Corporations, business and social trust

Nikolas Kirby and Andrew Kirton

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About the Authors

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About the Building Integrity Programme, Blavatnik School of Government

The Building Integrity Programme within the Blavatnik School of Government, University of Oxford, aims to research and promote integrity within institutions across the globe. We conduct cutting edge research, engage high-level practitioners, partner with leading organisations, and teach today and tomorrow's public leaders how to build integrity.

About the Future of the Corporation

The Future of the Corporation is a major research and public engagement programme that aims to contribute a paradigm shift redefining business for the 21st century and building trust between business and society. It is led and hosted by the British Academy.

In its first year, the programme brought together 31 academics from the humanities and social sciences to produce a set of research that gives a novel and insightful perspective on business. The conclusions demonstrate a coherent view of how business should adapt and respond to the challenges and opportunities of the 21st century.

Over the course of 2019, the Future of the Corporation programme is developing precise business practice and policy implications of the framework identified. It will consider the changes needed to laws and regulation, ownership and governance, measurement and performance, and investment and finance.

www.thebritishacademy.ac.uk/programmes/ future-of-the-corporation

About the British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities. We create friendly knowledge and understanding between the people of the UK and other countries. We do this by making a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust.

Through our Global Social Enterprise portfolio, we seek to enable more inclusive, jobs-rich and impact-driven economies by supporting the growth of social entrepreneurship, social impact investment and inclusive business. Our work draws on UK and international best practice in developing thriving social economies and is delivered across more than 30 countries with local and international partners.

Our portfolio engages recognised UK leadership with international stakeholders in order to enable more inclusive, jobs-rich and impact-driven economies. We utilise the British Council's local knowledge and convening power, together with our portfolio's scalable infrastructure and tools, to improve the ecosystem that social enterprises and inclusive economies face in their country. This ecosystem includes business development and finance, general awareness, as well as understanding and fairer policies from Government.

Our previous publications include:

- a Vision of Social Enterprise in Europe 2020 which considers the evolution of social enterprise into the mainstream economy

- Think Global Trade Social which examines the role of social business in achieving progress on the UN's Sustainable Development Goals

- From Activist to Entrepreneur which uncovers the role of social enterprise in supporting women's empowerment

- surveys providing crucial evidence about social enterprise in countries such as Pakistan, Ghana and Myanmar

More information about our work in social enterprise can be found at: **www.britishcouncil.org/society/ social-enterprise**

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Foreword

The British Council has been in the business of building trusting relationships internationally for more than 80 years. It has built friendly knowledge and understanding between and within cultures through decades of change that have seen the trust between peoples both deepen and narrow, and it continues to do so now in more than 115 countries.

In order to do this work effectively, we are continually seeking a contemporary understanding of the drivers of societal trust globally. For it is only by understanding these influencers that we can effect change at a global scale.

The big challenges increasingly go beyond the scope of any one nation, or any single part of society to address on their own – environmental costs and potential benefits that cross borders - and also cannot be solved only by the insights of the research base and the power of technology but rather by the behaviours of many millions of people. The hoped for solutions to many challenges draw on new knowledge and are socio-technical, with their success depending on the interactions, trusting or otherwise, between humans as culture bearing creatures. It is in the context of these 'collection action' challenges that it is essential for us to re-examine the drivers of societal trust. Trust in many authorities, political or traditional, within societies is increasingly challenged and situated in a more complex global space with geopolitical change and uncertainty and an increasingly knowledge intensive economy in which individuals' information is directly connected to world wide networks and corporations with turnovers larger than some countries.

Trusting relationships between people have always been shaped in part by a system by which we share resources being believed to be fair. Perhaps unsurprisingly, leading commentators have found that there is a direct correlation between the failure to share resources fairly with high income inequality and crime, political instability and conflict.[1]

This paper "Corporations, business and social trust" concludes that our international corporations have become an incredibly powerful engine for allocating these resources which we share. Whether it be through the products and services they provide, or through the rewards given to shareholders, supply chain producers or employees, the corporation is perhaps one of the most significant shapers of our modern global economy.

For this reason we have been proud to partner with the British Academy in it's ambitious Future of the Corporation programme which aims to contribute to redefining business in the 21st century and building trust between business and society.

We are already active globally in this space. Over the last decade we have grown our portfolio of work in social enterprise and now make a meaningful contribution to this growing global movement. Around the world we see social enterprise business models that offer a distinct alternative and in doing so, a positive and effective challenge to many business practices. Most significantly these businesses innovate in how they balance power between different stakeholders, and how the profits of production are shared.

[1] Income Inequality and the Condition of Chronic Poverty, UNDP

Indeed, the promise of Social Enterprise to many is to use the power and innovation of business means for social and environmental ends. In many respects blended returns, responsibility to the community and ethical practice in trade have been important in diverse traditions around the world for many centuries.

The UK was fortunate to be among the first locations for many of the modern forms of social enterprise, from cooperatives to community interest companies, social innovations, such as social impact investing and social value legislation, and models for social enterprise and entrepreneurship support. All of these can be of global value and can benefit from learning from global peers. Innovations in such as fair trade had precursors in both domestic and international trade in more than one country, and insights in areas such as in financial inclusion continue to flow from innovations in Africa and South Asia to benefit citizens in Northern climes.

The British Council's Social Enterprise portfolio, working with partners from Social Enterprise UK to the United Nations, aims to use our local knowledge and convening power, together with scalable infrastructure and tools, to improve the ecosystem that social enterprises and inclusive economies face in partner countries. This ecosystem includes business development and finance, general awareness, as well as understanding and fairer policies from Government.

Dan Shah
Director of Research at the British Council

Dan Shah joined the British Council as Director Research in December 2018.

Dan was previously Director UK Research and Innovation (UKRI) and delivered UKRI's India strategy, bridged interests across HMG networks in New Delhi and Whitehall. Prior to joining UKRI, Dan was Assistant Policy Director at Universities UK International and Senior Policy Advisor at the Russell Group. He has worked in Government in the then Department for Business Innovation and Skills on research funding and university business collaboration. Before working for the public sector, he worked at the Social Enterprise Coalition, now Social Enterprise UK, initiating the organisation's research programme (including the first State of Social Enterprise survey), worked on access to finance and environmental policy.

1 Introduction

Social trust is the level of assurance that fellow citizens will not be inclined to cheat or take advantage of others. A high level of social trust is a form of 'social capital' that decreases the perception of risk, reduces the need for defensive action and facilitates collective endeavour. By contrast, low levels of social trust, grounded in mutual suspicion of one another, inclines people to take more expensive precautions, and avoid vulnerability in collective action. Further, when social trust is very low, distrust may cause communities and states to fracture. Citizens that lack confidence in one another's propensity to cooperate can be excused for looking after their own interests – seeking their own gain – perhaps at the expense of other citizens, who are likewise simply looking out for themselves. Unable to trust others in general, citizen may turn to more particularistic group identities - tribal, ethnic, religious, racial, for example. Social trust is therefore an essential condition of a robust community, characterised by a shared moral fabric.

Recent research highlights the important role that government institutions play in positively influencing social trust. However, there has been a lack of attention paid to how the private sector, and in particular corporations, can affect social trust. Given how essential social trust is for the health of a society, and the high levels of power that corporations have in the modern world, this is an important question to consider. The aim of this paper is primarily theoretical. We isolate the general mechanisms that others have suggested drive social trust, and explore how they might interact with corporations. In doing so, we hope to lay the groundwork for supporting empirical research.

This paper is in three sections. The first section defines social trust, identifies two reasons to value high social trust, and then isolates two key mechanisms through which corporations can affect social trust, with reference to existing research. The second section gives six examples of how corporations might engage with these mechanisms and thereby undermine social trust. The third section outlines four possible policy implications if we are to improve the likelihood that corporate activity promotes social trust.

2 Understanding social trust

2.1 What is social trust?

The concept of social trust is helpfully defined by Rothstein, who summarises it as, 'forward looking predictions about whether one's co-citizens will reciprocate rather than free-ride or cheat'.[1] Dinesen refers similarly to *generalised* trust as 'the notion that most people we have no prior information about can be trusted'.[2] Essentially, social or generalised trust is the kind of trust that is directed toward, or is about, people in *general*, rather than trust of a specific person. People can have more or less social trust: person A might expect people in general to cheat, given the chance, whereas person B might expect people in general to be honest. At issue in this paper is exactly this type of trust, when averaged across communities - i.e. how much on average citizens tend to trust their fellow citizens - and how this average is affected by corporate activity. So we can speak of relatively 'high' and 'low' social trust communities, and the concern is what role corporations can play in affecting whether a community is high or low in social trust.

A related notion to social trust is *social capital.* Social capital refers to the ability of individuals to work together in achieving goals.[3] This ability is referred to as 'capital' to convey that it has an added measurable economic value.[4] Social capital was a lively area of research in the 1990's and 2000s, and was fuelled by interest in why different geographic regions exhibit varying degrees of economic efficiency, prosperity, and wellbeing for their citizens.[5]

Research into social trust is now geared toward understanding the same thing, because social trust is an aspect of social capital, and so pivotal in bringing about its benefits. Social trust partly constitutes social capital because it increases the ease and likelihood of cooperation. This is because if citizens trust one another they are more disposed to take risks with one another, and less likely to invest in expensive or time consuming defensive or hedging practices. More broadly, it results in citizens that are happier, more tolerant, and politically engaged.[6] As a result of this, societies with higher social trust are more stable, democratic, and less affected by corruption.[7]

Because of this stability and immunity to corruption, high trust societies are better able to work through 'collective action' dilemmas.[8] These are situations where a collectively undesirable outcome could be avoided by the coordinated actions of individuals, but where mutual expectations of selfish behaviour make it sensible for individuals to avoid putting effort in that will not be reciprocated. A society with a high level of social trust has citizens that mutually expect others to do their part; thereby avoiding the problem, as the potential for others failing to do their part will not be a salient possibility to members of the community.

2.2 Social trust and the moral fabric

So, social trust is clearly necessary for many social goods. Higher social trust leads to higher overall welfare for citizens. Increased welfare is therefore one value of maintaining social trust.

But, the importance of social trust runs deeper than just bringing about higher overall happiness, economic productivity, and so on. We argue it is also, in some sense, a necessary precondition for a deep form of stability, providing the basis for a 'moral system' as a web of obligations binding individuals. Without any social trust, there is no such thing as a society, because individuals can no longer operate (perhaps even *should* operate) according to a shared system of moral obligations. Insofar as we morally value anything, then, we ought to value social trust.

To see why, consider a related worry that has preoccupied political theorists since Hobbes.[9] The worry is: how do contracts between people come about in a 'state of nature' when there is no government or overall ruling body in place to reliably ensure that agreements are upheld? Absent any ruling body to enforce contracts, it is difficult to think of any individuals as obligated to do anything for anyone else, in any meaningful sense. This is because in such a pre-societal

state, individuals will lack reasonable grounds for assurance that others will meet their end of any bargain. Why put in the work for others if there is no assurance that they will put in the work for you? Hobbes argued that in such a scenario you are, in a sense, released from obligations to uphold your end of any bargain.[10]

Once there is a general awareness that individuals can, without much consequence, simply reap the benefits of others' acting while contributing nothing, then the 'scheme' of obligations itself breaks down. So, in order to talk of anyone being obligated to do anything, there must be minimal levels of assurance that others will play their part.[11] In other words, minimal levels of social trust must exist in a society for it to be plausible to ascribe obligations to the individuals in that society.[12]

But at this point an apparent chicken-and-egg problem arises. On the one hand, for us to be bound by obligations requires some baseline level of social trust. We need some minimal assurance that obligations will be upheld to suppose that there are obligations. But this assurance surely requires that some obligations are met, otherwise trust – which is the prerequisite for those very obligations – will not get off the ground. Social trust appears to presuppose compliance with obligation, but obligation appears to presuppose social trust.

Rather than standing in a paradoxical chicken-and-egg relationship though, it's simply that social trust and the moral fabric are strongly co-dependent. Once one is extinguished, so is the other. And once one gets off the ground, they can quickly reciprocate and reinforce one another. Social trust and the obligations it makes possible can work together in virtuous upward cycles of mutual reinforcement, or in vicious downward spirals of mutual corrosion.[13]

This reciprocal relationship between social trust and the moral fabric makes preserving or increasing social trust not just a matter of utility or instrumental value, but of fundamental importance for sustaining society, as a shared system of mutual moral obligations. So, we can see a further value to sustaining high social trust, beyond the instrumental one of bringing about higher overall utility. Social trust is essential for a moral fabric. The value of preserving social trust is to preserve the very possibility of moral obligation within community. It follows from this that there must exist duties to preserve and uphold social trust upon the actors within society that have the power to influence it, if we are to speak of duties at all.

2.3 What influences social trust

We've defined social trust as the level of assurance that citizens have on average that their fellow citizens will reciprocate in agreements (or will refrain from cheating). We've also outlined two values to maintaining this assurance: (i) higher instrumental welfare/utility for citizens, and (ii) the intrinsic value of preserving the shared moral fabric. The question now is what factors go into influencing social trust.

There are two broad views on what drives social trust. The first view, stemming from research on social capital,[14] emphasises the importance of voluntary associations and personal relationships between citizens. Call this the 'bottom-up' view: it says that social trust is a product of how interlinked the atomistic personal relationships between citizens are.

The second view emphasises the integrity of public sector institutions, insofar as they uphold egalitarian, impartial/socially just laws (that is, not unfairly favouring one ethnic group, or social class). Call this the 'top-down' view.[15] On this view, social trust is primarily determined by how cohesion is instituted in the society's values, norms, and legal structures. A society can contain individuals with interlinked personal relationships, but these aren't enough to provide the basis for high levels of *social* trust; more needs to be done at the top level to provide generalised assurance of citizens we have yet to meet.

The bottom-up view stems from Putnam, who argues that social capital (and levels of general trust)[16] are shaped by citizens' direct associations with one another in voluntary organisations. These voluntary associations provide the opportunity for trust-building interactions with more diverse types of person. That is then essential for 'bridging' – integration – of unfamiliar social groups within a society, without which social distrust would persist.[17] On this view, diversity in a community is a barrier to familiarity – lacking a shared language or ethnic heritage, for example, will prove detrimental to establishing a common ground and familiarity between citizens.

Roemer (2009), for example, attributes high levels of social trust found in Nordic countries to the homogeneity of the populations in those countries. Similarly, Schaeffer (2013) likewise notes that there is slightly more evidence to suggest that increased diversity *does* negatively impact social trust. Although, he proposes that more interdisciplinary research is needed to show this is a robust association.[18] Others, are more sceptical. You (2018), argues that ethnic diversity loses significance once other factors like political trust, country-level corruption, and inequality are taken into account.

Paxton (2002) and Bjornskov (2007) find no significant relationship between trust levels and ethnic heterogeneity. In sum, the results are still mixed. But overall, the bottom-up view suggests that to generate social trust, measures must be engineered to allow unfamiliar individuals to interact and create a shared common ground, *via* other means.

Alternatively, the 'top-down' view suggests that, rather than interpersonal voluntary associations between citizens, the robustness and fairness of public institutions is what matters most for social trust. Because this view emphasises the quality of the institutions that govern individuals' lives, the view says that any negative effect from factors such as ethnic diversity will, under the right institutional conditions, be ameliorated.[19] Rothstein, referencing Delhey and Newton, puts it as follows:

> **Government, especially corruption free and democratic government, seems to set a structure in which individuals are able to act in a trustworthy manner and not suffer, and in which they can reasonably expect that most others will generally do the same. (2017: 314)**[20]

What is crucial is that citizens see egalitarian policies as being not only endorsed but also implemented. *Endorsement* of fair and impartial policies is not enough; the institutions that enact these policies must also robustly *enforce* them.[21] The policies must have teeth. Otherwise, the policy is unable to do the work it would otherwise do in increasing social trust.[22]

This point is brought out vividly in research on the link between corruption and social trust. When corruption is high, this has a chilling effect on social trust. Bjørnskov and Paldam (2004)

endorse this conclusion from analysing data on varying levels of corruption across countries. The causal link between perceived corruption and lower levels of social trust is hypothesised as follows: 'increasing corruption may be interpreted as a signal of decreasing trustworthiness of the average agent *vis-à-vis* his principal, which in turn will also lower generalised trust.'[23]

Why is it that the perceived corruptibility of public officials is strongly linked to how willingly citizens will trust one another in general? What marks out public officials compared to everyday citizens is that they are useful cues, signals or tone-setters, to read the 'moral temperature' of a society's values. Citizens will take their cue about the general trustworthiness of others from the behaviour of those who are in charge of a community, and who are responsible for upholding the norms of the community. Public officials are thus a good measure of the efficacy of norms that regulate the society.

If the police or law courts, for example, are seen as at *best* ineffective or incompetent, and at *worst* able to be swayed by self-interest, then it seems to quickly follow that, in any given situation where one could be at the mercy of another's action, individuals will have to rely on their own wits to prevent others taking advantage. One cannot be assured that there are individuals in the background, acting as representatives of robust institutions, ensuring that dealings are conducted fairly. And because of that, one cannot be so readily assured that the person you are dealing with presently is not seeking to maximise their own self-interest by cheating, or deviating from a norm of impartial reciprocity. After all, public officials – the very individuals responsible for upholding the norms – do not appear to be in the practice of upholding, or possibly even adhering to those norms, if it can be profitable not to.[24]

For the purposes of this paper, there is no need to decide whether the top-down or bottom-up view is ultimately correct. What is important is how they point toward two broad mechanisms for influencing social trust: (i) integration/segregation of differing social groups, (ii) fairness of public sector officials and institutions. Pointing these out allows us to see how corporations might act upon those mechanisms, therefore impacting social trust, and thus the moral fabric of a society. In the following section, we outline six ways in which corporate activity might do this.

3 How corporations can impact social trust

Our analysis suggests six different ways that corporations and business are influencing social trust:

1. Driving segregation: discrimination and disparate impact

2. Polarising perceptions

3. Undermining the state instituting fairness

4. Corruption and policy capture

5. Taking on public sector responsibilities and

6. Legal malfeasance, impunity and 'too big to jail'.

In this section we look at each of these in more detail.

3.1. Driving segregation: discrimination and disparate impact

One interpretation of the bottom-up view is that social trust is fundamentally a function of our perceived 'moral community.' We trust those whom we view as within our moral community, and distrust those without. Thus, factors that drive a wedge within our moral community will increase distrust. As mentioned above, there is mixed evidence that diversity – particularly class, ethnic, racial and religious diversity – itself drives distrust via this mechanism. However, there is more conclusive evidence that diversity compounded by segregation, whether social or geographical, leads to social distrust, whilst integration either mitigates or prevents such social distrust.[25] Therefore, the first and perhaps most obvious way in which corporations can affect social trust levels is how they interact with this mechanism: both directly and indirectly.

Directly, corporations can drive segregation *via* discrimination amongst employees and customers.[26] However, less prominent is the effect of discrimination with respect to other stakeholders, such as suppliers and investors, reinforcing segregated social networks of

goods, finance and status. Ironically, minority and diaspora networks, such Jewish, Chinese or Armenian merchant networks, are often noted as examples of the value of trust in business.[27] However, they often actually exemplify high levels of particularistic trust amongst a socially segregated group emerging as a response to rejection by a prejudiced majority who do not extend them high levels of generalised, social trust. Success for such segregated groups within these networks then can compound such majority distrust.

Conversely, corporations can be drivers of increased social trust if they adopt inclusive policies that involve actual integration. In this role corporations can both exemplify and encourage a social 'melting-pot.' However, even if corporations adopt such direct measures, their activities may still contribute to social segregation *indirectly*. This arises, for example, when the market for certain goods or services tracks existing social faultines, and their conspicuous consumption by a particular group becomes a sign of social division.[28] Executive airport lounges, premium experiences, and fast-track services whilst nominally open to all, often lead to literal segregation as the wealthier (and whatever other social trait may track wealth) take up such products.

3.2. Polarising perceptions

Corporations can exacerbate social division by providing products that govern and influence social interactions. A clear contemporary example of this is found in the social media platform Facebook. This is a further example of corporate activity interacting with the bottom-up integration/segregation mechanism.

Facebook is the world's most popular social network.[29] Causing social division is, of course, the opposite of Facebook's intended purpose, which is to provide a platform for increasing social interconnectedness between people. In other words, Facebook could be thought of as having the intended goal of 'bridging' between groups of unfamiliar people. In practice, Facebook

as a platform can enable greater sorting, entrenchment and division of groups, depleting social trust.

Customers or users of Facebook are able to create an online profile, on which they can communicate with other users who also have profiles. Users can create and join groups, which allow collections of users to share content and participate in discussion. Facebook monetize the platform through targeted tailored advertising to users. Based on the data that Facebook collects about users from their profile and activity on the site (based on what users 'like' or react to), and from the tracking cookies that Facebook uses to log browsing activity, the company builds a data profile of the user that can then be used by potential advertisers. Thus, it is in Facebook's interest to have users sharing more data and engaging with the platform, and users are prompted accordingly, for instance, to flesh out their profile pages with more information.

How does this lead to greater social distrust? For one, the algorithms that determine what content users see – such as news stories, posts on discussion groups, advertisements etc. – are sensitive to what the user has looked at before, and what has led to them engaging with content on the site more frequently. These algorithms then 'predict' what will keep users engaging with content and will display further content accordingly (it is in the interest of Facebook to keep users engaging).[30] This is regardless of whether that content is, for example, a fabricated hate-speech article about a particular ethnic group seeking to take advantage of your nation's resources. Because this sort of content is emotionally charged, it draws users attention in a way that more accurate content will not. The algorithm, which governs what content a user sees, will display these stories at the expense of the benign alternative, precisely because the hate-speech content is emotionally charged.

This is much the same argument that has been made about traditional newspaper media that has fed prejudices against particular groups, namely that such content sells papers at the expense of

upholding social cohesion. However, Facebook presents a unique prospect. As noted, one is the reach of the platform, which at 2.27 billion users is greater than any traditional newspaper. Tweaking an algorithm thus allows it to exert considerable influence over, for example, democratic participation in actual voting systems (as a research team from Facebook itself has claimed responsibility for).[31]

Furthermore, the way that the platform is geared toward categorisation of users poses a unique prospect. The platform seeks to categorise and bracket users into marketable demographics, based on the data it gathers from the user. Some of these demographics may include political views. Combined with the fact that content trading on exacerbating division (in e.g. fabricated stories about particular ethnic groups) is attention grabbing, the platform is therefore going to bracket users into such groups, which can then be more easily targeted with such content. Then, users can be encouraged to connect with like-minded others, to share the same content. The result is that the platform encourages the congealing of users in discussion groups around extreme, socially divisive viewpoints.

This regrettable state of affairs isn't due to direct design decisions by the engineers of the platform. Instead, it is a consequence that falls out of several factors. One is that the platform is designed to categorise a user by marketable attributes, of which political or social views may be one. Another is the emotional resonance of content that feeds prejudices, which the platform then will seek to exploit as a sure-fire method of keeping users engaged and using the platform. Another is, once prejudices are fed, the platform's encouragement of users to seek out like minded individuals (by suggesting friends, groups, pages to like and so on), and to rally around a shared viewpoint that casts one or more sub-groups as not to be trusted. Less overall social trust across groups is, plausibly, the result.

3.3. Undermining the state instituting fairness

Corporations can undermine social trust by demonstrating that the state is ineffectual in upholding the fairness norms of the community. An example of this is corporate tax avoidance. This is an example of the second social trust mechanism outlined above – robustness of public sector officials/institutions – being affected by corporate activity.

A basic norm tied to what is fair in a given society is paying the appropriate level of tax. Public institutions are in the business of maintaining infrastructures necessary for community cohesion and preserving social trust, such as solving coordination problems that come with living in large communities, and outsourcing and regulating specific crucial jobs (which private actors would not be best at/appropriate for resolving). We can also assume that rates of tax set by the government have some basis in what it takes to properly fuel the machinery of government (determined in budgets). When everyone pays back in, the burden of maintaining the community is distributed in an equitable way. But corporations typically seek to maximise profit, and tax may be easy to avoid. So, corporations will typically be inclined to avoid paying back their fair share, when doing so is feasible and not too costly.[32]

If the state has no mechanisms in place to deter or punish tax avoidance, then a corporation would not have to be very sophisticated, powerful, or cunning to get away with it. Further, if the state fails to mete out an effective punishment that deters future avoidance, this may spur further avoidance from others. Of course, most states have mechanisms in place to track, punish and deter tax avoidance (certainly enough to find, punish and deter individual citizens from doing so). But modern, large corporations present a unique prospect. Corporate actors can be powerful and cunning enough to make tax avoidance a viable course of action; either hiring external agents or creating internal agents, whose job is to work out loopholes in tax laws in order to avoid paying back an amount which is in the spirit of the law. Compared to an individual citizen working alone to avoid tax, corporate actors can bring to bear much greater cognitive and financial resources to the task.

Further, because these actors are typically working within the letter of the law but not the spirit, the difficulty of preventing and deterring avoidance practices altogether is going to be increased. Much as hackers exploit vulnerabilities in computer architectures, so tax avoidance can be a matter of exploiting vulnerabilities in tax laws. The process of patching these vulnerabilities is slow, requiring laws to be changed. And, just as patching software vulnerabilities often creates new unforeseen ones, so new fixes to tax laws will not deter powerful actors from simply changing up their approach and hunting out new vulnerabilities.

In addition, large and wealthy corporate actors pose a challenge to making punishments effective. Any punishment may be costed in by the corporation as a possible but altogether/on balance worthwhile risk (perhaps on the basis that by the time any penalty is meted out, the investments made from recouped tax will have outstripped the cost of the penalty, and thus have 'paid off').

Large corporations can also wield the threat of uprooting and taking business elsewhere, forcing the hand of the state to offer more favourable tax conditions, in a way that is unfair on the rest of the community. This form of avoidance also diminishes social trust by undermining the fairness of public institutions. In this case, the state is bowed by the prospect of attracting or keeping a powerful corporate actor operating in its jurisdiction. Bending the rules around what is ordinarily demanded of citizens keeps the corporation happy. In other words, the state permits some exploitation.[33] This is a possibility when corporations are powerful enough that the threat of taking operations overseas would harm the economy more than just allowing the corporation to pay a lower tax rate. An example of this in recent times is the 'sweetheart tax deal' arranged between Apple and Ireland.[34] The Irish government courted Apple with the offer of paying a token rate of corporation tax. The standard tax rate in Ireland was 12.5 per cent, but the arrangement with Apple allowed them to pay a rate of one percent maximum, with Apple paying only 0.005 per cent in 2014.[35]

Why does corporate tax avoidance deplete social trust, and not just trust toward government, or the corporation responsible? This is because it reveals that the fairness norms of a community are unenforceable. When corporations can get away with avoiding tax, then the benefits you receive as a community member do not result from your standing simply *as* a member of the community. Rather, this is a matter of your wealth and personal power. When corporations avoid tax and the state is unable to effectively prevent it, or is bowed toward permitting it, this indicates to citizens that were they to deal with a powerful enough actor in the community, the community at large would not be there to step in, to ensure they were treated fairly. Corrosion of social trust results: individuals see that defection can pay well, so trusting others might be costly.

It is also worth noting that tax avoidance can also undermine social trust via the integration/ segregation mechanism. If access to high-level positions in corporations is seen as determined by a particular subgroup (e.g. as access to higher level positions in UK finance is sometimes seen to be a matter of belonging to an 'old boys network', made up of privately educated white men coming from inherited wealth), then tax avoidance being tacitly permitted by the state can come to be seen as symbolic of preferential treatment extended to a particular subgroup, driving further segregation, and corroding social trust.

Finally, tax avoidance can *indirectly* act upon the public sector mechanism. When corporations avoid tax, they avoid paying their fair share of fuel to run the machinery of government and by extension the community infrastructure. They thereby deprive government infrastructure, which plays a role in looking after the needs of citizens, of the resources it requires to carry out that role. The machine will become less effective, and citizens having to compensate or shoulder the burden of underfunded community infrastructure will become increasingly antagonistic and self-interested (perhaps as public agents themselves have to cut corners in carrying out their role, in order to maintain targets, after cutbacks in public spending). If enough particularly powerful actors routinely avoid meeting their obligations to pay back in refuelling costs, this leaves the machinery running on fumes. Social trust and the shared moral fabric of a community are indirectly corroded by corporate actors avoiding paying what is required just to run that infrastructure, as public institutions are underfunded, and thereby made slower and ineffective at community service.

3.4. Corruption and policy capture

The top-down model of social trust presupposes trust in public institutions. In other words, horizontal social trust (between citizens) presupposes vertical trust in institutions. Thus, if vertical trust in such public institutions is compromised, the dependent horizontal social trust is liable to also collapse. Corporations, therefore, risk social trust when they compromise, or are seen to compromise the trustworthiness of public institutions. Citizens come to believe that the system is 'rigged' against them, and ultimately run by 'faceless men' (or women).

In the most obvious case, corporations may initiate or engage through forms of individual corruption with individual public officers: bribes, nepotism, fraud and so forth. These activities, at least if they become known or suspected, undermine any assumption that the power entrusted to such officers is wielded in the public interest.

Corruption, however, does not always reduce to obvious individual acts of corruption. It can also be *institutional*. As Lessig defines institutional corruption, it is:

> **Manifest when there is a systemic and strategic influence which is legal, or even currently ethical, that undermines the institution's effectiveness by diverting it from its purpose or weakening its ability to achieve its purpose, including, to the extent relevant to its purpose, weakening either the public's trust in that institution or the institution's inherent trustworthiness.**[36]

A specific form of institutional corruption, is 'policy capture' which involves 'consistently or repeatedly directing public policy decisions away from the public interest towards the interests of a specific interest group or person.'[37] Corporate activities that might lead to such capture, or

at least perceptions thereof, include lobbying, campaign finance, homophily between elites and revolving doors, and other forms of influence peddling. In summary, corporate activity can utterly compromise the public institution mechanism for social trust, by capturing the public sector itself.

3.5. Taking on public sector responsibilities

The top-down model, and the associated public sector mechanism, assumes that social trust is driven by trust in government to deliver on its own responsibilities. The responsibilities of governments have always included making and implementing laws in the public interest. However, over the last century and a half, they have grown to include securing, and in many cases delivering a range of services: from education, to healthcare, to employment benefits, to key infrastructure.

Today, however, governments frequently work either with or through companies to deliver in such services, through a range of structures from privatisation, to contracting out, to public-private partnerships. Such initiatives are often driven by valid concerns for efficiency and efficacy, assuming that private sector capabilities, structures and incentives will offer better value for money. However, social trust is at risk in such scenarios where citizens still hold the government accountable for services, although nominally they are now being delivered by private enterprise. Here, the private sector doesn't so much as act upon that public sector mechanism, as take it over.

Take some standard functions of the state, such as delivery of a standardised education to children, or operating prison services, or operating the railways. Citizens have rights to fair treatment as members of the community when accessing these services (even when this is unwillingly accessed as is the case in prisons). The experience citizens have engaging these services, then, will reflect, for the user, how strongly committed those agents of the public institution are to ensuring that citizens' standing is upheld and respected.

Above, we argued that public sector agents are standard go-to cues for reading the moral health of the community, thus their behaviour

is a determiner of social trust. The experience one has in accessing public sector services will involve encounters with these agents, so will readily impact citizens' assessment of others' trustworthiness. Social trust will therefore, of course, be at risk, when a public sector institution is responsible for delivery of those services. The model we've outlined shows that outsourcing to a private corporation creates a further risk: a private corporation is now responsible for that depletion, because it now has the chance to directly shape citizens' sense of the health of the moral community.

Are we supposing that citizens, when dealing with such a service, necessarily conflate private companies acting under the auspices of the public sector, with the public sector itself? Surely, citizens/service users don't necessarily do this, so why should their experience be akin to dealing with public sector officials, and thus putting their perceptions of social trust at risk?

Even when the demarcation between private sector and public sector is clear to service users, the arrangement still puts social trust at risk. The discussion above has emphasised that there is a clear throughput from corporate behaviour to levels of social trust, which runs via the state. Simply put: how the state responds to corporations mistreating citizens, or defecting from fairness norms, is crucial for determining horizontal social trust.

Ordinarily, there is a necessary and permissible lag-time between corporate action and state response, which delays any change in horizontal social trust. But when private companies take on state functions, the gap between state and corporate actor is significantly narrowed, and the throughput from corporate behaviour to social trust encounters less resistance. Thus, the rapidity with which citizens' perceptions of social trust can be influenced is increased. This is because when corporations are acting as agents of the state, then citizens will not afford the justice-oriented public institutions the same amount of time, between corporate misbehaviour and public sector response, to catch up with, correct and reaffirm citizens' moral standing. That response period is usually when citizens are primed to revise their assessment of co-citizens' trustworthiness, but suspend doing so. With

intermingling of private and public functions, the state is not afforded such breathing room. The corporation is operating in a role under the auspices of the state, and corporations are now akin to public officials. Corporate misbehaviour can now more directly be seen as representative of the moral health of the community, much in the same way that public officials are cues for reading the moral temperature of the community.

It can also be argued that with private actors playing this role, the risk of depleting social trust is also amplified by the kind of incentives that exist on private actors. The priority of a private corporation will be to deliver a service in a way that generates sufficient profit. If the corporation happens to be motivated by values that promote social trust, such as impartiality, universalism, nondiscrimination and so on, it is still true that profitability will not necessarily reliably align with pursuit of these values. There is, therefore, a more salient risk that private corporations, in delivering services, will deviate from delivering them impartially and fairly. The motivational set of a private corporation is different in kind from a public institution, making it more likely to prioritise profit at the expense of other values. Then, when corporations are granted the licence to deliver such services by the government, Levi summarises the likely result:

> **'The privatisation of social services and the consequent nonuniversalism and nonstandardisation in provision (Smith and Lipsky 1993) is likely to increase distrust in government as an institution that enforces impartiality.' (1998: 90-91)**

3.6. Legal malfeasance, impunity and 'too big to jail'

Finally, perhaps the most obvious and general way in which companies corrode social trust, via the public sector mechanism, is by breaching the law. The law generally reflects the bare minimum content of social trust, such that citizens assume that all other actors, including both individual and corporate agents, are predisposed to comply. Hence, when corporations break the law, this assumption is undermined. This is particularly true given the possible size and notoriety of corporate malfeasance.

Of course, in general, breaking the law is wrong in and of itself. And it may seem somewhat superfluous to bring attention to its effects on social trust as yet another reason to follow the law. Although a culture that assumes that corporations can and should only act in their self-interest, and thus only obey the law if it is their self-interest, itself undermines the culture of respect for law needed elsewhere in society for social trust to survive.

Regardless, it is definitely not superfluous to bring attention to social trust as a reason for *enforcing* the law in a fair and impartial manner. There is evidence that corporate and 'white collar' individual crime is treated more leniently than crime in other sectors,[38] although it is generally seen by communities as more serious than almost all other types of crime.[39] To some extent this is a product of difficulties in bringing prosecution, and the disproportionately small allocation of resources by enforcement agencies to investigate such crimes. It may also arise from forms of individual or institutional corruption. However, to some extent it is an explicit objective of policy. Prosecution of large corporations and/or their executives may lead to the collapses of those businesses, as was the case with Enron. Many governments have decided that the cost of such collapse is simply not worth it. Some corporations are simply 'too big to jail.'[40] For example, the US introduced deferred prosecution agreements (DPAs) in 1999. Escalating in use since the Enron collapse, they effectively grant amnesty to corporations under a set of conditions. Whilst nominally these conditions should reflect a degree of penance, they have created the impression of a complete different tier of justice for large corporations, compared to other legal agents. This is somewhat validated by their popularity amongst corporations themselves. DPAs have been exported around the world to a number of jurisdictions.[41]

4 Normative upshot: aligning corporate activity with social trust

Let us take stock of our argument so far. We have established first that social trust is valuable for two key reasons: (1) it forms a part of the social capital that facilitates productive (including economic) social activity; and (2) it is precondition of our very social fabric – the ability to live, stably over time, in mutual obligation to one another. We then established that corporations and their activities can plausibly threaten social trust *via* their interaction with the two mechanisms outlined above: bottom-up integration/segregation and top-down public sector fairness. Our inference, therefore, is that as a society we might have good reason to restructure the role and incentives of corporations with an eye to their impact on social trust. This is not to say that such a reason will always be *decisive*, as other considerations may influence policy. But it is to say that social trust should always be a consideration.

In this section, we shall outline four possible high-level ways to act on this *pro tanto* reason, and some of the counterbalancing reasons that may arise at points.

4.1. Social trust as a consideration of market regulation

Within the employment and consumer contexts, current anti-discrimination regulation promotes social trust insofar as it seeks to address social segregation. Social trust may not be the primary reason for such regulation – generally justified upon more basic egalitarian claims – but it definitely supports it. It is worth noting, however, that little has been done to address segregation with respect to supply chains and investor relations. In fact, the literature often gives the impression of admiring such tight-knit networks. It is indeed difficult to imagine 'hard' regulation aimed at desegregation in this area, that would be realistic, effective and enforceable, even assuming it were overall desirable. Investor and supplier decisions are too discretionary and opaque. However, there are reasons supporting 'soft' policies that would seek to promote and laud diversity at this level, whether through industry or public initiatives. Harder regulation, instead, might target the ecosystem of social institutions surrounding the corporate sphere that determine the make-up and relationships between of the corporate elite – universities, business schools, private clubs, and so forth – to drive integration.

Similarly, hard regulation would generally be ineffective and undesirable in addressing *indirect* contributions to segregation by corporations. Even putting aside concerns about economic value and freedom, it would be difficult to enforce a ban on 'prestige' or 'identity driven' items, for example, and the social valuation would most simply change to other items anyway.[42]

A different case, however, might be made for regulating polarising *platforms*, like Facebook. Most debate about Facebook has focussed upon free speech concerns, including the value and limits of the right of users to post what they wish, and the responsibility of Facebook to regulate those posts. However, probably more important for issues of polarisation and social trust is Facebook's algorithmic sorting of its users and content into self-reinforcing clusters often based upon their prejudices. Whilst people may have a right to free speech of some considerable scope, there is no recognised right to have that speech aggregated and manipulated to achieve a profitable, perhaps addictive, but polarising result. Regulating to desegregate content on Facebook would not obviously raise any free speech concerns.

One might contend instead that just as with a private club one should be able to choose with whom one associates on such platforms. However, the problem with this argument is twofold. First, Facebook is much more analogous to a public square or market than a private club, given its size, network effect and monopolistic nature. Secondly, whilst a person may choose to use

Facebook or not, and even choose their 'friends,' they do not choose the other people, news or advertising that incidentally passes by them. That is chosen by an opaque but polarising algorithm. So Facebook is more akin to a large public square, which is the main place in a city to go, where the regulator of the square somehow determines who you will bump into, selects the stalls you will see, and piece of gossip you should hear, in large part based on prejudices that you yourself may not even want to satisfy.

In many places around the world, we already regulate physical geography to insure integration, and promote social trust, through urban planning and design. The idea is not to force people to like one another or be intimate, but to ensure such incidental interaction that people regularly acknowledge one another as equal members of the same moral community. Arguably, our online geography requires similarly, principled regulation.

4.2. Social trust as a consideration of corporate legal enforcement

Clearly, the government has self-standing reason to enforce laws applying to corporations. However, social trust enters as a consideration in two ways. First, corporate prosecution particularly for tax evasion should be prioritised, and given a high profile. Citizens need to see that government is not captured, and does apply the law equally to all.[43] It also justifies the type of public catharsis of a royal commission (or the like) in the case of systemic failures impacting upon social trust. Secondly, the imperative of social trust also speaks against current instruments, like DPAs, that seem to prioritise the future, economic value of recalcitrant corporations over law enforcement that might cripple them. In other words, full enforcing the law against corporations may cause economic harm in the short run, including to workers and consumers, but there is an argument that such harm is worth the gain in protecting social trust.

4.3. Social trust as a consideration of corporate governance

Ideally, social trust would be a consideration in all boardrooms. Yet, with some pragmatism, we assume this is both unrealistic and unenforceable. However, it is also true that some firms will be willing to not merely take social trust into consideration in their decisions, but even see its promotion as one of its aims. They may take the lead on anti-discrimination, or fighting desegregation; they sign up to a tax responsibility charter; or avoid legal but institutionally corrupting behaviour.

As Colin Mayer argues, however, one problem for public firms that take such socially responsible – although perhaps in the short term less profitable – strategies is that they are vulnerable to being taken over by less socially ambitious actors. Mayer suggests that governments can help by establishing alternative, optional governance structures such as the 'Trust Firm', that can protect such firms in their more socially minded goals.'[44]

4.4. Social trust as a consideration of public-private relations

As a central part of civil society, corporations actually play a critical and structural role in holding governments to account. Media companies obviously play a unique role, but in a competitive, contested market, companies offer another axis of power to challenge government and the political elite. Further, in productive relationships, private firms can provide knowledge and capacity to government, that helps it deliver on its own promises. Finally, one of the central justifications for privatisation has always been that it can replace public monopolies liable to corruption, with private markets disciplined by competition.

In these ways, corporations and their activities can promote social trust *via* the top-down mechanism: increasing trust in government itself. However, our analysis above, indicates that when government appears to be captured or otherwise corrupted by business, or corporations compromise the quality or fairness of core, public services, then social trust is at risk. For this reason, social trust needs should become a consideration in how the state regulates its relationships with private actors. It is a strong reason to improve processes regarding lobbying, campaign finance, procurement, outsourcing, and other practices.

5 Conclusion

Social trust matters. In this paper, we have argued that we have good theoretical reasons to believe that corporations can and do affect levels of social trust. We have taken the 'bottom up' and/or 'top-down' social trust mechanisms laid out elsewhere within the academic literature, and argued that they explain a number of ways that corporations may affect social trust: driving segregation through discriminatory practices, polarising perceptions, undermining state institutions enforcement powers, corrupting and/or capturing the state, taking on public sector responsibilities and receiving special treatment and impunity with respect to legal malfeasance.

As a theoretical work, our paper is primarily a call for greater research into ways the corporations may affect social trust. The importance of social trust, added to our *prima facie* case, confirms the imperative for such a research project. We have also, suggestively, sketched some possible ways that a concern for social trust might influence public policy with respect to corporations.

Until now, the focus of social trust research has been on the role of public institutions, and community activities. We hope that our argument spurs a new interest in the threat that certain corporate activities might be to social trust, but also the ways that they might promote it.

6 References

1. Rothstein (2017: 300).

2. Dinesen (2012: 495). See also Allard-Tremblay (2015: 377); Betts et al. (2014: 33); Larsen (2013: 194).

3. Fukuyama (1996: 10) describes social capital as "the ability of people to work together for common purposes in groups and organizations." Fukuyama refers to Coleman (1988) and Putnam (1993; 1995) in following their usage of the term. Putnam credits Jane Jacobs (1961: 138) with first usage of the term. Rothstein (2013: 1009) describes social capital as picking out a combination of social trust and networks of reciprocity, presumably meaning that social capital requires not just high levels of social trust, as forward looking expectations, but also established links or working relationships between individuals. Conceptually, this makes sense: it's possible to imagine a community that has been newly formed, with individuals possessing high social trust, but who have yet to establish ongoing relationships.

4. Fukuyama for example construes the cost of general social distrust in United States (up to the time of his writing) in terms of a "direct tax imposed by the breakdown of trust in the society" (1996, 11), given that it resulted in increased expenditure on institutions built to remedy the breakdown of trust: prisons, police, lawyers, etc.

5. Putnam (1993; 2000); Fukuyama (1996) Hooghe and Stolle (2003).

6. Rothstein (2013); Uslaner (2002); Leung et al. (2011); Helliwell (2006); Dinesen (2013); Delhey and Newton (2005)

7. Bjørnskov (2009); Keefer and Knack (2005); Richey (2010); Uslaner (2008); Knack (2002); Tavits (2006); Sonderskov (2008).

8. Sonderskov (2008); Rothstein (2013).

9. Political theorists argue that the necessary precondition for norms of justice and obligations more generally must include minimal levels of trust, otherwise rights and duties that accompany obligations will simply be idle wheels. Rawls for example, in setting out a 'natural duty of justice' (the duty to act justly with respect to others, that applies to all citizens), suggests that basic social trust must underpin or come prior to this duty. (1971: 240)

10. See Hobbes, [1651] (1998) Ch XIV.

11. Along these lines, Dunn (1988) draws a specific conclusion about the role of government in promoting trust. This is much in line with the conclusions of the previous section. He suggests that "establishing or sustaining a social frame that facilitates human flourishing does depend upon establishing and sustaining structures of government and responsibility which in some measure merit and earn trust" (79-80).

12. Baier (1986) argues for a similar point when discussing the relationship between interpersonal trust and obligation. She views trust as the basic morally loaded attitude one takes toward other person (leaving one vulnerable to betrayal, not simple practical disappointment or frustration). She takes aim at a failure she sees in moral philosophy, as a traditionally male-dominated discipline, to recognise that the moral substrate of a society is not found in obligations, but in networks of trust-based relationships. It only makes sense to talk of obligations, she argues, in contexts where individuals have equal rights, "and the same power to see justice done to rule breakers" (248). But setting out these rights requires consensus that rules apply, which is dependent on a level of trust of others; trust that talk of rules even figures in others' practical deliberations. The moral fabric, more broadly, is woven from trust relationships, and the language of rights and obligations describes only the 'minimal moral traffic rules' that we agree upon once this background of trust exists (249-251).

13. This codependent relationship between social trust and obligation is not just a theoretical insight. The relationship can be glimpsed in the real-world dynamics of trust in societies. As will be discussed in the second section of the paper, activities like corporate tax avoidance have a corrosive effect on the moral fabric when seen as tacitly permitted by the state. The train of thought is obvious: why should some of us be obligated to pay our required level of tax, if others are allowed to get away with avoiding this?

14. For instance Putnam (2000); see below also.

15. References for specific views of this sort below.

16. Hereon will refer to social capital in terms of social trust, to avoid too much confusion. Use of the different terminology reflects the historic focus of researchers at the time on the willingness of individuals to voluntarily associate with one another (as explained below).

17. See Putnam (2007: 138); Schaeffer (2013).

18. Schaeffer points out that discipline matters. Economists studying the effect of diversity on social trust are more likely to conclude that it has a negative effect, whereas e.g. sociologists are more likely to conclude that it does not (2013: 18).

19. While Roemer notes the homogeneity of the Nordic countries, Rothstein (2017: 301) points out that historically, cultural and ethnic conflicts were common in Nordic countries, suggesting the solidarity of recent times results from the top-down institution of policy. Similarly, Trägårdh (2013) argues that the high levels of social trust in the Nordic system resulted from a move from 'rule of blood' or ethnic heritage, to a rule of law, and this was by instituting from the top-down.

20. See also Freitag and Buhlmann (2009).

21. Charron and Rothstein (2014) use the term 'quality of government' to capture both aspects of this. They argue against the bottom-up view based on analysis of data capturing regional differences in social trust levels in Europe. They find that the effects of factors that the bottom-up view emphasises as having a negative effect on social trust – civic engagement, income inequality, ethnic diversity – are in fact negligible when quality of government is controlled for.

22. Consider for example a possible society where policies favour certain ethnic groups, but where in practice these are not taken seriously, and instead the law is in practice impartial about factors like religion, ethnicity, etc. This would be a type of 'inversely' corrupt society. It seems plausible that levels of social trust would be higher in this society than the one where policies are impartial, but enforcement is partial.

23. A similar line of reasoning is found in Gustavson and Rothstein (2013: 46), Rothstein (2013).

24. Levi (1998) and Svallfors (2013) both highlight evidence that citizens are more willing to reciprocate/cooperate in contributing to social spending in the form of higher taxes, if they are assured that the institutions governing social spending are low in corruption. Svallfors notes that even individuals that are ideologically in favour of more wealth redistribution, will in fact prefer lower taxes if they see their public institutions as ineffective or lacking integrity. Levi points out that even when individuals would lose out materially from such policies, they will be more willing to participate in those policies, so long as they see the policy is morally just, and that they can trust the policy to be implemented fairly.

25. Uslaner, (2012).

26. For example, see racial discrimination in the housing market: Galster, (1990).

27. Eor example, Bernstein (1992), Aslanian (2006), Hearn (2016).

28. For example, Lamont and Molnar, (2001) explore how 'low-status, black Americans, use consumption to express and transform their collective identity and acquire social membership.'

29. 2.27 billion monthly active users (Statista 2019)

30. For further details of the decision process behind Facebook's newsfeed algorithm since 2018 see Armstrong (2018), Baraniuk (2018), Berke (2018), Mosseri (2018). To summarise: since 2018, Facebook have emphasised a change to their newsfeed algorithm, to drive more 'meaningful' interactions from users, where an interaction being meaningful is classed as commenting on stories or sharing content, not simply overall time spent looking at the site or 'liking' content. Of course, this emphasis does nothing to rule out that the algorithm will select for content that drives social division, as this is exactly the type of

content that will fire up users to comment and share stories. E.g. see also Saslow's *Washington Post* article (2018) on the effect of Facebook use on polarisation in the US.

31. A letter from a team of Facebook researchers, published in *Nature*, argues that they influenced voter turnout in the 2010 US midterm elections. They argue that a single political message delivered to users on the platform resulted in at least a 0.6% increase in voter turnout (Bond et al., 2012).

32. We ignore cases where the corporate tax laws might themselves be unfair or unjust. In that case, avoidance could be a moral stance, and would be less likely to deplete social trust.

33. Mayer (2007) argues that exploitation is fundamentally a matter of reciprocating to some extent, but not fully reciprocating to the extent that fairness demands. For instance, in paying sweatshop workers a small amount, this constitutes exploitation because, while it is true they are paid, they are not compensated to the extent that fairness would dictate. Exploitation is liable to occur in power imbalances; when a more powerful party recognises that the less powerful party will forego proper compensation, because their situation is desperate enough they would not dispute unfair pay.

34. See The Guardian (2018), Farrell and McDonald (2016).

35. In doing this Ireland was breaking EU state aid rules, and was ordered by the European Commission to recoup unpaid taxes from Apple.

36. Lessig (2013: 553).

37. Organisation for Economic Co-operation Development (2017: 19).

38. Mann et al., (1980); Garrett, (2016), Bennett et al, (2017).

39. Grabosky et al., (1987).

40. Garrett (2016)

41. See, for example, the recent high profile allegations that members of Cabinet of Canada, including the Prime Minister pressured the then Minister of Justice and Attorney-General to favour a DPA in addressing criminal allegations against SNC-Lavalin: https://www.ft.com/content/f2b1b672-3f4e-11e9-9bee-efab61506f44.

42. One principled exception, however, might be regulating the configuration and ownership of space, see Chaskinn, (2013), although note van Kempen et al. (2009).

43. For example, see the recent Australian Royal Commission into Misconduct in Banking, Superannuation and Financial Services Industry: https://www.ft.com/content/f37bce5c-288e-11e9-88a4-c32129756dd8

44. Mayer (2013).

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