

## TRUST – A FACTOR OF PRODUCTION

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*The economic activity is more and more influenced by the condition and the evolution of some immaterial and non-financial elements which exist in a firm or a country. One of these elements - information - has unanimously been accepted as the 4th production factor. In this paper I try to demonstrate that trust too, has to be accepted as a production factor. Especially as it fulfils the fundamental conditions for this to happen : it is infinitely divisible and homogeneous and, thus, its marginal product can be calculated. In nowadays world, characterized by the apparently unstoppable expansion of the cruel individualism and of market fundamentalism, which have undermined the trust in the success of private initiative, producers increasingly need community, need another mode of involvement of the state in economy and they need another way of relating to each other. The costs resulting from the diminishing of trust have become so significant that their transformation into income is necessary, if we succeed in basing ourselves on trust in the economic process.*

The 2007-2010 economic-financial crisis was determined by events which had taken occurred in the perimeter of trust. It has been explicitly stated that the loss of trust in the financial institutions and in the main instruments used by them is the decisive cause of this crisis. If we corroborate the level of approaching this problem and we refer to the situation in Romania, we can state that it has become common the fact that the main reason of the dramatic decrease of the economic indicators in the time interval mentioned previously, and the agony that this field is currently facing, is the loss of trust in the success of every business exclusively underpinned on economic reasons. Especially the change of the Fiscal Code, of the interest rate, of the employees and employers' behavior and orientation, including of those in the central bodies, have undermined the trust in the possibilities of reaching the objectives stipulated.

We appreciate that such a multi-factor approach is rational, taking into consideration the case in discussion, of the collapse of trust, for the economic activity is an integrant part of social life. As such, it can take place only if those carrying it out comply with numerous norms, rules, moral obligations, and social habits. In doing this, they get to support each other to such an extent so that they become a community based on mutual trust. Thus, they acquire, through informal impulses, the capacity to be part of groups and organizations and its result consist in improving the measured performance, obtained as a result of common work. The existence of group communities, without which there cannot be modern production, is unimaginable without a certain level of trust. Hence the need to obtain the production demanded by the market, in the conditions of efficiency imposed by it, makes it necessary to engage some expenses to cultivate and maintain the trust among the producers and between these and the consumers.

Due to these two reasons, one referring to the economic situation in our country and the other of scientific type, we believe that the problem of trust in the parts associated in performing the productive activity must be reconsidered in order to be rationally underpinned from a utilitarian perspective.

The premises to start from in the attempt to make another localization and disclosure of the role of trust in the realization of the economic activity are:

1. The way in which the realization of the economic activity is perceived and, then, the way in which this is actually realized carries the stamp of ideology and of the system of organization predominant in a country at a particular moment. Very rarely, there are cases when the economy and social life evaluate in different directions. The trust in the social players occurs when in a community there is and manifests in space common moral values which can generate the

expansion of the entire system of a rigorous and honest behavior. In economy, there is the need for a written moral code and for an unwritten moral code to stimulate loyalty, solidarity and, in the end, the trust among the common employees, in the managers, in the employees having supply – sales tasks etc., without which the development of the firms cannot be ensured. By wording this premise, one should not understand that we want to place the heaviest part of responsibility on the realization and manifestation of trust on the shoulders of institutions and markets. They interfere with the productive systems only to assess the effects that the trust carrying out the economic functions generated. The business community does count so much on rules and laws but a series of ethical habits and moral obligations mutually assumed by the members of a work staff. The content, the formulation, and pursuit of the way to acquire and apply these rules, norms, and habits have made the members of this community to trust in each other.

2. It is known that the competitive relationships in a market economy require firms to conduct a more active performance to diversify and modify their offers in terms of price level, quality, and performance of marketed products and services.

When there is no belief that these attributes of certain commodities available in stock and points of sale, could actually meet the projected needs of buyers, or that they contribute to the strengthening of the supposition that the act of exchange is not carried out in two parts mutually beneficial terms, those products will not sell, or this will be done with great difficulty. Competition will never be able to act as a strong motivational stimulus of development even when economic agents will appreciate that their freedom is in decline, when primary psychological rewards are felt unreasonably low, or when private information is distributed subjectively so that it creates unfair competitive advantages. We can say that today the ability to compete on the domestic and the foreign market of a firm and of a national economy is conditioned by a universal principle: high level of trust that prevails in that company. Economic counterperformances follow logically from the lack of confidence.

3. Capital, with its widely recognized hypostasis is the main component of production forces. It appears as a sum of money, means of production or as human capital. Today the relative importance of buildings, equipment, money has declined, whereas that of people skills and knowledge has increased. and priceprii people. Its latest hypostasis, also called human capital, includes as well, the ability of employees to work together in groups and organizations, not only the one to know how to operate the mechanisms, documents or securities. The employees' ability to associate depends on the extent to which they and their inclusive communities agree to conduct their business following certain rules and values and, consequently they get to be willing to subordinate individual interests to the general ones. Without such rules, some unwritten, like loyalty, honesty, responsibility, ability to inspire trust, people can not work together in a firm, acceptable in terms of efficiency. Without such values, the work of an employee becomes too costly because it imposes a requirement that they be replaced with formal laws and rules to be drafted, negotiated, adopted, required, sometimes forcefully. And when something like that cannot be obtained, it is substituted with ever increasingly large and comprehensive commercial contracts or with the sacrificed advantage to achieve production in large units, in favor of family or small business.

Thus, for the individual to have a genuine labour force in the circumstances of the current competition, he must also fulfil certain cultural and moral requirements, besides the professional ones. If the employee does this, he proves more reliable, and manufacturers can adopt new, more flexible forms of firms' organization, such as outsourcing, delegating responsibility to lower levels of the hierarchy, focusing attention towards the needs of the group that produces the goods or services in the firm. That is why in modern society, with the technical and technological model specific to present times, no one should dictate a unique form of organization of production, nor be deprived of a high degree of trust and solidarity. These psycho-social attributes respond to the more general need to increase economic efficiency, which is imposed by the world population's

growing number and by the shortage of energy and material resources existing on the planet. However, to properly exploit such resources is harder when employees feel a discomfort, an acute vexation, when they lack confidence in the rules, regulations, habits and moral obligations. Based on the aforementioned concepts, we strongly assert the belief that in today's circumstances the trust is an essential feature of private employment as a component of production forces. At the same time the emphasis and manifestation of trust require an exchange of information between the participants to the productive act. However, this human feature cannot be reduced to simple information, nor to the technical means it is transmitted through, including those relating to the fundamentals of certain employees' personalities.

Trust is necessary so that three of the four components of the productive forces could manifest themselves, namely: the element of capital, the labour force and the information. However, we believe that trust is a factor of production distinct from the four recognized, as the relationship between it and the possibilities of expression of the other three mentioned above is a one-to-one. Placing it on such a position reveals the great importance it has in reality. Moreover, the trust meets an undeniable economic function, as shown by the special relationship it has with the product of work. In its presence, the economic, financial and relational performances of the firm are growing while, if there is no trust, its income would rather be redistributed between the members of the firm and the members of society, than be increased by creating new value by working. In the absence of moral commandments, such as justice, honour, or faith, reason gives way to material pleasures so that the employees get to show self-centered behaviour, to maximize their individual utility at the expense of the pursuit of group objectives.

The consideration of trust as an independent production factor can also be validated from a scientific point of view because it fulfills basic conditions in order to be appreciated so. Trust has an important economic value that is measured, divided, and homogenous. Thus, we can calculate its marginal product.

Although it has these obvious characteristics, we underline the fact that trust is a supplementary condition for increasing the economic efficiency besides the things obtained as a result of exterior coercions such as contracts or the provisions of commercial law. In case of studying them deeper, we will come to the conclusion that these are also sustained by trust, if not directly, then through other means, such as insurance policies, derivative securities or securitization of certain securities or transactions that allow hedging. The marginal product can be quantified by using the so-called transaction costs that are done when there is a lack of confidence in the manufacturing firms. The identifying of the appropriate manufacturer or vendor, as needed, the drawing up of a contract for the given situation, its negotiation and its implementation, the receiving and the quality inspection, and so on, generate higher or smaller costs depending on the extent to which the parties believe in mutual honesty. We must not omit the fact that in the situation where trust prevails, the parties do not think of short-term profit, because they are aware of the fact that recording a deficit during a certain period will be compensated later.