

Understanding the Crisis in Institutional Trust

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Institutions are patterns of relationship. They form essential threads of our social contract. But those threads are fraying. In the United States, individuals' trust in major institutions has declined 22 percentage points since 1979.¹

This erosion of trust is intertwined with broader issues of polarization, gridlock, and social malaise. A long-overdue reckoning with the history of racial injustice has highlighted how many institutions reflect patterns of inequity. Technology platforms have supercharged access to information but also reinforced bubbles of interpretation. Anti-elite sentiment has evolved into anti-institutional rebellion.

These forces are affecting institutions of all kinds—from *disciplines* like journalism to *traditions* like the nuclear family. This essay focuses on a particular type of institution: *organizations*. The decline in trust in organizations has practical implications: trust is essential to the day-to-day work of an organization—whether an elite university, a traffic court, or a corner store.

The stakes for society are hard to overstate. Organizations “organize” much of our society, culture, and economy. Most people are employed by organizations. Most are in debt to them. Most are educated and cared for by them.

We can see this crisis as a signal. Some level of mistrust can serve an important civic and critical purpose. The public has been paying attention to decades of scandals (e.g., sexual abuse in the Catholic Church), failures (e.g., intelligence community analyses before the September 11 attacks and the Iraq War), and impotence (e.g., the seeming inability of Congress to address major societal issues). The decline in trust is in part a rational response to data over time.

However, mistrust is not always a reasonable reaction to external failure. In many cases, it is an unjustified consequence of conspiracy theories, polarization, and other distortions of public discourse. Each of these two categories of mistrust—we might call them “rational” and “artificial”—offers lessons we can learn from.

This essay is meant to offer a stable foundation for ongoing conversations about the crisis in institutional trust. It does not offer a solution; instead, it lays out the parts of the problem. With luck, it can contribute to a clarity that enables shared solutions.

Definitions, Context, and Framing

Pundits and researchers have been discussing the decline in institutional trust for decades, but many still struggle to clearly define the issue. What exactly are we talking about? We do not have the blessing of

clear boundaries, well-defined questions, and settled language. Accordingly, let's begin by clarifying the topic at hand. First, we will define some key terms. Second, we will note some recent descriptive findings. Third, we will outline the broader context. Fourth, we will try to more explicitly frame the problem.

Definitions

ORGANIZATION

When we say “organization” we mean **a structure that coordinates the activities of a group of people over a period of time**. Many organizations are legal entities, but some are not (e.g., most criminal gangs, many neighborhood sports teams). Organizations take many forms. Some are large, others small. They can be nested: a fire department might be a part of a given city government, but we can coherently speak of the municipal government as a whole or the fire department in particular.

Organizations exist across all three sectors of society: business, government, and civil society. Each of these sectors offers a unique context that would justify further analysis.

TRUST

One can find definitions of “trust” across disciplines—from philosophy to law to psychology. For this essay, we define “trust” as **a belief that a given organization will operate with integrity**. In colloquial terms, we might summarize this as the belief that an organization has “good character”—that is, the belief that it is reliable and firmly based on an ethical foundation. We recognize that this definition is not universal; there are other ways to define trust. In the Components of Trust section below, we'll look in more detail at the parts of this definition of trust.

LEGITIMACY

In most cases, organizations have a formal legal status. But their legitimacy is more than just a reflection of incorporation or tax status. It is also a collective perception. An organization has legitimacy if it is **broadly perceived to have a right to play a certain role in society**. In other words, it has earned a “social license” from the broader community.

Descriptive Findings

Trust in institutions is declining. That much is clear, but beneath that overall trend one can find many nuances. This section considers four.

First, a gap in trust between elites and the broader population is growing: those with power and money trust institutions more. In 2021 research, Edelman found that in the United States the “informed public” was 18 percentage points more trusting than the “mass population.”² Similar gaps exist based solely on economic status.³ This trend is not limited to the United States: between 2012 and 2021, the number of countries with double-digit trust inequality tripled.⁴

Second, trust levels differ significantly by country. In general, the gap between democracies and autocratic governments shows a striking irony: voting does not translate to trust in government. For

example, in China, Edelman found that 89 percent of citizens trust their government, whereas in the United States, only 42 percent of citizens do.⁵

Third, trust levels differ by organizational type. For example, in the United States, larger shares of people have been found to trust businesses (55 percent) and nongovernmental organizations (50 percent) than the government (42 percent) and media (43 percent).⁶

Fourth, these trends are themselves mutable. The COVID pandemic inspired a striking increase in institutional trust in the spring and summer of 2020. Globally, trust in institutions increased 6 points between January and May of 2020, then decreased 5 points by January 2021.⁷ In some cases, the shifts were even more dramatic. In the United Kingdom, trust in the government increased 24 points in the first half of 2020 and then decreased 15 points in the second half.⁸

Context

We cannot isolate levels of institutional trust from other trends. The institutional trust crisis is intertwined with broader issues of polarization, gridlock, fragility, and social malaise. Figure 1 maps out eight adjacent issues. Some of these may be seen as drivers of the institutional trust crisis, others as consequences of it. Most are both.

FIGURE 1
Issues Adjacent to the Institutional Trust Crisis



URBAN INSTITUTE

Source: Urban Institute.

Notes: CSR = corporate social responsibility. ESG = environmental, social, governance (investing). RCT = randomized controlled trial.

Common threads run through these issues and it is impossible to disentangle them. The institutional trust crisis cannot be understood or addressed through any single perspective; it is multifaceted and should be treated that way.

Clarifying the Problem

This cluster of issues is clearly important. But it can seem unwieldy and ill-defined. It is challenging to clarify the problem at hand. Still, we must try. Let's start with the basics of where and when. This essay focuses on the United States, though recognizing that other countries face related challenges, each playing out according to local context. Moreover, the world is interconnected, making the border drawn around this essay imperfect. Neither trust nor institutions are sealed off from the world.

This essay was written in 2024. Signals of a crisis in institutional trust have been evident for at least a half-century. And all of this analysis is colored by the unique circumstances of the third decade of the 21st century. Rapid technological growth has driven massive economic, environmental, and cultural shifts. In this essay, we are considering a "medium-term" horizon: the effectiveness of institutions over the next couple of decades.

What, then, is the problem? A simple framing might look like this: (1) institutions are the infrastructure humans use to organize societies; (2) trust is a prerequisite for the effectiveness of those institutions; therefore (3) a reduction in trust is an inherent danger to our social order.

But that argument is not only simple, it is simplistic. The problem is not just whether institutions are trusted, but whether they succeed. Few institutions actually collapse. Instead, they endure as shells of their former selves. This gradual weakening yields a particular kind of failure: the failure of partial solutions. Weak responses to problems can build up pressure in a social system. Sometimes, that pressure causes the system to explode. We run the risk of institutional failure mirroring Hemingway's description of how an individual goes bankrupt: first gradually, then suddenly.

Accordingly, this essay proposes an alternative framing. Let us view trust as a form of information. It is data about the external perceptions of institutions. Declining trust can thus be seen as society teaching itself. Our challenge is to discern what the lessons actually are.

Viewing a decline in trust as information reframes the challenge. Sometimes, institutions may deserve some of the mistrust that has been granted to them. In those cases, the information can serve as a direct corrective. In this sense, an increase or decrease in trust can trigger a feedback loop. Complex systems science has shown that feedback loops are the core mechanism of self-correcting systems.

This essay does not, however, assume that all mistrust is constructive and rooted in reasonable critiques about institutions' performance, legitimacy, or historical moorings. Sometimes, mistrust is a product of manipulation or an honest misunderstanding in a complex, uncertain world. Whether it is "valid" or not, mistrust is a signal that tells us something about forces driving belief in society. That is, mistrust may be "invalid," but it is still relevant. Ultimately, by assessing the specific characteristics of (mis)trust, institutional leaders will be better positioned to craft a more effective response.

Critiques of Institutions

There are many broad critiques of institutions. This section notes four of them. Unsurprisingly, these critiques are correlated with the divisions in our polarized politics. Accordingly, different parts of society are using different analytical frameworks to confront the challenges faced by institutions. By identifying the critiques, one may at least identify these analytical silos and make their walls transparent.

Justice Critique

Institutions reflect and reinforce patterns of bias in society. Many legacy institutions were literally built by enslaved people on stolen land. Others achieved their status through other forms of exploitation. Their institutional “legacy” can be seen not as a recitation of accomplishments but as a catalog of debts. Those debts remain in the lived realities of injustice.⁹

Managerial Critique

All institutions are subject to inertia; without active external feedback, they will calcify and become ineffective. This process builds over time, so older organizations are generally more calcified. The incentives, processes, and cultures of legacy institutions reward continuity over flexibility.¹⁰

Populist Critique

Institutions are led by elites. Those elites use institutions as vehicles to impose their agenda upon the rest of society. These organizations become weapons that magnify the power (particularly the cultural power) of a small subset of the population.¹¹

Decadence Critique

Institutions are meant to mold the “crooked timber” of humanity into the best possible forms of themselves.¹² But in a modern individualistic society, institutions have become mere platforms for human ego. They have abandoned their role tempering the worst of human behavior and, instead, magnified the worst of our selfish instincts.¹³

Across these four critiques, some observers lay the blame on individual leaders. Others are more forgiving, seeing failure or ineffectiveness as not being the “fault” of one organization or its leadership. Rather, they see institutional pathologies as reflecting the broader incentives in a system. A corporate CEO’s focus on quarterly results is not a failure of her morality or imagination; it is simply a rational response to the incentives offered by investors, regulators, and the media. This kind of systems analysis has the advantage of emphasizing the context of organizational behavior. It can also be seen as a crutch that allows leaders to avoid responsibility.

By assessing the specific nature of (mis)trust, a more effective response can be crafted. Too often, institutional responses to mistrust are misaligned with the nature of that mistrust. For example, meeting mistrust based on the “populist critique” with a technocratic explanation of managerial mechanisms is unlikely to be successful.

The Components of Trust

Organizations metabolize trust. That is, they build up trust through certain behaviors and they “use up” that trust over time. A healthy organization is constantly replenishing its store of trust. Trust tends to beget trust. But given that the truster is outside the organization, they cannot see the evolution of the inside. An organization that deserved trust a year ago may not anymore. Similarly, a mistrusted organization may have changed itself for the better. Accordingly, trust and mistrust might be thought of as having an expiration date.

Some rare individuals will consistently apply one or more of the above frameworks to all organizations. But in their day-to-day lives, people experience one organization at a time. How does their trust toward it form and change? We might think of trust in a given organization as being determined by three filters: Why does the organization exist? Who is involved? And how does it work?

If the reader will forgive the alliteration, these can be summarized as the three Ps of trust: purpose, people, and process.

Purpose

Purpose begins with stated purpose. What is an organization’s mission? Why does it say it needs to exist? A relatively small proportion of organizations will be rejected because external observers disagree with their stated purpose.

More commonly, an observer questions whether an organization’s stated purpose is a ruse. Is a nonprofit seen as simply enriching its executives? Is a government agency seen as providing sinecures for its employees? Does an association exist solely to stymie oversight of a given industry?

This misalignment—or perception of misalignment—can develop over time. Organizations can drift from admirable beginnings. Alternatively, organizations may wrestle with the negative aspects of their original purpose and try to refresh that purpose to better align with current desires.

People

All institutions are patterns of people. This plays out in two ways. First, the actual individuals involved with an organization bring their own histories and reputations. Second, organizational trust can simply be a reflection of the reputations of its individual leaders.

In a time of political polarization, we also face a troubling question: What “team” is a particular institution on? Most organizations have felt some pressure to “choose sides” in the culture war. That is, organizations are not judged solely on their actual processes or outcomes, but by cultural associations. (For some progressives every Christian church is suspect. For some conservatives, every university is a hive of iniquity.) This sort of culture-driven analysis fails to honestly engage with the intentions, behavior, or character of actual people in actual organizations.

Process

An organization is intelligible if it is possible from the outside to understand how it makes decisions. Organizations with opaque decisionmaking processes have less of a chance of being perceived as trustworthy. It is hard to trust a black box.

In general, organizations can proactively build trust in their processes in two ways: by being transparent (e.g., annual reports, “about us” web pages, earnings calls) and using stakeholder engagement (e.g., ombudsmen, “contact us” mechanisms, appeals processes).

As institutional complexity increases, we face a more general problem. Even organizations that make every effort to be transparent and engage stakeholders may simply be too complex for outsiders to understand.

Confronting the Trust Crisis

Leaders have no choice but to engage with this turmoil of trust. The questions before them are weighty. How might institutions understand—and respond to—these intersecting forces? When is proud defense of institutions the right strategy? Can we use this crisis to build institutions worthy of this complex moment?

There is much work ahead to answer these and related questions. Shifts in technology and culture will surely change the dynamics of trust. Different sectors will face different challenges. Amid this shifting context, organizational leaders will have an opportunity to learn and to discern. In the end, they will have to decide when mistrust is a call to defend institutions—and when it is a call to reimagine them.

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Notes

- ¹ Lydia Saad, “Historically Low Faith in U.S. Institutions Continues,” Gallup News, July 6, 2023, <https://news.gallup.com/poll/508169/historically-low-faith-institutions-continues.aspx>.
- ² *Edelman Trust Barometer 2021* (Chicago: Edelman, 2021: slide 12).
- ³ *Edelman Trust Barometer 2021*, slide 12.
- ⁴ *Edelman Trust Barometer 2021*, slide 12.
- ⁵ *2023 Edelman Trust Barometer: Global Report* (Chicago: Edelman, 2023: slide 9).
- ⁶ *2023 Edelman Trust Barometer: Global Report*, slides 41–44.

- ⁷ The increase is shown in *Edelman Trust Barometer 2020: Spring Update: Trust and the Covid-19 Pandemic* (Chicago: Edelman, 2020: slide 4). The subsequent decline is shown in *Edelman Trust Barometer 2021*, slide 5.
- ⁸ The increase is shown in *Edelman Trust Barometer 2020: Spring Update: Trust and the Covid-19 Pandemic*, slide 15. The subsequent decline is shown in *Edelman Trust Barometer 2021*, slide 5.
- ⁹ See, for example, the writings of W. E. B. Du Bois and Isabel Wilkerson.
- ¹⁰ See, for example the writings of Max Weber, Robert K. Merton, and Nezameddin Faghih.
- ¹¹ See, for example, the cluster of writers around the Claremont Institute.
- ¹² The full quote from Immanuel Kant: “Out of the crooked timber of humanity, no straight thing was ever made.”
- ¹³ See, for example, the writing of Yuval Levin and Ross Douthat.

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