concept and the idyllic role it is believed to play at local level, it is necessary to thoroughly analyse

the relation of trust generated between actors who are ‘embedded’ in social networks. We shall emphasise its importance in an analysis of the role of proximity in the collective dynamics that trust contributes to create and in the relations between organisations and territories.

2. THE RELATION OF TRUST: BEING CONFIDENT AND TRUSTING

Although attractive, the idea that successful local relations are founded on trust deserves careful examination, if only because it can be difficult to define terms such as trust/confidence, collective construction or proximity. In particular it raises the question of the construction of social relations, which largely conditions the establishment of rules of coordination among actors. Furthermore it supposes that the continuity of the system depends on trust, a concept that is often too vaguely defined. Thus there is an ambiguity between the concepts of trust and cooperation; they are often seen as causally related or even assimilated.

Arrow’s cutting remarks (such as ‘trust cannot be bought’, 1974) can help in understanding relations of trust, but it is necessary to be a little more precise in order to make the concept operational. We note, first of all, that a relation of trust takes all its meaning when it is put in a context of uncertainty, in which the actors have imperfect or incomplete information (uncertainty that affects the present relation) or in which it is difficult to make accurate anticipations (uncertainty due to the difficulty of predicting the future actions of competitors or partners).

Confidence, Risk and Uncertainty

The question of confidence would obviously be of no interest if the future were known with certainty. It is precisely because of the partly or totally uncertain nature of the future that economic actors may or may not be confident.

Before the Second World War, two important authors worked on the topic of action in contexts of uncertainty. Knight made a distinction between non-measurable uncertainty (uncertainty) and measurable uncertainty (risk), and Keynes distinguished the improbable future from the uncertain future. Nowadays, economists distinguish three forms of future:

- the certain future, for which confidence is unnecessary since economic actors are perfectly well informed about what is going to happen;

- the risky future, about which actors have some information and can anticipate different scenarios based on objective probabilities;
- the uncertain future (or radical uncertainty according to Keynes), to which actors can only accord subjective probabilities.

Thus there are situations when actions are 'risky'. The question of confidence is related to a subjective view of the future and to the existence of risk. It is a modern question: in traditional societies, the belief in cosmology, fate or divine intervention implies that the results of activities reflect the will of gods (Luhmann, 1979). In modern societies, on the contrary, 'acceptable' risk varies according to the context and takes two main forms. The first form is the one that is of interest to us here because it is directly related to proximity relations. Beyond this pattern, however, there can be relations between economic actors in contexts of anonymous commitments, and relations of confidence can also emerge in abstract systems of various natures: money, hygiene and quality rules, designations of origin in the field of agriculture (see below). Confidence in these abstract systems or in what may be called mechanisms depends on the reliability of the rules that govern them. They can be the belief in science and in the efficiency of monetary policies, for example, or in the rules of traceability in the field of food. Thus in the context of the stock exchange, for instance, institutional safeguards limit risk without eliminating it. Lyotard (1979) emphasises that postmodernity is characterised by doubt as to the efficiency of these abstract systems (BSE for example), a doubt that can lead individuals to relocate their interactions.

Thus, to go beyond the phrase used by Guennif (2000), one could say that 'Confidence is the daughter of uncertainty and risk'.

Being Confident

But how does an individual react in a context of uncertainty or risk? Let us imagine that an economic actor wishes to undertake an action although he does not possess all the available information (if the information is available), and that he does not wish to acquire this information (where this information can be purchased), nor spend time researching. As he undertakes the action in an uncertain environment he must make a subjective assessment based on incomplete information. If he believes that the information he possesses is sufficient, then he acts in a context of uncertainty.

For Knight, the actor reasons in a context of uncertainty. Keynes used the term 'animal spirits' to qualify this natural dynamic that urges economic actors to act even in uncertain situations. In both cases the actor adopts a confident attitude. This leads to a first definition (Guennif, 2000): being

confident means ‘undertaking actions while accepting the possibility that the results of the actions might not be the ones expected. In other words, these anticipations might be met with disappointment. When an individual accepts this possibility, he proves confident’.

In short, confidence is the mother of action.

To Trust (1): Community Confidence

The above definition of confidence is too general to characterise all social relations and does not include the direct relation of one individual with another. One way of describing this type of relation is to relate it to faith, which corresponds to what is commonly called ‘blind trust’.

It corresponds to an absolute, domestic confidence and is summarised by Livet (1994) as follows:

- two actors X and Y are uncertain as to whether Y will carry out action A. This is presupposed but not specified explicitly;
- X puts aside this uncertainty and does not try to measure it or limit it by imposing additional constraints;
- Neither X nor Y looks for guarantees.

‘Blind’ trust requires that no guarantees be demanded, giving them up being a proof of trust: if X asked for guarantees, he would damage the relation. This particular trust relationship corresponds to an ‘oversocialised’ relation between individuals whose actions are embedded in a set of generally informal rules governing the family or community to which they belong. It is a variable that is attached to a community (religious, ethnic, origin etc.) rather than to a person. However, the trust thus given to a person can be damaged by this person’s future actions.

To Trust (2): Interpersonal Confidence

Trust may also be seen as interpersonal: in this case it concerns relations between individuals rather than with a community.

Interpersonal confidence is acquired through mutual commitments, signs that one sends to the others to justify his trust. It is a type of trust that is directed towards a person. Thus interpersonal confidence is not a commodity that exists before the social relation; nor is it stored information or a resource from which actors can draw. As we shall see below, this type of trust, for which proximity might play an important part in the case of tacit or informal face-to-face relations, has a dialectical relation with proximity and reciprocity.

We present it as follows (Dupuy and Torre, 1998a):

- X is uncertain as to whether Y will carry out action A, and Y is uncertain as to whether X will carry out action B;²
- X commits himself in order to limit uncertainty about his future behaviour and to prove his goodwill to Y, and reciprocally (this leads to cooperation); from the repetition of these actions and the interweaving of the commitments, the relation of trust is generated.

Trust is neither absolute, nor necessarily symmetrical, nor transitive.

Analysing a commitment between two individuals enables us to define more precisely the nature of their face-to-face relation. When an individual commits to undertake something, he responds to two preoccupations: first, limiting his behavioural freedom by providing in advance some indications about how he is going to react to certain evolutions in his environment; second, reducing uncertainty as to the behaviour of the other actors by diffusing information concerning his future decisions. When the commitment is public, it is easier to anticipate the other actors behaviour, which is particularly important in the constitution of local systems that must also integrate a collective action dimension. Indeed, lifting some of the uncertainty might facilitate the common elaboration of a development policy, for example.³ Naturally, commitment is not always used to generate trust, as shown by the example of the credible threat. But in the case of a cooperative relationship, it is made up of signals of good will that must show that one is prepared to collaborate in the medium term.

Thus, interpersonal confidence is the mother of interaction.

To Trust (3): the Question of Pre-existing Trust

If the term ‘interpersonal confidence’ is taken literally, there cannot be any construction of trust. Indeed, this type of trust rests on an economic calculation that aims to eliminate uncertainty concerning the terms of the exchange, and this very calculation leads actors to distrust the actions thus undertaken. This approach intrinsically implies the existence of mistrust, and thus justifies the expression ‘trust paradox’. Either one shows absolute trust from the start or one keeps away from trust relations.

In order to solve this dilemma, one must make a distinction between trusting a person or his/her future intentions from the start (a kind of trust that bears some uncertainty) and entering a trust relationship. Pre-existing trust, founded on the person’s reputation or on community attributes, can be disappointed by future actions. From the point of view of the person who seeks to inspire trust (Mayer et al., 1995), the latter rests on different attributes that may be mobilised at different moments [the competence of

this person, his benevolence towards the possible believer (i.e. the extent to which he wants to be believed) and the integrity attributed to this person (i.e. how strictly he abides by the rules which the other believes in)]. One individual's commitment to collaborate with a person depends on his degree of initial trust in that person; and the introduction of trust is achieved by initially carrying out a calculation between the degree of risk perceived and the level of trust. As the relation develops, the individual acquires new information – in particular concerning the partner's integrity – which he uses to back up his judgement; and new attributes are thus mobilised.

The question that must be raised, then, is that of the degree of trust granted to the partner: do I trust him/her a little, entirely or not at all? As Servet (1994) has shown through his imaginary trust axis, there are several types of relations ranging from distrust (no interaction) to faith:



3. BUILDING TRUST

How can an actor limit the risks related to interaction in the context of uncertainty?

One way of addressing the problem is to see trust as the result of a rational calculation by individuals. This is the path chosen by Kreps (1990), whose model has now become a reference (see Box 8.1).

BOX 8.1 KREPS' REPUTATION MODEL

Kreps's model is simple. An individual A1 must decide whether he should trust individual B. A1 will not meet B again. B must decide whether he will betray A1 or cooperate with him. B will subsequently meet A2, A3, A4. Individuals Ai must therefore choose whether or not they will cooperate with B. If B has honoured his commitments, then his reputation is intact; if he betrays one of the As during the following round, his reputation will be damaged forever. This simple model leads to an obvious strategy for B. If the game is repeated indefinitely, it will be in B's interest to honour his commitments. His 'honourable' strategy is a source of wealth because it provides him with the possibility of future interactions.

This model, which proves useful for analysis of the relation between trust and proximity, and is therefore of relevance for the issue of trust in clusters, is limited to the context of interpersonal confidence. The individual is anonymous; he has no reputation during his first interaction (no pre-existing trust). This is followed by a logic of self-reinforcement that encourages him not to betray trust.

Kreps's model has some limitations that are related to the chosen hypotheses:

- Actors A are informed about B's past behaviour; the relationship is interpersonal and not anonymous.
- The higher the degree of anonymity, the more betrayal can develop.
- The trust balance is jeopardised by occasional 'strategies of betrayal'.⁴
- The fact that the game is repeated infinitely influences the observed result. If the game had an end, actors A would be overwhelmed by the strategies of the 'deceiver' who hides his game until the last round and then suddenly betrays them, a strategy that is based on the increased trust resulting from the effect of reputation and the positive experience due to the repetitions.
- Actors A are informed about B's behaviour and this information is reliable (transitivity).

Reputation

The punishment mechanism described in Kreps's model would not be sufficient to guarantee cooperation in a repeated game. What guarantees cooperation is what Kreps calls reputation, which corresponds to the actors' memory: in a situation of imperfect information about what a partner or adversary could gain by collaborating or betraying (i.e. of uncertainty about their future actions), a player's reputation is good if he has never cheated and it is irreparably damaged when he does. Reputation is acquired, and is never given beforehand. Thus common knowledge leads to a self-validation of the process (Orléan, 1994), trust resulting from the establishment of a virtuous circle that guarantees cooperation.

Each player invests resources in cooperation without knowing whether or not his adversary will take advantage of them, the process of coordination occurring through mutual observation of the partner's actions (which is essential here). The type of reputation highlighted here rests on a circular logic which forces the trusted party to honour the trust bestowed upon them inasmuch as, if they abuse it, they deprive themselves of future opportunities to engage in profitable transactions. Indeed, the commitment to cooperate

(and therefore to trust and anticipate that it will be honoured) must be evaluated according to past cooperations and therefore to the already acquired reputation (bad or good). This is true in a situation where two actors have already cooperated in the past and must now revise (or not) their commitments depending on past events. This rule also applies to new cooperation opportunities, but with other partners. In this case the repeated game no longer concerns two actors only: Kreps suggests the possibility of a reputation that can be transmitted to third parties and can be used in new relationships.

The distinction between trust and reputation rests on the fact that the latter can continue to exist even though it is damaged (bad reputation), whereas, in such a situation, trust disappears. Reputation can therefore represent one of the constitutive trust components, one of the attributes which, beside community recognition, for example, can be mobilised in order to engage (or not) in a trust relationship. It goes hand in hand with interpersonal confidence, and is built on repetition, but is not mobilised in the case of community trust. However, for Kreps, it is possible to engage in a relation in the absence of reputation or pre-existing trust. This puts his model under the yoke of the trust paradox mentioned above.

Can Interpersonal Confidence Precede Action?

In Kreps's model interpersonal confidence is the result of action. If we eliminate the hypothesis according to which B's reputation must be intact during the first interaction, we can consider that there can be trust prior to the start of the relationship. Pre-existing trust does not rest on the succession of actions aimed to establish a reputation. In this case, A_i will trust all B_i (and no longer one B only), but possibly not C_i .

Pre-existing trust is not attached to the person but to the community to which the latter belongs, and within which the individuals can learn and then transmit social and standard behavioural conventions that are easily recognisable, inside and outside the group. Therefore, if this information system (based on social communication) does not fail, it guarantees cultural homogeneity and is the foundation for the continuity of trust relationships, in which all partners have a sense of common identity. The circulation of information provides the basis for the individuals to recognise each other. Trust is then no longer only a commodity that exists before the start of the social relation; it is also developed by this relationship.

We can go further by saying that, in such relationships, an actor is never completely anonymous: not only can he benefit from the reputation he has acquired during previous interactions, but he is also attributed a number of community 'qualities', which enable him to reinforce the pre-existing

trust which others had previously shown him. ‘When X tries to evaluate whether or not he should trust Y, what he analyses is the nature of Y’s relationship with a certain community and its rules: is he a reliable member of this community?’ (Orléan, 1994, p. 12). The action can be based on the reputation or on community signals, which rest on norms or conventions that the community members use to decide whether or not to act in a context of uncertainty. Economic rationality alone cannot explain all the actions undertaken by individuals.

First Result: the Two Dimensions of a Trust Relationship

There are therefore two dimensions in a trust relation: an undersocialised dimension in which trust is only the product of a ‘rational’ interaction, and an oversocialised dimension in which it is ‘completely’ embedded in the social networks (see Table 8.1).

Table 8.1 The two dimensions of a trust relationship

Undersocialised dimension (interpersonal confidence)	Oversocialised dimension (community confidence)
<ul style="list-style-type: none"> • Because transactions are repeated, they facilitate the relation of trust • This repetition is self reinforcing • The relation is limited to an inter-individual context • Trust is the result of an individual search for gains • Reputation is a ‘public’ information 	<ul style="list-style-type: none"> • All human relations are ‘embedded’ in social networks • The relation of trust rests on the reputation that lies within these networks • Market rationality does not explain all economic behaviours.

Analysing both of these dimensions enables us to better understand the content and characteristics of a relation of trust, as described in the literature, and as related to local clusters:

1. It is set in the framework of a face-to-face interaction and thus can lead to ‘strategic’ constructions of trust.
2. An individual is never ‘disembedded’ from a social network; he is always ‘located’ and ‘locatable’ by other actors (through his origins, habits, reputation etc.).

4. THE DIFFERENT LEVELS AND TYPES OF TRUST

The question of trust therefore oscillates between an ‘incarnated’ dimension in bilateral relations which Luhmann (1988) calls familiarity (‘familiarity is an unavoidable fact which depends on experience and on the ability to symbolically cope with our perceptions universe’, p. 236), and a wider vision which he calls ‘confidence’ (‘confidence refers to some expectations and their distinction is based on the different perception and evaluation of possible happenings’, p. 236).

Luhmann makes a clear distinction between these conceptions: ‘confidence in the system and trust in the partners’. He also emphasises that the wider dimension of confidence implies a certain number of features:

1. The cognitive attitude of an actor relative to a viable way of acting in a structured but unpredictable environment
2. Confidence implies a wider perspective of a larger, not necessarily relational context
3. Confidence is particularly useful when describing an actor taking decisions or acting in a structured context without referring to relational contracting.

This distinction also refers to two levels of embeddedness of social relations: the first level (traditional in Granovetter’s sociology of networks (1978) is that of inter-individual relations; the second is that of a more structural embeddedness in the social system, in particular in the institutional architecture that partly controls individuals’ behaviours. Figure 8.1 shows this distinction, which is essential to understanding different levels of trust.

We shall not discuss the interpersonal level which, as we have seen, has been the subject of many studies. Our aim is rather to show that trust is not limited to a contract but is ‘each private actor’s relationship with the community as a whole’. Inter-individual relations are also embedded in a wider dimension, which includes the institutions and the economic system as a whole.

Why is an individual confident? Because he trusts the rules of the institutional game in which he operates; but also because he trusts the economic system that provides a framework for the rules of the game. Whether his confidence is justified or not is irrelevant.

- He is confident, first, because there is a routine, a repetition of exchanges, and a ‘framework of reference points and roles in which private actors fit’ and feel protected against uncertainty. The actors interact

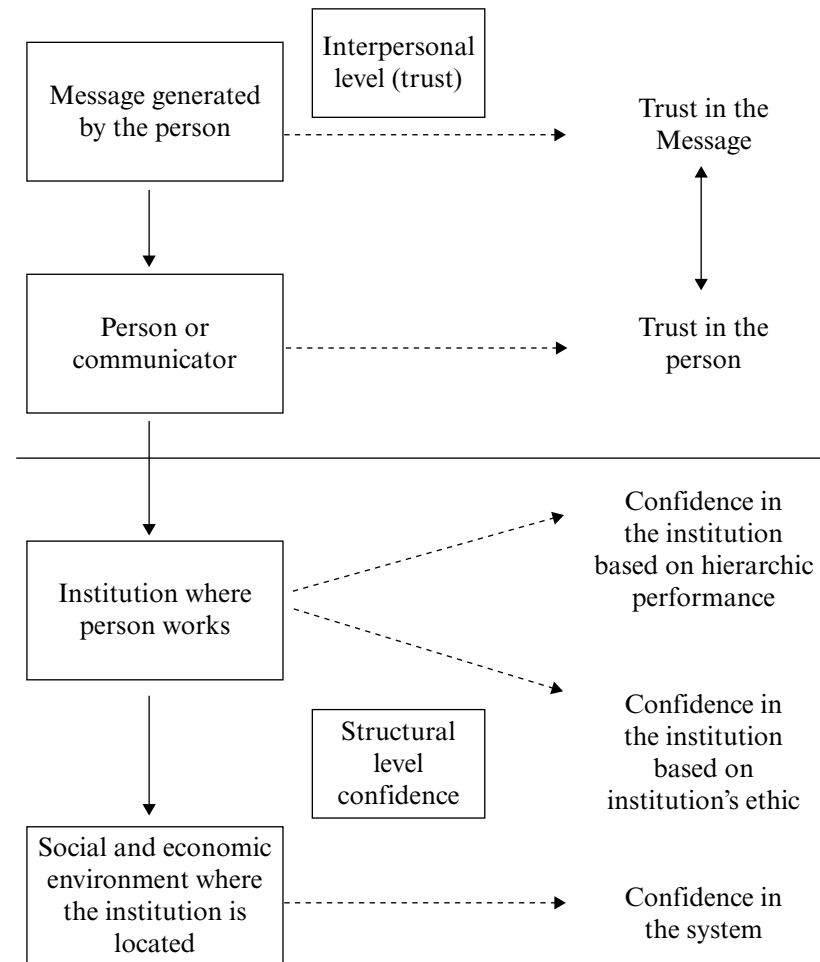


Figure 8.1 The different levels of trust

in a framework of adaptive anticipations, which above all requires learning processes and behavioural regularity, facilitating behavioural convergence (Krugman, 1991). This is 'methodical confidence'.

- Confidence also refers to the relationship with the institutions that govern the rules of the game. This type of confidence can only exist if individuals accept the legitimacy of the institutions that make the rules of the game. This type of confidence can be called 'hierarchical confidence'. The stability of these rules plays an essential part; 'they

provide a framework for the anticipations'. Unstable rules left to the arbitrary judgement of actors adversely affect the anticipations, which are then made in a context of radical uncertainty.

- The institutional game takes place within a normative system that defines conventional ethical rules and therefore plays an essential part in the making of the institutional rules. Therefore confidence is also ethical.
- Finally, actors and institutions are embedded in a socio-economic system whose overall dynamic is perceived by the actor. Confidence is therefore systemic.

Euphoria and Systemic Confidence

The convergence of representations can lead to the localised development of a 'climate of confidence' that generates localised euphoria of various origins (the gold rush in the USA, speculative and real-estate euphoria in Silicon Valley at the end of the twentieth century etc.). The development of these phenomena deserves our attention because it enables us to better analyse the possible relation between 'trusting' and 'being confident'. To take an example: in a situation of economic uncertainty actors minimise risks by seeking guarantees (the banker will ask for guarantees, the firm will limit its investments etc.). Because they are not confident, the economic actors, in turn, do not trust. Conversely, if the situation improves, the actors will take more risks economically but also in their relations with other actors.

This dynamic, which combines both forms of confidence (interpersonal-level trust and structural-level confidence) can lead to collective states which Braudel qualifies as 'excesses of confidence' (1979). Everything starts with an event (economic or not, global or localised) that reinforces confidence. Then optimism sets in and reinforces itself because of the localised interaction among 'confident' actors. In this climate, the actors, prepared to take greater risks, progressively become the victims of what may be called the illusion of confidence, which can naturally translate into more risky transactions and a weakening of the demanded guarantees. The confidence is reinforced by the fact that, in this type of situation, interactions are important and facilitate the development of localised self-fulfilling prophecies, or by the fact that the actors belong to the same social networks.

The Confidence Crisis

Conversely, when the situation is reversed, the actors try to get out of their risky positions; guarantees are required, and belonging to the same social

circle is no longer sufficient. Marshall (1898) describes this phenomenon very well:

Adventurous transactions have consequences that rapidly go beyond those responsible ... When the credibility of a bank is threatened by rumour they are the first to rush to exchange their notes. They were confident in complete ignorance, they challenge one another in ignorance and fury ... this is how bankruptcies multiply and the crisis of confidence becomes general The fire spreads from one house to the next ... (p. 146).

Thus, we could mention many examples of localised crises that generate cumulative effects (firms or shops close down, followed by real-estate crises), all reflecting the important role of confidence in the processes of development or recession of local systems.

5. CONFIDENCE, PROXIMITY AND LOCAL NETWORKS' DYNAMICS OF EVOLUTION

As discussed above, interpersonal confidence rests on a learning process made up of mutual commitments and signals that one gives to the other to justify his trust. It is a dimension that is attached to the person. It is also subject to the risk of opportunism and to the emergence of conflict. Thus the question raised is that of the evolution of rules that enable actors networks to function:

- Sometimes collective action involves implicit intentions of actions and rests on the personal reference points and values of each participant. In this case, trust is maintained thanks to a number of reference points and rules that govern the community or interpersonal relations.
- Sometimes collective action rests on intentions of actions that are explicitly stated and supported by structures of actions that are also explicitly formulated (such as rules enacted by the governance structure). In this case hierarchical confidence plays a central role. The networks 'get organised', and free themselves from the interpersonal relations game.

Figure 8.2 shows how a network founded on interpersonal relations (interpersonal confidence) or the sharing of certain values (community confidence) can evolve towards more organised forms (hierarchical confidence) when conflict or opportunism emerge. The most socialised forms of trust can no longer eliminate the risk of opportunism. It is therefore logical to accept that the conflict can be solved thanks to an institutionalisation of the network's rules.

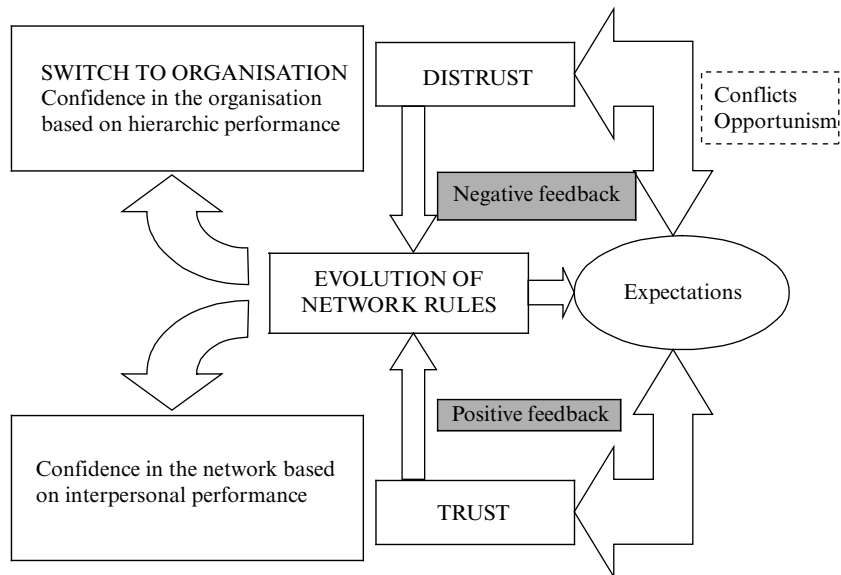


Figure 8.2 The evolution of organised forms of confidence

Community Confidence and Proximity⁵

When local networks rest more on relations of community confidence, their spatial bond is generally strong. In this case, confidence goes hand in hand with proximity.⁶ The network is fostered by solidarity between actors located in the same space, as is the case in industrial districts or even innovating *milieux*. The existence of a trust relationship between the actors enables them to anticipate more efficiently their common future, by reinforcing the preference for the future and by facilitating their quest for relationships that generate mutual benefits. From this point of view, trust is one of the elements that make it possible to better understand local dynamics, such as they appear at the domestic level.

However, it is important to bear in mind that the existence of community confidence in no way guarantees the total absence of problems in the future, first because a harmonious relationship does not prevent actors from engaging in other relationships that will lead to a betrayal of their present partners or from making errors in anticipating future developments. The anticipations made by actors are seldom rational (i.e. implying knowledge of the model). They anticipate with difficulty the future evolutions of the system, including changes coming from the outside, such as the introduction of new actors or new behaviours. Similarly, actors can get caught in harmful

processes that are irreversible because of the technical characteristics of the system (path dependency) and of phenomena of organisational learning (organisational inertia). Finally, trust can generate inertia that translates into monopoly rents or suboptimal routines, reproduced by the actors.

Interpersonal Confidence and Proximity

If local organisations rest on interpersonal confidence, their spatial bond may be strong, but it is also more easily reversible. The relation that emerges between the actors is founded on the repetition of interactions and on the establishment of reputations.

Various studies have shown that a proximity relation can facilitate the setting up of cooperation or innovation networks at local level. In this case, trust is indeed the lubricant of social and economic relations, and the repetition of face-to-face relations, allowed by geographical proximity, is conducive to partnership relations.

Time plays a central role here. Indeed, trust is built progressively through interactions, and tends to reinforce itself when the relationships are positive.⁷ As time goes by it becomes increasingly difficult for local actors to get out of this relation and to relocate elsewhere. Indeed, the risk calculation becomes straightforward: exchanging a relation of trust (which we assume is strong) for a situation of strong uncertainty somewhere else. In this case, it is the existence of other incentives (fiscal, localisation in the proximity of markets or competitors) that push actors to relocate elsewhere.

However, if the system in which an actor has been interacting is essentially characterised by relations of distrust, then the social cost of relocation is relatively low. Unlike in the case of community confidence, leaving the local system does not lead to conflict with the community of origin and can therefore be undertaken without too much difficulty. This is why technopoles or technological parks try to promote informal and personal relations among local actors, so as to integrate them in some degree into their local community and to limit the temptations to relocate (because of territorial competition, for example).

Confidence and Local Network Dynamics

Taking into account the hierarchical dimension of confidence, which is essential to understanding production and industrial relations,⁸ allows us to go beyond the opposition between over- and undersocialised conceptions of trust. Indeed, although the hierarchical approach must take into account interpersonal relations (present in the undersocialised version), it cannot be dissociated from a community dimension (present in the oversocialised

version), one that is easily seen in the case of relations within firms or between different organisations, as reflected by the terms 'firm culture' or 'community of interest'. Furthermore, the introduction of geographical proximity, which makes the analysis yet more complex, requires more than the oversimplistic dichotomy between two polar dimensions. This is why it is necessary to introduce a dimension of trust that is particularly well adapted to the case of production relations: hierarchical confidence integrates heterogeneously the over- and undersocialised dimensions of trust relationships.

Hierarchical confidence is an extension of the interpersonal trust relationship (face to face relation) to the principle of collective action. It is of great interest in the analysis of groups' behaviours and collective actions. It goes beyond the mere face-to-face relation, and takes into account rules applied in the organisation concerning the answers to provide or the procedures to implement according to predefined situations. In the case of a firm, these rules are related to the internal hierarchy, the wage calculation process and so on. In the case of network organisation, the rules concern compliance with norms of production, trade union membership and the like. As a result, the commitment can have two dimensions, explicit and implicit:

- It is explicit when the commitment was made beforehand, and when individuals commit to abide by internal rules. In this case the commitment is a strategy of collective action for the benefit of the production of a common good. When rules are tested and interpreted mutually, they facilitate the learning process of coordination.
- It is implicit in all circumstances because one does not have to declare beforehand that he is going to comply with a procedure. Participating in coordination becomes sufficient and imposes constraints. The actor must then show that he is prepared to comply with these constraints (Reynaud, 1998).

The implicit commitments are displayed and developed with the interactions, which implies a repetition and successive validations of the relationship thus established. However, in this case, it is the principle of collective action that prevails over face-to-face relations. It is therefore necessary to introduce a third term of collective action. The relation can be written as follows (Torre and Chia, 2001, inspired by Reynaud, 1998):

- Two coordinated actions A and B are necessary in order to carry out a collective action.
- X is uncertain as to whether Y will carry out A, and reciprocally (the same thing applies to any other members of the organisation).

- X participates in the coordinating action in order to limit the uncertainty about his future behaviour and prove his good will, and reciprocally (this leads to cooperative behaviours).
- This participation is interpreted as an implicit commitment that will generate trust.

Explicitly Expressed Intentions of Action and Rules of Organisation

If local organisations rest on explicitly expressed intentions of actions and therefore require a highly formalised organisational dimension, the importance of proximity is very likely to be less pronounced.

It is the case for organisations that depend (partly or completely) on hierarchical confidence, such as organisations of producers regulated by very constraining rules that are not easily interpreted. The spatial dimension existing in this type of organisation (Controlled Designation of Origin, for example) is purely geographical and related to the controlled origin of the product. The producers are united by the formal rules of their organisation and their geographical origin.⁹

The system of power and of rules that are not open to interpretation is sufficient to coordinate the whole, and mistrust seems to prevail over trust. This type of organisation has the advantage of not requiring the actors to share the same anticipations beforehand. Furthermore, in this case, the system's continuity and stability rest primarily on the relationship-building process. However, regardless of the type of organisation, there can never be certainty as to the stability of the actors' behaviour. Opportunistic behaviour or bad faith can lead partners to dishonour their mutual commitments. The relations between the actors develop within this pre-existing framework where the relations of power and constraining rules put pressure on the members. The latter can no longer use their common reference points to coordinate themselves (in particular domestic confidence which can no longer play its role as the cement of the social relationship); coordination takes place through rules.

Everything then depends on how interpretable these rules are. The more interpretable rules are, the more able will the actors be to trust one another. However, in this case, the link between trust and proximity remains weak and is limited to secondary dimensions of the production relation.

CONCLUSION

In this chapter we have aimed to explain the relationship between two complex concepts, trust and proximity. Given the common argument that

trust is an important factor in determining the advantages possessed by local systems of production (see various other chapters in this volume, for example), such analysis has the potential to yield insights with regard to the operation of successful clusters, which may or may not be spatially proximate in the context of globalisation. After presenting the main characteristics of a trust relationship, we have shown that beyond the standard concept of interpersonal confidence based on face-to-face relations, there is another approach that refers to a concept of community confidence, which is more centred on the ability of individuals to embed themselves in a social system. This convenient distinction makes it possible to understand the dynamics at work within local systems of production. One drawback of these approaches, however, is that they are too highly oversocialised and undersocialised respectively to cover the whole spectrum of relations of proximity, in particular in their productive dimension. The hierarchical confidence concept enables us to go further in this analysis and to reveal the type of relations that emerge in localised organisations. One can then understand why the relation between trust and proximity varies according to the types of confidence mobilised at local level. In systems based on domestic confidence, geographical proximity plays an important role. In those based on hierarchical confidence, commitments are more easily reversible and geographical proximity plays a lesser role.

NOTES

1. See, for example, reference to trust in the frameworks for analysing clusters developed by Pitelis and Psiridis (Chapter 2) and Sugden et al. (Chapter 3) in this volume, and also, in the specific contexts of knowledge and of public goods, in the chapters by Henry and Pinch (Chapter 5) and Bellandi (Chapter 4), respectively.
2. This uncertainty can refer to either the intentions or the competence of the other.
3. The chapter by Aranguren et al. in this volume (Chapter 12), for example, highlights the importance of generating confidence among actors in a policy context in the Basque Country region of Spain.
4. This result is very close to those obtained in our simulations with a 'prisoner's dilemma' (Dupuy and Torre, 1998b).
5. The cases presented here are obviously arbitrarily simplified for the sake of analytical simplicity. In reality, more complex situations, associating two or three of these forms, may exist.
6. Geographical proximity, in this particular case. But it can also be organisational proximity in the case of ethnic networks in which the reference to the same origin generates a relation of trust. This is in keeping with Giddens's remarks quoted in the introduction, and a potential implication with reference to clusters, for example, is that different forms of proximity may facilitate the operation of non-spatially bound clusters in the context of globalisation.
7. This is seen, for example, in the experience of 'cluster carriers' in the 'Future of Greek Industry' policy project evaluated by Pitelis and Psiridis in Chapter 2 of this volume, and also in the experience of cluster policy in the Basque region of Spain as analysed by Aranguren et al. in Chapter 12.

8. On industrial relations, see also Quintana and Pulignano in Chapter 9 of this volume.
9. The question of the origin of goods and persons deserves to be further examined, inasmuch as it highlights a connection with a territory. This may concern ethnic or community networks, the 'typical' characteristics of products, or reference to the ethical characteristics of a product (manufactured by children, etc.). For example, in the case of a product whose characteristics are related to its geographical origin, such as Controlled Designation of Origin products or food products, traceability is an important factor and, for this reason, confidence in this type of abstract system or mechanism is important. The connection with the territory might then be a distant or even symbolic relation.

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