

Trust in Labor Market Institutions: A Definition of Trust and a Critique of the Yamagishi Theory

Kazuhiro Arai

Abstract

Trust is indispensable in the real world but cannot be obtained automatically. Neo-classical economic theory, however, did not analyze it adequately and simply assumed all economic units are trustworthy in the sense that they observe contracts and laws. Trust does not even have a widely accepted definition within the social sciences.

This paper first proposes a mathematical definition of trust, which can be used in economic models. It then offers criticism of the ideas that Toshio Yamagishi developed regarding trust. These criticisms are concerned with Yamagishi's definition of trust, his distinction between trust and assurance, his view of trust in labor market institutions, and others.