P06 / Trust, Distrust, and Regulation: Exploring their Interdependencies

Topic : COMPARATIVE PUBLIC POLICY

Chair : Bernardo Rangoni (University of York)

Second Chair : David Levi Faur (Hebrew University of Jerusalem)

Third Chair : KOEN VERHOEST (GOVTRUST Centre of Excellence, Politics & Public Governance research group, dep. of Politics, University of Antwerp)

GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

This panel aims to explore the complex, evolving relationship between trust, distrust, and regulation, addressing the following key research question: whether, how, and why (dis)trust and regulation affect one another. Trust is often viewed as the acceptance of vulnerability to others' actions, while distrust reflects a state of wariness or suspicion, and regulation encompasses rulemaking, monitoring, and enforcement. In recent decades, societies have witnessed significant crises—ranging from the 2008 financial meltdown to data privacy scandals, environmental fraud, and geopolitical conflicts—each eroding public trust in various actors, including private-sector tech giants and multinational corporations as well as public institutions such as financial regulators. Amid this context of distrust, regulation has often expanded, reflecting attempts to mitigate perceived risks and abuses, but it also risks unanticipated consequences that may further erode trust.

Empirical examples abound: European regulatory measures to curb the power of tech companies, the tightening of financial regulations after the global financial crisis, and screening mechanisms for foreign investments, especially in strategic sectors, all reflect efforts to restore trust. Yet, these regulatory moves have sparked debates over their effectiveness and unintended side effects, such as bureaucratic overreach and policy complexity. This panel investigates not only how regulation may restore trust but also how it may, paradoxically, breed further distrust by creating perceptions of red tape, inefficiency, or bias.

Theoretically, the relationship between trust and regulation is often viewed as antagonistic—where trust is high, regulation can be light; where distrust is dominant, strict rules emerge to minimize discretion. However, this traditional perspective might overlook scenarios where trust and regulation reinforce each other. For example, trust may support effective regulation, while regulation might act as a catalyst for building or repairing trust. Thus, the panel examines whether these factors are rival or complementary and whether trust can indeed be rebuilt after it has been breached.

This investigation is timely, given the rapid evolution of – inter alia – technological, financial, and geopolitical landscapes, which continuously test the robustness of regulatory frameworks. Through comparative analyses across sectors and governance levels, the panel will probe the iterative co-evolution of trust and regulation, focusing on how different contexts shape the interplay of these forces. Key hypotheses include:
1. Mutual Reinforcement: Trust and regulation can be mutually reinforcing, where effective regulation can build trust, and trust can support regulatory compliance.
2. Distrust and Over-Regulation: High levels of distrust may lead to over-regulation, which can backfire by fostering even more distrust.
3. Trust Repair: Regulation can serve as a corrective mechanism that helps repair trust over time, suggesting that distrust cycles can be broken.

Ultimately, this panel will deepen the understanding of the nuanced, multifaceted ways in which (dis)trust and regulation intersect, offering insights that extend beyond single-issue areas to broader governance challenges.

CALL FOR PAPERS

We invite paper proposals that contribute to a deeper understanding of the interdependencies between trust, distrust, and regulation across various sectors, polities and governance levels. We seek theoretical and empirical studies that address questions such as: Can regulation rebuild trust once it has been eroded? Does over-regulation exacerbate distrust, or can it restore it? Papers may explore these issues through

comparative case studies, historical analyses, or quantitative assessments, focusing on contexts such as technology, finance, environmental policy, or international trade.

Contributions may investigate one part of the trust-regulation sequence (e.g., how regulation affects trust or vice versa) or adopt a dynamic approach that examines the feedback loops between the two. We encourage diverse methodological approaches and welcome inter- and multi-disciplinary perspectives, including but not limited to political science, sociology, economics, and legal studies. Papers that address underexplored aspects, such as citizens' trust in regulatory actors, inter-agency trust, or the role of institutional design, will be particularly appreciated. The goal is to foster a dialogue that challenges traditional views of trust and regulation as mutually exclusive and explores new avenues for understanding their co-evolution.

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Session 1

Friday, July 4th 10:15 to 12:15 (SME-F2)

Rebuilding Trust in Regulation: Lessons from Finance in Europe

Bernardo Rangoni (University of York)

Trust is essential to regulatory governance but prone to breakdowns from scandals and failures. Despite its importance, trust repair remains underexplored in regulatory scholarship. This paper addresses this gap by examining trust repair in European financial regulation—an unlikely case given the severity of the financial and eurozone crises. Drawing on stakeholder surveys, it finds significant trust recovery in the European regulatory regime, and thus tests explanations for this pattern. Building on nascent management literature, it highlights three mechanisms. Investigation, epitomized by the de Larosière report, diagnosed systemic vulnerabilities. Rehabilitation and reform enhanced rules and centralized supervision through the Single Supervisory Mechanism, addressing problematic incentives. Transparency and transference, via stress tests and asset quality reviews, demonstrated renewed trustworthiness. Regulation is vulnerable to crises of trust. Yet the study shows that even after profound trust breakdowns, trust in regulation can be rebuilt through mechanisms of investigation, reform, and transparency.

Enhancing Public Trust in the Australian and Indonesian Police (AFP & POLRI) through Procedural Justice and Reconciliation Models

Ilham Hatmawan (Australian National University)

Public trust in law enforcement is crucial to the establishment and maintenance of police institutional legitimacy. In turn, police legitimacy is fundamental to community cooperation and compliance with laws. However, the Australian Federal Police (AFP) and Indonesian National Police (POLRI) have experienced significant declines in public trust due to allegations of misconduct, inefficiencies, and violations of laws. This research investigates the potential and challenges of enhancing procedural justice and reconciliation models to enhance public trust. Using comparative analysis, this research explores how procedural justice, the fair and respectful treatment of citizens, can build and maintain trust in law enforcement alongside the adoption of reconciliation strategies that exercise sincere public apologies in its practice. Through the social-ecological model (SEM), there are five key actors identified in these efforts, including police officers, the police force, the police ombudsman and commissioners, the criminal justice system institutions, and the media. While procedural justice has shown promise in some legal jurisdictions in improving police-community relations, the paper argues that combining it with culturally tailored reconciliation practices could offer a more holistic solution to restoring public confidence. Limitations of the study include reliance on secondary data and a lack of insight into the perspectives of police officers themselves, which may introduce bias. The findings underscore the necessity of sustained and culturally adaptive efforts to enhance legitimacy and improve policing practice.

Dispute Settlement in e-Commerce and Regulatory Options

Supruet Thavornyutikarn (Thammasat University)

e-Commerce expands sizeable transactions of commodities worldwide; it magnifies markets of virtually

every product to the global level. Many are transacted through multi-sided platforms, such as e-marketplace; many others are performed through social media. Successful e-commerce relies heavily on trust between participants.

One common problem for transactions that cover a large distance – likely being cross-border involving many jurisdictions – is an exponentially-increasing probability of dispute as a result of distrust among participants. As distance and myriads of jurisdictions offer shrouds for *mala fide* agents, fueling distrust, and *bona fide* agents may be tangled in misunderstanding between each other, due to languages, cultures, and backgrounds, these give a rise to dispute between contracting parties *ex post*, and, simultaneously, deter many potential transactions to occur if those agents are sufficiently risk-averse *ex ante*, hindering the chance of building trust between themselves and contribution of e-commerce to the world economy.

Regulatory authorities are compelled to take action to prevent and fix such dispute. A lot of regulations are devised – registration of e-commerce businesses and identity confirmation included before the transaction or state-mediated dispute settlement mechanism when the transaction has gone sour. However, this is likely to create more transaction costs for participants rather than facilitating the trade for them.

This paper argues that disputes shall be responsible by participants and/or digital platforms that they are participating in. Some platforms may offer no protection for their participation at all – leaving them under *caveat emptor* and *caveat venditor* regimes – suitable for participants who are extremely vigilant and sophisticated may choose to participate in these platforms to fully use their expertise possible to get their surpluses. But repeatedly successful transactions would build their trust.

On the other hand, risk-averse participants may prefer platforms that offer dispute settlement mechanisms of various degrees, corresponding with their respective degree of trouble tolerance. There is no one-size-fits-all mechanism for dispute settlement since transactions are different in value and intrinsic probability of non-fulfillment. It is going to be a waste of resources trying to protect participants from any dispute.

Our suggestion would allow each platform to devise its own optimal dispute settlement mechanism. e-Commerce platforms will offer different mechanisms to participants to choose. Concurrently, participants will select suitable platforms associated with their concern about potential disputes. Therefore, participants may be active on more than one platform, depending on what products/services they want to trade. Moreover, this offers a chance for platforms to continuously develop their dedicated and tailor-made dispute settlement mechanism based on artificial intelligence using big data obtained from their participants in order to keep their participants and attract new ones, as well as becoming trusted platforms for their satisfied participants.

Nevertheless, participants shall be more digitally literate, more vigilant, and more sophisticated to keep building trust with their respective contracting parties and platforms they are using because they are the least-cost avoider of dispute. Regulations for solving e-commerce disputes shall be geared towards empowerment of participants in general, rather than regulating platforms.

Trust and Economic Governance of the Sharing Economy in the Accommodation Sector: A Transaction Cost Economics Analysis

Vorapat Chutima (Chiang Mai University School of Public Policy)

Pairach Piboonrungroj (Chiang Mai University School of Public Policy)

Warattaya Chinnakum (Chiang Mai University School of Public Policy)

The peer-to-peer (P2P) accommodation sector, a subset of the sharing economy, has emerged as a result of advancements in internet technology and mobile applications. This sector consists of multiple stakeholders, including the platform providers, hosts, guests, regulatory authorities, and the wider community. Platforms such as Airbnb offer competitive advantages over the traditional hotel industry, including shared common spaces, kitchen facilities, and laundry services. However, challenges persist, particularly in terms of service responsiveness compared to licensed hotels with dedicated guest services. Moreover, the legal status of P2P accommodation remains ambiguous in several jurisdictions, including Thailand.

From a transaction cost economics (TCE) perspective, Airbnb presents additional benefits, notably in terms of localized knowledge. Hosts, as property owners, often possess superior insights into local contexts

compared to hotel staff. TCE comprises three key cost components: search and information costs, negotiation costs, and enforcement costs. These costs vary across hosts and guests, with trust serving as a significant moderating factor. Due to its P2P nature, Airbnb necessitates regulatory frameworks that balance its competitive positioning against the traditional hotel industry while maximizing benefits for guests, governments, and local communities. The risk of opportunistic behavior in unregulated markets is notably higher in Airbnb than in traditional hotel operations, given that transaction costs associated with seeking legal recourse are often higher for hosts and guests compared to the formal lodging sector. These concerns directly impact trust within the ecosystem.

This study aims to address the research question: How can economic governance in the P2P accommodation sector facilitate effective regulations that foster trust among all stakeholders while promoting sectoral growth? The study employs the extended Technology Acceptance Model (TAM) and Structural Equation Modeling (SEM) to analyze key determinants of trust and regulatory compliance. Eight constructs are examined: Actual Use (AU), Behavioral Intention (BI), Attitude toward Use (AT), Perceived Ease of Use (EU), Perceived Usefulness (PU), Trust (TRU), Transaction Cost (TC), and Public Policy Support (PPS). Data collection will be conducted via online surveys targeting 300 Airbnb hosts in key Thai tourist destinations, including Bangkok, Chiang Mai, Koh Samui, Krabi, and Phuket. The collected data will be analyzed using SEM techniques.

The study contributes to the literature by integrating transaction cost economics into the regulatory discourse on sharing accommodation. The findings are expected to inform policy recommendations that mitigate opportunistic behavior, enhance regulatory compliance, and facilitate the legalization of Airbnb and similar platforms in various national contexts.

Keywords: sharing economy, public policy governance, transaction cost economics, trust, Thailand

(Virtual) Trust and the Regulation of Automated Decision-Making Systems in the Public Sector: Explorative Insights from the Swiss Case

Martino Maggetti (University of Lausanne)

Automated decision-making (ADM) systems are becoming increasingly pervasive in the public sector, influencing many policy areas such as the distribution of unemployment benefits, taxation, law enforcement, and urban planning. The literature presents mixed results regarding their impact on trust: while ADM systems are often criticized for perpetuating biases or lacking transparency, studies also indicate that individuals targeted by these systems may place considerable trust in their outputs, particularly when they harbor distrust toward traditional government institutions. Against this background, the role of regulation applied to ADM in the public sector stands out as ambivalent, oscillating between two poles: as a mechanism for reinforcing trust and as a risky intervention that may interfere with trust-building processes. This paper addresses these issues by offering a conceptual discussion of ADM regulation as well as an empirical mapping of its implementation and potential implications for trust, drawing on explorative insights from the Swiss case. Switzerland, with its highly decentralized political-administrative system and governance structure, provides an ideal context to analyze within-case variations in ADM deployment and regulation.