1 Trust, collective action and the state

When a government deals unjustly by the people with respect to taxation, that constitutes the whole matter of account between them. That has been the ground of almost all the revolutions in this country.

Richard Cobden, 1848, quoted in H. C. G. Matthew, 'Disraeli, Gladstone and the politics of mid-Victorian budgets', *Historical Journal* 22 (1979), 616

. . . on the fairness of their systems of taxation the progress, the contentedness and the stability of States in large degree depends.

Herbert Samuel, 'The taxation of the various classes of the people', *Journal of the Royal Statistical Society* 82 (1919), 181–2

The interest of the government is to tax heavily; that of the community is, to be as little taxed as the necessary expenses of good government permit.

J. S. Mill, *Considerations on Representative Government* (London, 1861), in J. M. Robson (ed.), introduction by A. Brody, *Collected Works of John Stuart Mill*, vol. XIX: *Essays on Politics and Society* (London, 1977), p. 441

The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare – all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else . . . The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life.

J. A. Schumpeter, 'The crisis of the tax state', in A. T. Peacock, R. Turvey, W. F. Stolper and E. Henderson (eds.), *International Economic Papers*, no. 4 (London and New York, 1954), p. 7

The capacity of any state to act and to realise its policy goals depends, more than anything else, on its financial resources.[1] This simple, even trite, statement is central to the formation of the state in Europe and vital

[1] T. Skocpol, 'Bringing the state back in: strategies of analysis in current research', in P. B. Evans, D. Rueschmeyer and T. Skocpol (eds.), *Bringing the State Back In* (Cambridge, 1985), pp. 16–18.

to its political, social and economic history, as Joseph Schumpeter was well aware. He had practical experience of the difficulties of mobilising resources as finance minister in Austria at the end of the First World War, when he pointed to a long-term shift away from a 'domain state' in the middle ages to a 'tax state' in the early modern period which he believed had reached a state of crisis.[2] The driving force for the emergence of the tax state was precisely what led to the crisis of 1918: the need of the state for resources for warfare.[3] In the middle ages, rulers relied on their own estates or domain for resources, and on the provision of goods and services by dependants. In some areas, the domain state survived into the early modern period, sometimes shifting to an entrepreneurial use of the crown's assets through exploitation of natural products such as copper and silver. Elements of the domain state survived into the nineteenth century in some European countries, where state mines and forests, or the income from railways and other services, provided a considerable income. Resources might also be obtained from outside the territory, by a process of colonial exploitation or plunder, as by Spain in the Americas or the Belgian crown in the Congo. These resources, both domestic and external, might be obtained through a process of coercion or by the use of capital in trade.[4] However, in many parts of Europe in the sixteenth and seventeenth centuries, the 'domain state' and a coercive mobilisation of resources gradually gave way to the 'tax state' as an increase in expenditure on warfare led to a search for new forms of revenue, and the development of a more complex and commercial economy created new opportunities for extracting financial resources.

The emergence of a 'tax state' was fundamental to the formation of the state in early modern Europe, and has recently been the subject of a major collaborative and comparative project.[5] The outcome differed

[2] J. A. Schumpeter, 'The crisis of the tax state', in A. T. Peacock, R. Turvey, W. F. Stolper and E. Henderson (eds.), *International Economic Papers*, no. 4 (London and New York, 1954), pp. 5–38. The concept is developed and applied to Denmark by E. L. Petersen, 'From domain state to tax state: synthesis and interpretation', *Scandinavian Economic History Review* 23 (1975), 116–48, and K. Krüger, 'Public finance and modernisation: the change from domain state to tax state in Hesse in the sixteenth and seventeenth centuries: a case study', in P.-C. Witt (ed.), *Wealth and Taxation in Central Europe: The History and Sociology of Public Finance* (Leamington Spa, 1987), pp. 49–62, and see table 3.1 which sets out a typology of domain and tax states.

[3] See for example C. Tilly, *Coercion, Capital, and European States, AD 990–1990* (Oxford, 1992), chapter 3; on the emergence of costly methods of warfare, see G. N. Parker, *The Military Revolution: Military Innovation and the Rise of the West, 1500–1800* (Cambridge, 1988).

[4] Tilly, *Coercion, Capital, and European States*, pp. 54–7, 99.

[5] The project was part of the European Science Foundation programme on the origins of the modern state in Europe from the thirteenth to the eighteenth centuries. The work on fiscal systems is presented in three volumes: R. Bonney (ed.), *The Origins of*

between countries, in its timing and success. The demand of the state for revenue involved a contest with other claims on resources in excess of subsistence needs – a surplus which was usually small and sometimes non-existent. The ability of any state to extract taxation depended on the power of the monarchy over groups and interests beyond its own immediate feudal tenants and estates. A demand for taxes by the crown collided with the demand of landlords for rent, and these conflicting claims on the surplus of the peasantry could provoke riot and disorder. These divergent demands had to be resolved. Agreements might be negotiated with various interests (landlords, towns, church) through assemblies in order to secure consent, possibly at the expense of exemption for particular groups such as nobles or the church. The crown might form an alliance with aristocratic lords to erode the position of small peasants to their mutual advantage; or might confirm the rights of the peasantry against their lords in order to obtain a greater share of the surplus. In Reformation Europe, the clergy might lose its exemptions and the crown might secure church lands to boost its income; in Counter-Reformation Europe, the exemptions of the church might be strengthened.[6] The outcome had major consequences for the structure of European society.

Taxation was intimately connected with the nature of the political systems of European states. The ability to extract revenue affected the capacity of the state – and the way revenue was secured, with more or less success, depended on the relationships between state and subjects. The development of assemblies, parliaments or estates varied between countries. In some cases, assemblies had more control over direct taxes and the crown might therefore opt for indirect taxes, a decision which affected the fiscal capacity of the state in different economic circumstances. In periods of recession, direct taxes might provide more revenue than indirect taxes which were sensitive to the production and sale of goods. On the

the Modern State in Europe, Thirteenth to Eighteenth Centuries: Economic Systems and State Finance (Oxford, 1995); R. Bonney (ed.), *The Rise of the Fiscal State in Europe, c. 1200–1815* (Oxford, 1999); and W. M. Ormrod, M. M. Bonney and R. J. Bonney (eds.), *Crises, Revolutions and Self-Sustained Growth: Essays in European Fiscal History, 1130–1830* (Stamford, 1999). The introduction to the final volume sets out a conceptual model of fiscal change from the middle ages to the early nineteenth century: R. Bonney and W. M. Ormrod, 'Introduction: crises, revolutions and self-sustained growth: towards a conceptual model of change in fiscal history', pp. 1–21, especially table 0.2 on pp. 4–8.

[6] For a contentious account of the allocation of the surplus, see R. Brenner, 'Agrarian class structure and economic development in pre-industrial Europe', *Past and Present* 70 (1976), 47–75; see also W. Schulze, 'The emergence and consolidation of the "tax state": the sixteenth century', in Bonney (ed.), *Economic Systems and State Finance*, pp. 267, 274–6; J. Gelabert, 'The fiscal burden', in Bonney (ed.), *Economic Systems and State Finance*, pp. 546–8, 552–7.

other hand, the yield of indirect taxes was more responsive to periods of economic growth. In some cases, the crown might secure the right to tax without future meetings of the estates; or they might sidestep control by opting for alternative methods of raising money through the sale of office. The danger of the latter course of action was the creation of a bloated, inefficient, bureaucracy and a lack of consent to taxation. The crown might well find itself incapable of securing adequate revenue, and the decision to call a meeting of the assembly to reform the fiscal system might then expose it to serious political dangers, as happened in France in 1789 when the Estates General was called for the first time since 1614/15. In other cases, the estates or parliament might make a modest grant to the crown for its ordinary spending, and retain the right to vote additional payments for extraordinary spending on war, as happened in Britain where the Commons provided a forum for compromise and consent.[7]

The emergence of a tax state could therefore be more or less successful, based on a greater or lesser degree of negotiation or duress which might expose the state to political tensions and resistance. In any case, taxes alone were not enough to meet the huge demands of war: tax revenues form an annual flow whereas the cost of war surged in periods of conflict. Taxes could only be increased to meet these pressing needs with great difficulty and political danger. The state needed to secure large amounts of money in a short period, and a number of techniques were developed in early modern Europe. The crown might sell offices or the right to collect taxes in return for a lump sum – but at the cost of creating an inefficient bureaucracy and hostility to tax farmers who were taking a private profit. The alternative was to borrow, which formed the real test of the European state by the close of the eighteenth century.[8] European states borrowed larger sums of money in relation to their annual revenues, with the risk of default and a consequent disinclination to lend to the state in the future, except on very generous terms. The tax state might therefore be unstable, liable to crisis in the face of costly wars, unless it could devise a sophisticated financial system to permit borrowing without the danger of default and loss of confidence which would make future borrowing more expensive. As Bonney and Ormrod suggest, tax states frequently collapsed before the crisis of the First World War, not least in the late eighteenth century as a result of the wars against revolutionary and Napoleonic France. By 1815, only one state in Europe

[7] For a detailed discussion of all these points, see Bonney (ed.), *Economic Systems and State Finance* and *Rise of the Fiscal State*.

[8] Bonney, 'The eighteenth century. II The struggle for great power status and the end of the old fiscal regime', in Bonney (ed.), *Economic Systems and State Finance*, pp. 382–6; also Bonney (ed.), *Rise of the Fiscal State, passim*, for discussion of borrowing.

had successfully mutated from a tax state to what Bonney and Ormrod term a 'fiscal state' able to combine the flow of tax revenues with large-scale borrowing – Britain. It was able to increase taxes without political and economic crisis, and at the same time borrow on an unprecedented scale as a result of a sophisticated capital market and credit network.[9]

After the settlement of 1688 and Union of 1707, England and Britain created the most successful tax state in Europe which was transformed into a fiscal state in the course of the eighteenth century. Partly, the achievement arose from a fortuitous matter of timing. Tudor and Stuart England was less affected by the military revolution and engagement in land war than most of continental Europe, so that the demands on the crown were less. Prior to 1688, taxes in England were normally in the range of 1.3 to 4.4 per cent of national income, and there was no need to resort to sale of offices, the granting of tax exemptions and privileges, or the use of tax farmers to anything like the same extent as in continental Europe. The demand of the English (and British) state for revenue rose with the accession of William III and the war with France between 1689 and 1697 to between 7.3 and 9.5 per cent, and the normal level remained between 8 and 10 per cent of national income throughout the eighteenth century. The later impact of military expenditure on the British state meant that it was able to avoid some of the difficulties encountered in the earlier stages of the shift from a domain to a tax state, which also allowed it to move more easily to a fiscal state.[10]

The creation of a British fiscal state depended on two other factors as well as the fortuitous timing of military spending. One was political, the creation of a parliamentary and administrative system which allowed the negotiation of taxes between different interests and the crown, in a way which established a high degree of consent. As Michael Braddick has argued, the tax system in England allowed individual taxpayers 'avenues of appeal and mediation', so that there was rarely a choice between paying and outright resistance which would rob the system of legitimacy. Usually, taxpayers could pay less or in a different way, and they could lobby parliament to reform and adapt the system. There was, in Braddick's

[9] Bonney, 'Introduction: the rise of the fiscal state in Europe, c. 1200–1815', in Bonney (ed.), *Rise of the Fiscal State*, pp. 3, 14; Bonney and Ormrod, 'Introduction', in Ormrod, Bonney and Bonney (eds.), *Crises, Revolutions and Self-Sustained Growth*, p. 20. The emergence of this combination of taxation and borrowing is explained in P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688–1756* (London, 1967); J. Brewer, *The Sinews of Power: War, Money and the English State, 1688–1783* (London, 1989); and P. K. O'Brien and P. A. Hunt, 'England, 1485–1815', in Bonney (ed.), *Rise of the Fiscal State*, pp. 61–3, 65–6.

[10] P. K. O'Brien and P. Hunt, 'The rise of the fiscal state in England, 1485–1815', *Historical Research* 66 (1993), 129–76; O'Brien and Hunt, 'England, 1485–1815', pp. 53–100.

words, 'plenty of "give" in the system' which avoided tax revolts and allowed 'piecemeal evolution, as various strategies tested the political and administrative limits of government in order to meet escalating military costs'.[11] The English and British state was therefore able to extract more resources at less political cost, an achievement facilitated by a second factor: economic change. In the late seventeenth and eighteenth centuries, Britain's economy underwent massive change which increased the capacity of the state both to tax and to borrow. Population was released from the land and moved into industry and services, as Britain became the most urban country in Europe. The growth of traded commodities meant that it was easier to tax goods. At the same time, the economy became heavily dependent on credit which created opportunities and also risks. The dangers of business failure were moderated by a variety of means, from the growth of a culture of association and reputation to the emergence of life insurance and the creation of laws of bankruptcy. The state was both a beneficiary and an instigator of these changes, in a virtuous circle of commercialisation and financial sophistication. Parliament passed legislation to facilitate 'improvement' in transport and agriculture, and to encourage an active trade in grain. Judges developed the law of equity to allow new commercial instruments such as mortgages, life insurance and bills of exchange. Credit shifted from reliance on personal reputation and obligation to a more impersonal nexus of financial institutions – and underpinning them was the government's involvement in the financial markets of London. The reputation of the government therefore became crucial to the credit and financial system of the country.[12]

Thus taxation is intimately connected with the form of the state and the nature of the economy. Taxes varied in their responsiveness to economic growth, and the process of determining the structure and level of taxes affected the level of consent and compliance. Resistance to taxation did not simply reflect the real burden of taxes, for the way taxes were assessed and levied could produce *more* resistance in countries with *lower* levels of extraction (and vice versa). Although taxation was a higher proportion of the national income in Britain than in France in the eighteenth century, and was two to three times higher in per capita terms, resistance to taxes

[11] M. J. Braddick, *The Nerves of State: Taxation and the Financing of the English State, 1558–1714* (Manchester, 1996), especially chapter 9, pp. 180–201.

[12] I have considered these issues at length in *Progress and Poverty: An Economic and Social History of Britain, 1700–1850* (Oxford, 1995); some of the themes are discussed in C. Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (Basingstoke and London, 1998); G. Clark, *Betting on Lives: The Culture of Life Insurance in England, 1695–1775* (Manchester, 1999); and P. Langford, *Public Life and the Propertied Englishman, 1689–1798* (Oxford, 1991).

was higher in France than in Britain. Unlike in France, there were no glaring exemptions to taxation in Britain, and taxpayers were incorporated into the fiscal regime through local machinery for assessment and collection, and participation in the negotiating of duties in parliament. The scope of excise duties was limited by the vigilance of parliament, anxious to prevent the executive from securing an independent source of revenue which would increase its power. In France, the fiscal system created greater tensions, with fewer opportunities for bargaining and resolution of conflicts. Sale of offices, use of tax farmers with a private interest in the collection of revenue, exemptions to aristocrats and church, the presence of intrusive internal duties, and the absence of an assembly to negotiate disputes between interests and with the crown, all generated tensions. French 'absolutism' was therefore constrained by a greater degree of local and sectional opposition to taxation than in Britain, and officials at the centre of the French state had less knowledge of revenues and expenditure than their British counterparts. The decision to call the Estates General to resolve the financial crisis of the *ancien régime* escalated into revolution. In Britain, constant negotiation of taxation through parliament meant a higher level of consent to taxation.[13] Consent, trust and legitimacy are crucial to the history of taxation, and these issues have been a central concern of economists, political scientists and philosophers.

A problem common to all societies is the willingness of its members to accept limits to the pursuit of individual self-interest and to opt for collective action. A simple example would be a rural community with free access to common grazing land. The individual interest of each farmer was to have as many cows and sheep as possible on the land; no single farmer could restrict the size of his neighbours' flocks, and he would be the only loser from any decision to limit his own herd. The result would be over-grazing of land, which would threaten the livelihood of every member of the community. In such a case, the community had an obvious incentive to formulate rules which imposed limits on access to the land; these rules would survive so long as each was willing to accept that his neighbours would obey the regulations, and not benefit from the restraints imposed on everyone else by himself grazing more

[13] Brewer, *Sinews of Power*, pp. 6–7, 15–16, 18, 22–4, 69, 73, 89–91, 127–34, 182; P. Mathias and P. K. O'Brien, 'Taxation in Britain and France, 1715–1810: a comparison of the social and economic incidence of taxes collected for the central governments', *Journal of European Economic History* 5 (1976), 610–11, 636, 640; and comments by Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell, A. S. Skinner and W. B. Todd (2 vols., Oxford, 1976), vol. II, pp. 900–1, 903–5. For detailed accounts of France, see R. Bonney, 'France, 1494–1815' in Bonney (ed.), *Rise of the Fiscal State*, pp. 123–76, and J. F. Bosher, *French Finances, 1770–95: From Business to Bureaucracy* (Cambridge, 1970); on the limits to the excise, see P. Langford, *The Excise Crisis: Society and Politics in the Age of Walpole* (Oxford, 1975).

animals.[14] The basic problem is the same in a modern complex state as in a simple rural village: how is consent to collective action created, and how far will members of society agree on collective action for the provision of education, support of the elderly or investment in the infrastructure of roads, drains and water? A central issue is their willingness to pay taxes for public services rather than to retain their money for private provision through the market, philanthropy or mutual associations. How is acceptance of collective action versus private provision to be explained? Why does taxation command assent here or provoke resistance there?

One approach is associated with the Virginia school of public economics, which assumes that politicians and bureaucrats wish to maximise tax revenues and spend more, and that voters and taxpayers wish to minimise their payments and spend less. This suggests a basic conflict between a revenue-maximising state and a tax-minimising public. Much the same thought was expressed by J. S. Mill* in 1861. The important point is the creation of 'constitutional' limits through rules and procedures which fix an upper limit to the amount of tax extracted by the state. The ceiling will be reached, but the rules of the 'fiscal constitution' make it difficult to go still higher without re-negotiating the terms. In most cases, for most of the time, the 'fiscal constitution' may be taken as given, establishing the parameters within which disputes take place, much as the rules of cricket or football determine the conventions for scoring runs or goals to win a game. These rules and codes include the nature of the franchise, the powers of parliament to vary taxes or oversee expenditure and auditing procedures to control the use of funds. When the players are in agreement that they are operating within a set of rules, they can battle for advantage in order to win the game. However, at some point the 'fiscal constitution' itself becomes a matter for contestation, when the rules of the game are re-negotiated and the ceiling of taxation is raised or lowered.[15]

[14] E. Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge, 1990).

[15] For a discussion of the distinction between 'constitutional' and 'in-period' choices, see G. Brennan and J. M. Buchanan, *The Power to Tax: Analytical Foundations of a Fiscal Constitution* (Cambridge, 1980), pp. 1–33, 37, and R. Hardin, 'Constitutional political economy: agreement on rules', *British Journal of Political Science* 18 (1988), 513–30. For an application of the Virginia school to the fiscal policies of William Gladstone, see B. Baysinger and R. Tollison, 'Chaining leviathan: the case of Gladstonian finance', *History of Political Economy* 12 (1980), 206–13, and C. G. Leathers, 'Gladstonian finance and the Virginia school of public finance', *History of Political Economy* 18 (1986), 515–21.

* John Stuart Mill (1806–73) was the son of James Mill; he was educated by his father and spent time in France in 1820. In 1823, he joined India House as a junior clerk, retiring with a pension in 1858 when the East India Co. was dissolved. He formed the Utilitarian Society in 1823; and contributed to the *London Review*, a journal of philosophical radicalism, from its foundation in 1835, becoming its owner from 1837 to 1840. He was

The argument suggests that expenditure reaches the maximum permitted by any particular fiscal constitution, and that the crucial issue is the periodic re-negotiation of the constitution rather than short-term manoeuvres during periods of basic agreement. The Virginia school focusses on the rules and codes which set the parameters for public expenditure, stressing the design of institutional checks on the voracious desire of the state for money.

A related approach, favoured by many social scientists in the 'public choice' school, assumes that individual taxpayers make a 'rational choice', deciding whether the payment of taxes provides a worse or better return than the purchase of services from the market. This portrays voters and taxpayers as rational economic actors who wish to maximise their utility, based on an assessment of the relative costs and efficiency of different solutions.[16] This approach has serious problems, for it assumes a particular definition of rationality rather than exploring the complex nature of motivations and the differing cultures of societies. Indeed, it can simply become a self-fulfilling, closed, explanatory system in which any action can, by some means, be portrayed as 'rational' – an approach which fails to understand the subjective understanding of action and behaviour. The 'rational choice' analysis also shares a basic assumption of the Virginia school, that the relationship between the state and the individual is essentially coercive: politicians and bureaucrats strive to take more from taxpayers than they are willing to pay, and compliance can only be achieved through fear of detection and punishment. Clearly, the extent to which taxpayers are willing to provide revenue for the state is a critical issue in politics. Richard Cobden* warned that unrest and revolution were likely outcomes of a loss of consent; individual taxpayers

MP for Westminster, 1865–8. His major publications included *Logic* (1843), *Principles of Political Economy* (1848), *On Liberty* (1859), *Representative Government* (1861), *Utilitarianism* (1863), *The Subjection of Women* (1869) and his *Autobiography* (1873). (*DNB*, vol. XXXVII, ed. S. Lee (London, 1894), pp. 390–9.)

[16] A classic statement is J. Buchanan and G. Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor, 1962); see also the discussion in G. Brennan and L. Lomasky, *Democracy and Decision: The Pure Theory of Electoral Preference* (Cambridge, 1993). They develop a modified version of public choice theory, that rational actors have two personae, for the market and for the ballot box. In the latter, there is little chance of any individual voter being decisive, so electoral choice is more likely to be 'expressive' than market choice.

* Richard Cobden (1804–65) was the son of a Sussex farmer. He became a clerk and traveller for a London calico merchant, rising to a partnership in a calico warehouse in London in 1828 and in a Lancashire calico factory in 1831. He settled in Manchester, where he was one of the leaders of the Anti-Corn Law League. He was a Liberal MP from 1841 to 1857 and 1859 to 1865. He advocated international arbitration and disarmament, and negotiated the commercial treaty with France in 1859–60. (*DNB*, vol. XI, ed. L. Stephen (London, 1887), pp. 148–54.)

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might engage in tax avoidance or evasion on a greater or lesser scale; or commitment to collective public action might be lost. However, the Virginia school and rational choice approaches pay little attention to the circumstances in which consent to taxation and a belief in the legitimacy of collective action might be won or lost; at most, they are concerned with the institutional structures which shape individual rational calculation.

Many social scientists now reject absolute notions of rationality and stress that decisions rest upon 'bounded rationality'. The approach of 'game theory' pays close attention to the psychology of decision making, arguing that individuals make assumptions about the trustworthiness of other actors and the extent to which a 'credible commitment' can be made. There is an obvious incentive to cheat in the payment of taxes, and to take advantage of public goods which are available to all residents of a town or nation. Why pay taxes to support a police force or school? The individual would make a considerable personal saving by evading or avoiding taxes, but the drop in local or national revenues would be minuscule, and would not affect the number of police on the beat or teachers in the classroom. There is a strong incentive for an individual taxpayer to be a 'free rider', taking advantage of facilities provided by the compliance of other taxpayers. Of course, if everyone makes the same individual calculation, revenues will collapse and collective spending will decline. Much depends upon the taxpayer's assessment of the behaviour of other taxpayers. Where the individual taxpayer believes that others *are* making their contribution, there is less temptation to evade taxation and more willingness to pay. However, if the individual taxpayer assumes that others are cheating, or that the tax system is biassed against one group in the interests of another, compliance will decline and collective action will lose its credibility and legitimacy.[17]

One answer to the 'free rider' problem might be a draconian policy of deterrence, based on fear of detection and punishment. Reliance on punishment for non-compliance could be counter-productive, for it is both costly and leads to resentment and conflict. The alternative approach is to create the conditions for co-operative solutions to problems of collective action. This rests on the creation of trust in three mutually reinforcing ways.[18] First, can the taxpayer trust other taxpayers to pay for public

[17] On game theory, see for example K. Binmore, *Game Theory and the Social Contract: Playing Fair* (Cambridge, Mass., and London 1994), which attempts to bring it together with political philosophy.

[18] The literature on trust is now extensive: see, for example, R. Hardin, *Collective Action* (Washington, 1982), and 'Trusting persons, trusting institution' in R. Zeckhauser (ed.), *Strategy and Choice* (Cambridge, Mass., 1991), pp. 185–209; D. Gambetta (ed.), *Trust: Making and Breaking Co-operative Relations* (Oxford, 1988); B. Barber, *The Logic and Limits of Trust* (New Brunswick, N. J., 1983); F. Fukuyama, *Trust: The Social Virtues and*