ESSAY

How Technology Will Revolutionize Public Trust

Though Americans increasingly distrust their institutions, digital platforms are spurring them to rely on one another like never before

ILLUSTRATION: JOHN TOMAC

By M. Todd Henderson

Oct. 17, 2019 12:10 pm ET

Trust in major institutions seems to be collapsing in America in the era of “fake news,” Russian bots on Facebook and tribal politics. A recent Pew Research Center poll found that about seven in 10 Americans say that trust in society—in government, in each other—is declining. And more than four in 10 Americans think that declining trust is “a very big problem.”

The stakes are high. Research shows a strong correlation between trust and the wealth of a society. Trust enables cooperation, cooperation enables specialization, and specialization drives productivity.

Fortunately, indicators of declining trust miss a deeper reality: While Americans may increasingly distrust many of their institutions, technology is enabling certain kinds of trust at levels seldom before seen in human history.

Consider ride-sharing companies. If your parents were like mine, they told you not to ride with strangers. This is good advice, but there are places and times—on a trip to a new city or after a night drinking with friends—when getting a lift from a stranger makes sense.

The government offered a creative solution: taxis. The clearly identifiable and highly regulated vehicles enable us to ride safely with drivers we don't know. But, like many government solutions, this one was imperfect. The taxi monopoly restricted supply and wasn't known for its innovation or customer service, and taxis often avoid certain areas despite legal obligations to serve them.

A transformation in the way that trust is delivered is happening all around us.

Ride-sharing companies created a new way of allowing us to trust a ride with a stranger: a platform accessible from a smartphone where riders can view aggregated driver ratings. In this way, Uber and Lyft are providing an alternative less to taxis than to government.

One key difference between these companies and government is that they provide trust through a decentralized platform rather than a centralized bureaucracy. We don't trust Uber, per se; we trust the riders who have gone before us. Ride-sharing apps just make trusting other people possible and scalable. Another difference is that they offer a choice. If you don't like Uber, you can try Lyft. There is only one New York City taxi commission.

While some criticize ride-sharing companies as unregulated, they provide more regulation than government in some ways. Parents can track children riding in an Uber in real time. And, if you have a bad experience, you are a few clicks away from registering your displeasure with your driver or getting a refund.

A transformation in the way that trust is delivered is happening all around us. We now not only ride with strangers but sleep in their homes (Airbnb), eat at their houses (Feastly) and borrow from them (Upstart). And these just scratch the surface of the new ways we trust. EBay created a trust platform that allows individuals all over the world to transact in ways unimaginable to our parents, and blockchain protocols allow us to securely transact without a bank in sight.

Even if you favor government oversight and regulation, this is a good thing. If new suppliers of trust demonstrate that they are more efficient at delivering the trust necessary to make certain transactions happen, this frees up government to stick to areas where it has a comparative advantage.

There is a long history in the U.S. of private actors stepping in to establish public trust. In 18th-century New York, when government refused to enforce brokerage contracts in court, a group of brokers formed the New York Stock Exchange to privately regulate misbehavior. Today, Finra, a private corporation, is the primary regulator of stockbrokers. Some deride self-regulation as foxes guarding the henhouse. The question, however, isn't whether it's perfect but whether it's more efficient than the next best alternative.

Franchises like this McDonald's (which opened in 1955 in Des Plaines, Ill.) drew patrons partly because of trust in the chain's self-regulation. **PHOTO**: GETTY IMAGES

Consider the rise of fast food in the 1950s. It is possible that government could have ensured local hamburger stands along Route 66 were safe, but the golden arches of McDonald's were able to do it at a much lower cost. By letting McDonald's provide the trust, government was able to focus its resources on other things.

The self-regulation at such chains is hardly infallible, as recent E. coli outbreaks at Chipotle demonstrate. But there are no perfect regulators. The point is that without national brands, even in our era of closer public oversight of health and safety, all the regulatory work done by these companies would have to be done by government instead. Today, the two work together.

The promise of internet platforms is to harness the information of millions of individuals without relying so much on government or corporations, which can take advantage of their position to serve their own narrow interests. With digital platforms tapping into the wisdom of crowds, we can have the best of both worlds: a system based on individuals and voluntary choices that also harnesses more information than historically available to any one individual, company or bureaucrat.

MORE FROM IDEAS

- The History of Song Is All About Outsiders October 19, 2019
- The Making of Thomas Edison's Miraculous Machine October 17, 2019
- Ukraine Tries to Build a New Identity October 11, 2019
- Why U.S. Businesses Want Trustbusting October 11, 2019

No system of trust is foolproof. Digital platforms can use their data in ways that compromise the privacy of customers, and online reviews can be manipulated. But millions are still willing to rely on these platforms because they are better than the alternatives. Robust competition in the digital sphere is essential to create new, even more reliable, mechanisms for establishing trust.

A five-star consumer rating system is never going to replace the FDA. But the New Deal model of governance—experts based in Washington writing one-size-fits-all rules—is no longer enough. New challenges and technologies—from gene editing to 3-D-printed guns to AI—are proliferating beyond the capacity of our mid-20th-century governance tools.

Workplaces might be made safer through real-time tracking of employee well-being than by OSHA rules. A souped-up version of the job and recruiting site Glassdoor might be a better way of preventing workplace discrimination than lawsuits brought by the EEOC. And algorithms might be better than judges at setting criminal punishments because they can take more data into account and are less likely to suffer from human biases.

Much more work needs to be done, of course, before we let these new social technologies handle the bulk of our regulation. But if history is a guide, new trust technologies will emerge and displace old ones, offering opportunities to cooperate in ways we can't now imagine.

Not everyone will welcome these changes. Government officials may resist. Those who benefit from government-granted monopolies may too, as cabdrivers around the world have shown in their protests against ride-sharing companies. The risk of squelching innovation in the provision of trust is acute because government is not just a supplier of trust but a regulator of its competitors in that business. To solve the challenges of the century ahead and unlock new possibilities for trusting our fellow human beings, government will need to let go of the idea that it is the only reliable provider of trust.

—Mr. Henderson is a professor of law at the University of Chicago and the co-author, with Salen Churi, of "The Trust Revolution: How the Digitization of Trust Will Revolutionize Business and Government" (Cambridge University Press).