Social Capital and Street-Level Bureaucracy: 
An Institutional Theory of Generalized Trust

by

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Introduction

One of the most interesting issues in the comparative research about social capital is the great variation that exists between cities, regions and nation states. Simply put, why are people in some cities, regions and nations more trusting than others? How are the norms of reciprocity and trust generalized and institutionalized, and what is different about groups, regions, and nations where this is not the case? This is a problem of both theoretical and political relevance. Yet, this is the most under-researched area in social capital studies, providing only a few hypotheses, all of which need more development and empirical testing. The social capital literature is divided on this question. Society-based (or sociological) accounts suggest that local, regional, or national patterns of social capital are fixed and shaped by historical factors that occurred centuries ago (see Putnam, 1993; Fukuyama, 1995; and earlier accounts of similar arguments in Banfield, 1958). At most, governments, and particularly oppressive regimes, can damage and destroy social capital, as the examples of the Norman Kingdom in Southern Italy or several authoritarian and totalitarian regimes in Southern and Eastern Europe indicate, but they might not be able to facilitate or foster the generation of social capital. The implications of this observation have left many social scientists and policy makers dissatisfied. State-based (or politological) accounts of social capital theory respond that for social capital to flourish it needs to be embedded in and linked to formal state institutions (Berman, 1997; Levi, 1998; Skocpol, 1996; Tarrow, 1996). According to this group of scholars, social capital does not exist independently in the realm of civil society; instead governments and political institutions channel and influence social capital to a degree that it becomes either a beneficial or a detrimental resource for democracy. We have depicted these approaches to the study of sources of social capital in the first part of Figure 1. In an attempt to bridge these camps, Putnam has recently argued that in the US context, it needs the combined effort of all the employers, the mass media, voluntary associations, individual citizens and government to restore levels of social capital in the United States (2000: 402ff.). Yet the gist of his argument remains anchored in the society-based or sociological approach. The debate about whether social capital can be intentionally developed and how, lies ultimately at the heart of the matter for low social capital areas in their attempt to struggle to restore or facilitate this resource (Petro, 2001).

This paper will shed more light on the sources of one important aspect of social capital, namely generalized trust. The argument of this paper is two-fold. First, we argue that contemporary political institutions at the local as well as the regional and national levels are
important determinants of social capital. It might be true that generalized trust is shaped by socio-cultural historical forces that can be traced back to the middle-ages and it is certainly closely intertwined with various aspects of civil society, but present-day local and regional as well as national institutions also are able to make an impact on generalized trust. Thus the article informs the controversy about various sources of social capital. Second, we present a theoretical approach in which we specify the causal mechanisms of the relationship between government institutions and social capital. Based on this theory of institutional trust, we argue that it is the degree of perceived fairness and impartiality in the institutions responsible for the implementation of public policies which serves as an important foundation for the building and maintenance of high institutional trust, which in its turn spills over to influence generalized trust in others. We support our argument with data analyses from Swedish national surveys as well as international comparative survey and other data.

Sources of Generalized Trust: Associations and Social Interaction?

Most commonly, differences in contemporary forms and levels of social capital have been traced to historical societal experiences (see Figure 1). In Putnam’s account of the differences between Italian regions, the new regime in the South, founded by Norman mercenaries, and the experiences of self-government in the North left their mark and led to the development of a culture of trust and another of mistrust in the North and South respectively, both of which lasted over centuries as they became generalized and institutionalized (see Putnam 1993: 122ff.). In other words, both vicious and virtuous circles started centuries ago and left their imprint on institutions and society, and they have now come to influence the performance of regional governments that look identical on paper. The message of Putnam’s historical excursion is that today’s levels of social capital were developed over long periods of time, and therefore cannot change easily. In fact the differences in today’s patterns of cooperation are reflected in the varying regional density of horizontal networks of associations.

The role of voluntary associations and social interactions are considered to be the most prominent source of social capital, as suggested by Tocqueville, Putnam, and others. The claim is that, in areas with stronger, dense, horizontal, and more cross-cutting networks, there is a spillover from membership in organizations to the development of cooperative values and norms among citizens. In areas where networks with such characteristics do not develop, there
are fewer opportunities to learn civic virtue and democratic attitudes, resulting in lack of trust (Putnam 1993: 122ff., 1995; Tocqueville, 1835).

However, we do not have empirical proof of this function of associations at the micro level. In other words, we do not truly know whether voluntary associations act in this way, or if so, how. In addition, we also do not know much about other aspects of social interactions that are sufficient and necessary for the institutionalization of cooperative values and generalized trust. The problem is that there is no micro-theory of social capital that explicitly states which aspects of social interactions matter for the creation of generalized trust and norms of reciprocity.

The problem with the empirical social capital research to date is that even though individuals who join groups and who interact with others regularly show attitudinal and behavioral differences compared to non-joiners, the possibility exists that people self-select into association groups, depending on their original levels of generalized trust and reciprocity. This is a classic problem of endogeneity. People who trust more might be more easily drawn to membership in associations, whereas people who trust less might not join in the first place. The finding is that membership does indeed influence trust toward the other group members and personal engagement within the group, but with regard to generalized trust, the self-selection effects were more pronounced than the membership effects (Stolle, 2001a, 2001b). This essentially means that people with higher levels of trust indeed self-select into associations. Furthermore, Dag Wollebaek and Per Selle (2000) conclude their national study in Norway with the finding that passive membership is just as effective as active membership for creating generalized trust, and that there seems to be no real need for face-to-face interaction between members of associations for generalized trust and political trust to thrive.

In addition to the lack of empirical findings on the micro-relationship between associations and trust, it has proven to be very difficult to find a theoretically coherent way of determining which type of organizations produce social trust that is “bridging” and not “bonding.” Not all organizations are like the boy-scouts. Many voluntary organizations are in fact established to create distrust to “others,” such as for example, some ethnic, religious, economic and political organizations. It could be argued that in places like Northern Ireland and Bosnia, the problem has been “too much civil society,” or perhaps too many homogeneous and exclusive clubs. However, if diversity and the contact between people of various social backgrounds matters for the socialization of cooperative values, then voluntary associations might not be the place to look, as such groups have been found to be relatively homogeneous in character, not just in Bosnia, Northern Ireland or the Weimar Republic (Mutz
Still, even if more diverse associations are distinguished from less diverse ones, the connection between group diversity and trust seems to depend much on the national context and is not a generalizable relationship throughout all Western societies (Stolle, 2000). In other words, the strong emphasis placed by society-based accounts of social capital on traditional voluntary associations as the *producers* of generalized trust might not be warranted.

**Sources of Generalized Trust: The Role of the State and Political Institutions?**

Given the mixed or thin evidence with regard to societal explanations of social capital, it seems plausible to look for other sources outside the realm of civil society itself.¹ If institutions foster trust and cooperation among citizens, how are these institutions structured? If the Norman kingdom in the Italian South, on the one hand, and self-governed communities in the North, on the other hand, had such an enormous impact on shaping social capital centuries ago, what parallels do we find in today’s state structures that should or should not be replicated? How can the role of institutional and governmental factors be compared with the role of voluntary associations in the development of generalized values and attitudes? These questions need to inform any analyses of the sources of social capital, and this article will set out to answer some of them. What do we know about the role of governments and institutions in fostering, maintaining or destroying social capital?

Contemporary governmental aspects have rarely been the focus of the search for the sources of social capital (Petro, 2001; Tarrow, 1996). However, two kinds of governmental influences on trust have been suggested to explain why some democracies are inhabited by more trusting people than others. On one hand, differences in low levels of generalized trust have been explained by high inequalities that prevail within society (see Boix and Posner, 1998). For example, the rise of income inequality in the United States has led to diminishing levels of generalized trust (see Uslaner, forthcoming). Also cross-nationally, income inequality and trust are strongly correlated. Citizens who see their fellow citizens as equals and as “one of their own” can more easily make a leap of faith and give a trust credit to others who are not necessarily known. We will come back to this argument below. The second argument, relates generalized trust between citizens to political and institutional trust. Levi

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¹ It should be noted that Putnam nowhere in his recent book “Bowling Alone” provides micro-level evidence for his claim that activity in social networks actually makes people more trusting. All of the massive statistical material that is presented about the causal mechanism operates at the aggregate level.
argues that governments generate trust only if citizens consider the state itself to be trustworthy (Levi, 1998: 86). States, for example, enable the establishment of contracts in that they provide information and monitor laws; they enforce rights and rules that sanction lawbreakers, and protect minorities (Levi, 1998: 85ff.). The institutional theory of trust that we propose builds on Levi’s insight that an individual’s perceptions of fair, just and effective institutions, as well as of evidence that most fellow-citizens have similar beliefs, influences the individual’s generalized trust (see also Rothstein 1999a, Stolle forthcoming). Differences in government and state capacity to monitor free-riding and to punish defection, as well as varied levels of fairness and justice and their consequences, have not been examined thoroughly in an empirical and comparative way. However, they provide a plausible explanation for national and regional differences in social capital levels, and also for differences between various types of democracies.

Most problematic in this discussion about the relationship between state institutions and social attitudes is the issue of the causal flow. Mixed interpretations have been developed in light of the strong correlation between political factors or institutional trust, on the one hand, and generalized trust, on the other hand. Whereas some authors claim that this correlation is based on the causal relationship from social to political forms of trust (Lipset and Schneider, 1983; Newton and Norris, 1999; Putnam, 1993), others conclude exactly the opposite (Brehm and Rahn, 1997; Rothstein, 1999b; Sides, 1999; Stolle, 2000). Although social scientists attempt to determine the causal flow of the relationship between institutions and generalized trust, the main problem is that the causal mechanism in both claims remains unclear. As many have argued, we need to understand the causal mechanisms between interpersonal trust, collective action, civil society and trust in government institutions (Levi 1998b). Can political institutions be arranged so as to increase their legitimacy? As Ronald Inglehart has argued, “it seems likely that democratic institutions are conducive to interpersonal social trust, as well as trust being conducive to democracy” (Inglehart 1999, p. 104). The difficulty in this discussion is, according to Inglehart, how to specify the causal connection(s) between these variables at the individual level (cf. Hedström & Swedberg 1998; Elster xx)

Given the logic from trust to performance to confidence in politicians, we do not know how trusting people create better service performance and better politicians who are responsive. Do more trusting citizens contact governmental officials more frequently to pressure them into good performance? Or is it that local politicians, for example, reflect the culture of trust or distrust that prevails in their local societies? How exactly can the trust or
distrust of citizens and their ability to reciprocate influence governmental performance and as a result stimulate their confidence in politicians? Why is it the case that the Swedes’ trust in politicians has been gradually in decline while generalized trust has remained high and stable (Rothstein 1999a, Holmberg 2000)?

Our response to these questions is twofold. We argue that in the search for the sources of social capital, our focus on trust in politicians is misguided or at least incomplete, as this type of trust appears to be more connected to specific political and short-term economic considerations, and is not sufficiently linked to the way we think about others. We advance the argument here that more important for the development of generalized trust are the experiences of impartial, just and fair social and political institutions which are responsible for the implementation of public policies. Moreover, we claim that the reverse causal logic is just as or even more plausible, namely, the character of service delivery, the impartiality of the street-level bureaucrats, as well as the perceived opportunities to cheat the system, causes differences in regional or national institutional trust which in turn influence generalized trust.

The reason, as we argue below, is that citizens who have directly or indirectly experienced the effects of institutional unfairness as well as institutional dishonesty, unresponsiveness, and lack of respect, or outright corruption, transfer these experiences and views to people in general (not to people personally known). In sum, social capital has been seen mostly as a societal resource that is fairly immune to contemporary institutional influence. At least the institutional parameters that support social capital have not been specified. This article challenges this view and the argument advanced here is that social capital is not just a societal trait that develops purely in the realm of civil society. Instead, the institutionalization of generalized values such as trust and reciprocity depends also on the character of the political institutions.

Dimensions of Institutional Trust: The Importance of Impartiality

There are several debates about the concept of institutional trust. First of all there is disagreement about the importance and feasibility of institutional trust. On one hand, it is believed that institutions that enjoy citizen support are better equipped to deal effectively and equitably with the challenges of socio-economic change, because political leaders have “slack” or “room to maneuver” in the implementation of policies (Gamson 1968). In addition, citizens’ trust in and support for representative institutions are importantly related to citizen compliance with governmental demands, such as tax paying (Scholz and Lubell 1998)
and military service (Levi 1997). On the other hand, Russell Hardin has argued that liberal democracy is, to a large extent, constructed on the basis that governments should not be trusted, nor can they be. The whole set of liberal constitutional ideas such as “checks and balances,” judicial review, Bills of Rights, etc., rest on the idea that we ought not to trust governments, even if they are democratically elected. Moreover, Hardin argues that it is in fact impossible to trust an entity such as a government, because those governed cannot have enough information to monitor such a large organization. We can only trust persons we know reasonably well, because only then can we have collected the necessary amount of information to (en)trust them with something important.

Hardin comes to this conclusion working from a rational choice theory of human behavior. He argues that we trust a person because we have reason to expect that this person has an interest in acting in our own interest on the specific matter on which we decided to trust him/her. “To say that I trust you means I have reason to expect you to act, for your own reasons, as my agent” (Hardin 1999, p 26, emphasis in original). Hardin calls this “encapsulated trust” and it is by definition a person-to-person relationship. Trust in government is accordingly nearly impossible because there is no way to guarantee that the government has an incentive to act in our interest, and government structures are too complex to ensure such an incentive exists. There is not enough space to resolve this debate in this paper (but see Rothstein, forthcoming), the truth is that in many countries, for example the Scandinavian welfare states, people have delegated to government institutions many tasks that are vital to their well-being, notably health care, basic education and social insurance, such as pension systems. So, we start from the vantage point that institutional trust is possible, and we like to specify the conditions under which this can be the case. Furthermore, we like to specify those dimensions of institutional trust that are most beneficial for the building of social capital.

There are a variety of forms of institutional trust that we can identify in the study of advanced industrialized democracies, and it is often the problem that most of them are collapsed under one label. For example, we are certainly aware of concepts such as trust in politicians, trust in the functioning of democratic institutions, trust in people who run democratic institutions, trust in the overall democratic system, and trust in the procedures that make institutions work. Our point here is that the latter form of trust has usually been forgotten or neglected in the debate about social capital. On one hand, there are certainly government institutions that we may see as our “agents” – for example, a city government run by the party one supports. In such a case, one is likely to trust the government – as long as one
supports its policies and it keeps its promises. But, of course, people who oppose the ruling party are more likely to distrust that very same government, especially if the ruling party does what it has promised to do. This is why we usually find a strong correlation between political leanings and political trust (see Hetherington, 1999 and see Norén, 2000). Political majorities are not expected to be impartial; instead they are supposed to implement policies according to their specific ideologies and support specific interests and groups as their “agent” (Hardin 1999).

Now we are interested here in a very different dimension of institutional trust or institutional perception. It is mostly connected to the legal branches of the state, and also to many government organizations responsible for implementing public policies. The issue here is not as much whether these institutions speak for one’s interests, however, more important for the citizen is whether these institutions represent the ideals of universalism and impartiality. In these cases, a government institution that simply acts in my interest as my agent, no matter what, is one that I have bribed (or one that is run by my cousin). And if I can bribe a judge, so can someone else, including my adversaries. Obviously, when we decide whether or not to trust a government institution of this type, what we expect is something very different from Hardin’s idea of “encapsulated trust.”

We will provide some empirical evidence for this distinction below. The idea is that despite different political leanings in government, people are able (or not) to trust that institutions responsible for the implementation of public policies are run and guided by the principles of impartiality and fairness. Being fair and impartial is very different from – in fact the opposite of – acting as an agent of someone or acting on behalf of someone. The argument here is that if we have reason to believe that government institutions responsible for implementing laws and policies behave according to the principles of fairness and impartiality, we may trust them with our demands for education, social insurance, health care, protection from crime and other essentially private goods. This logic is easy enough to follow: it makes no sense to pay your taxes if you think that the tax authorities are discriminating against you or are heavily corrupt. You would not take your dispute to a court if you did not trust the judge to be impartial and to follow the universal rules guaranteeing equality before the law; or if you had to, you would maybe try to bribe a judge in your favor. You would not send your children to a public school if you were convinced that the teachers would give special favors to other children from a different (ethnic, religious, etc.) group; or if you had to, you would maybe send your children to a school that discriminates against groups other than your own. Again, people are not likely to trust political institutions because they think the
officials will act in their interests as their agents. Instead, they will trust public institutions if they have reason to believe that they are fair, impartial and competent.

The principle of impartiality and fairness is, above all, a very strong principle against any form of discrimination, but it is also a principle working against the idea that government institutions should act as agents for someone’s special interests. It is, of course, also a strong principle against all forms of direct or indirect corruption of government institutions. In fact, most democratic states have built in their constitutions principles intended to ensure some form of impartiality in the implementation of public policies, notably the idea of “equality before the law.” The Swedish Constitution, for example, states that, in addition to “equality before the law,” everyone working in the public sector should observe the principles of impartiality and objectivity. Still, states differ in the way the distant goal of impartiality is practiced in the type of welfare system that is installed, in the actual government offices that practice street-level bureaucracy and in the type of judicial system that is in place (see more below). In short, citizens do have different experiences with the impartiality of public institutions, depending on which country or in which regions they have made their experiences with state agencies.

Tom Tyler and others have called this dimension of institutional trust “procedural justice” (Tyler 1990). As Tyler has shown, most people have two different ideas of what is justice, and they think it is important that the system complies with both. One concerns the outcome or substance (what you get); the other concerns the process (how you are treated). Procedural justice demands that government officials are perceived as unbiased and neutral and that they treat people with respect. According to Tyler, unfavorable outcomes can be accepted as long as people think that the process that has led to the outcome was fair. Imagine a soccer match in which the referee acts as the agent of the teams. The teams could not trust her; in fact, it would ruin the whole game. The teams trust the referee because she is supposed to be impartial (and competent). They may accept a loss only on the condition that the referee has been impartial. Tyler also extends his argument and claims that the quality of treatment by authorities shapes one’s sense of social identity and self-worth (Tyler, 2001). In this sense, Tyler makes the link between how authority treatment might influence one’s social resources and patterns of social interaction, and we utilize his insights in our detailed theoretical account below. Self-esteem and the evaluation of one’s social status influence how one interacts with others, and indeed influences one’s generalized trust.

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2 Regeringsformen - Article 1, Paragraph 9.
In sum, we argue that impartiality and fairness of political institutions are important dimensions of institutional trust and confidence that can be conceptually separated from conventional political trust in politicians with elected offices. In fact these dimensions of institutional trust are the ones that we argue are most beneficial for the development of generalized trust. Let us now examine the arenas in which impartiality and fairness play the most dominant role.

**How to Locate Impartial Street-Level Bureaucracy or the Lack Thereof?**

The question is: How can the government, or any other powerful actor, establish credibility and a reputation for trustworthiness so that other actors (citizens, firms and organizations) believe that state officials and especially “street-level bureaucrats, will honor their commitments in the future (Levi 1998a)? Presuming standard utility maximizing self-interested agents, where do we find the uncorrupted judges, bureaucrats and police who proceed with impartiality, in a society where corruption is rampant? Most judges and police officers may be perfectly willing to act honestly, but only if they trust most other police officers and judges to do the same (Hechter 1992; Lichbach 1995; Weingast 1993).

Many empirical studies on how to eliminate corruption or better the lack of impartiality, stress the importance of such bureaucratic ethics and “esprit de corps” (Rose-Ackerman 1999; Stapenhurst and Kpundeh 1999). Apparently, without strong ethical norms against self-interested behavior the “rule of law” cannot work as a trust-enhancing institution (Dagger 1997, pp.105-116). In their volume about corruption in European countries, Donatella Della Porta and Yves Mény state that:

“…with reference to the structure of values, particular mention is made, in studies of political corruption, of the culture of public bureaucrats: team spirit and ethics in public service (i.e. the belief that public service must be performed in an impersonal, impartial and efficient way) are among the elements … which discourage such officials from taking part in corrupt exchanges by increasing their moral costs” (Della Porta and Mény 1997, p 176).

In addition, Douglass North has recently argued that while formal institutions can help to create trust, “it is the informal constraints embodied in norms of behavior, conventions, and internally imposed codes of conduct that are critical” (North 1998, p. 506, emphasis added). Without such “internally imposed codes,” the first uncorrupted judge or civil servant would in
all likelihood not have seen the light of day, given the assumptions made within rationalistic theory (Miller and Hammond 1994).

The question still remains as to how impartiality and fairness of public institutions can be created and how it can be destroyed. Our argument here is twofold. First, we argue that universal welfare states more than any other system of public policy enable the implementation of norms of impartiality, fairness and respect, particularly in relative comparison to selective or conservative public policy systems. Secondly, impartiality is strongly reflected in the legal system.

_Arenas of Street-Level Bureaucracy: Experiences with the Welfare System_

Gösta Esping-Andersen’s typology of different types of welfare states and their different institutional foundations, character, ideology and consequences provides an excellent scheme for how and why citizens might have different experiences with street-level bureaucracies, depending on which country they live in, or depending which programs they enjoy within a specific country. It is more than obvious that the principles of fairness and impartiality are differently implemented in the three types of welfare states that Esping-Andersen distinguished. Justice, fairness and impartiality are certainly important principles of a universal welfare policy (Titmuss 1968). Indeed, the whole point of a universal welfare policy is not to discriminate between citizens, not to separate "the needy" and "the poor" from other citizens and to treat them differently (Rothstein 1998). Social policy should seek instead a moral obligation to furnish all citizens with, in Amarty Sen's words, _basic capabilities_ (Sen 1982). This stands in contrast to the situation under a selective and a conservative (mixed) system (Esping Andersen 1990, 1999), as the public discourse about social policy in a universal system cannot be conducted in the terms indicated by the question: "what shall we do about these deviant groups/individuals?" Or as former US Vice-President Dan Quayle put it in a debate: "those people." (Katz 1989, p. 236). The public discussion of social policy in a selective system often becomes a question of what the well-adjusted majority should do about "the others", i.e., the socially marginalized minority. In the conservative welfare system the question of redistribution is similarly posed to the two thirds of “have’s” about the one third of “have-nots.”

[Figure 2 about here]
The fundamental difference between the universal system versus other potential systems of welfare distribution is its undivisive, encompassing, and including character, see also our summary in Figure 2. Since the universal welfare policy embraces all citizens, the debate about social policy concerns the entire community, and the question is what, from a general standpoint, is a fair manner in which to organize social policy. There are no discussions about the “needy” or “undeserving,” and there is no singling out of certain groups of the population who might need more or less, because everyone is considered deserving. Certainly, universal welfare states are not completely free of any form of stratification, as many scholars on gender and the welfare state have demonstrated (Hernes 1987, Hobson 1994, Sainsbury 1994). This inclusiveness functions as an important factor in the development and maintenance of generalized trust, as we will see below. Moreover, universal welfare programs are much easier to administer and enable fewer opportunities to cheat the system. Programs such as flat-rate pensions, universal health care or child allowances, are a great deal simpler, cheaper, and easier to implement than its selective or etatist counterparts. This is largely because in a program of a universal type there is no need for an administrative apparatus to undertake any type of eligibility tests which are a necessary concomitant of a selective program and to a degree in programs of the conservative welfare state. If everyone is entitled to have the same share, there is hardly any possibility for welfare fraud.

Both selective and conservative systems have a divisive character. In their essence these welfare states are designed to plot groups of the population against each other. This is the case, because in welfare states with mostly selective programs, the “needy” or “the others” are singled out, and are questioned and possibly blamed for their situation. In the selective model, the discussion often focuses on how to separate the "deserving" from the "undeserving" poor (Katz 1989), which translates into a seemingly unending debate about how and where to draw boundaries. Leading politicians are therefore likely to find themselves in a situation where it becomes increasingly difficult to argue that the selective programs are normatively fair. Public consent to the system is undermined, because the social policy debate comes to turn not on what is generally fair, but rather what is specifically necessary for "the others." A friction is built between those who are in need of governmental services and those who are not. Obviously this friction might coincide with pre-existing divisions such as race and immigrant status in selective welfare states.

Similar distinctions are made in conservative welfare states, which are highly hierarchical and status-oriented (Esping-Andersen, 1990: 59ff.). In countries such as Austria, France and Germany, for example, civil servants are endowed with an extraordinarily high
share of welfare privileges and extras. In other words, privileged groups of the population are singled out to receive more than the rest of society, originally intended as an award for the loyalty to the state. The status-oriented compartmentalized social insurance schemes in Germany, which are tailored to its specific clientele, are a case in point. Another example is the Italian pension scheme with its hundreds of occupationally distinct variants (see more in Esping-Andersen, 1990). Health care systems in such mixed conservative welfare states create different treatment outcomes, in that some groups of the population benefit from a lavish public or excellent private insurance, and other groups of the population must be satisfied with waiting in line for the “average” public care. The result is exclusiveness, and an increased barrier between the privileged and the workers, which is still reflected in today’s legislation. In other words, in conservative welfare states, modern social policy manifests class distinctions and immigrant status.

The fact that both selective as well as conservative welfare states entail programs that single out groups for special benefits is accompanied by the necessity to establish rules and tests of eligibility in which it must be ascertained whether a given applicant is entitled to support, and if so, to how much. However, the very act of separating out the needy or the privileged is a process that violates the principle of impartiality. The needy are usually stigmatized and almost always stamped as socially inferior or as "others" with other types of social characteristics and needs. Many authors have criticized the consequences of such a welfare system for the recipients’ self-respect and confidence (Walzer 1983, p.227f.). Whereas special benefits to a privileged group of people elevates these groups to a different level, and divides the interests of the population at large.

Welfare states with selective programs present further problems of administration, as local administrators enjoy a wide range of discretionary power. The consequences are that the bureaucratic power is easily abused, and that fraud on the part of clients is easily committed. For example, applicants in a selective system, if rational, will claim that their situation is worse than it actually is, might be more pessimistic about a self-reliant solution to the problem. The administrators in such a system often have incentives from their superiors to be suspicious of clients' claims. In game theory, this is known as "the control game", a rather sad game because it has no stable equilibrium. Fraud by a few clients feeds into increased control which, in its turn feeds into increased fraud by more clients, and so on (Hermansson 1990). As a consequence, even if cases of cheating, fraud, and the abuse of power are in fact relatively rare, the sensationalistic logic of mass media ensures that such cases will receive great attention, thereby influencing the population at large. All of our thoughts on the
relationship between welfare states, its character and generalized trust have been summarized in Figure 2.

**Arenas of Street-Level Bureaucracy: The Legal System**

The welfare state and the system of public policies is one arena in which citizens encounter the impartiality of a system or the lack thereof. Another important arena, we argue, is the legal system. In a democracy, citizens expect equal, fair and impartial treatment under the law. Citizens’ personal experiences with the law, courts and the police as well as the information they receive about the working of the legal institutions influence their beliefs in the legitimacy of legal authorities. Moreover, if citizens perceive that the legal system works fairly, uncorrupt and impartial, they are more likely to obey the law, to accept draft decisions, to pay taxes, to generally accept decisions by authorities (Levi, 1998; Tyler, 1990). In soliciting people’s compliance, the perception of fairness and impartiality works much better than the threat of punishment.

Expectations of fair treatment, and experiences of discrimination, and of corruption are certainly expected to vary throughout different political and legal systems as well as throughout a single society. For example, groups such as African-Americans and Hispanics in the United States, most indigenous groups and immigrants in Western societies, and have long faced unequal treatment and discrimination. It is widely known that these groups on average earn lower salaries, on average live in lower income neighborhoods, face more poverty, and experience direct unfair treatment from the police and the legal system than other citizens. For example, in the United States, African-Americans are more likely to be stopped by police officers than whites and police violence is known to be racial. In addition, people who murder whites are more likely to receive the death penalty than people who murder African-Americans (Dieter 1994). Finally, a higher proportion of young Black men are in jail compared to whites (Tonry, 1997; Mauer, 1997).

Stark differences exist between countries with regard to whether and which proportion of the population sees the legal system as fair and impartial. Though international differences as within-nation variations are not just a matter of perceptions. Legal systems differ in their levels and patterns of corruption and political bias or level of discrimination against minority populations. For example, we find strong differences between countries in their rates of prisoners per 100,000 and more indicative of bias, we find strong differences in rates of prisoners who are foreigners or members a minority group (Tonry, 1997), see more below. These differences in perception of and experiences with political institutions that are
responsible for maintaining law and order, account for some of the cross-national and within-country variation of generalized trust. We will now move to elaborate the causal mechanism behind this relationship.

**Institutional Impartiality and Generalized Trust: The Causal Mechanism**

The question is how the differences of experiences and perceptions of impartiality in the two arenas that we scrutinized, the welfare state and the legal system, might influence and shape attitudes of generalized trust. Our argument is that generalized attitudes about others and the generalized attitudes about the fairness and impartiality of institutions are inherently intertwined. The two types of attitudes are related through an indirect and two direct links. On one hand, citizens make inferences about their system experiences and extend them to everyone else living under the same system. On the other hand, the character of the political system also influences the behavior and experiences of citizens directly (see Figure 3).

Let's look at these causal connections in more depth. The first link between system impartiality and generalized trust is purely based on cognitive inferences. We believe that citizens generalize from their experiences with the street-level bureaucrats and authorities. So, for example, if citizens have evidence that their legal system or their public policy system is corrupt, they will extend this knowledge to other citizens. If even government is not fair, then why should the rest of society be? If even politicians or bureaucrats cannot act honestly, why should the rest of society be different? If they perceive the political system to act fairly, honestly, and responsibly, they feel more secure and encouraged to trust others. Above we argued that universal welfare systems and uncorrupt legal systems are, for example, much more prone to exhibit impartiality. We suggest that this knowledge of impartiality and fairness will influence how citizens think about their fellow-citizens as well because official authorities and their ethics are seen as exemplary for other people.

Secondly, people base their generalized attitudes on observations they make about other people and fellow-citizens. We argued above that selective and conservative welfare states are structured such that citizens who use the systems have more incentives to try to cheat the system compared to a universal system. Messages about welfare fraught send signals to the rest of society about the behavior of other people. Furthermore, a corrupt legal
system invites the use of bribes or other methods of corruption from the side of the citizens. As a result, it makes no sense to trust “most people” if they are generally known to cheat, bribe or other ways corrupt the impartiality of government institutions in order to extract special favors. One reason “most other people” may be trusted is that they are generally known to refrain from such forms of behavior.

Finally, we argue that the citizens’ own experiences or those of closely related others (e.g. parents, friends, members of same identification groups, etc.) within the welfare and legal system impacts the way they think about others. If citizens feel that they are not treated fairly and respectfully by the authorities and politicians, their self-esteem will be negatively influenced, which in turn shapes how they deal with strangers or other people who are not known (on this see also Tyler 2001). If citizens experience systematic discrimination as many minority groups in Western democracies, if citizens are singled out as special or “problem” cases as in selective welfare systems, and perceive that their opinions are not heard, it seems plausible that the majority of citizens might not trust them. So then why should they be willing and open to engage with people not known to them? How can citizens with these experiences trust all people if they perceive the majority’s interest to be different? Alternatively, citizens who feel that politicians and other official authorities take them seriously and listen to, and respect them, may also develop a belief in other people or people in general, though the negative influence is probably more predominant here.

In other words, we suggest that there is a relationship between generalized trust and trust in the impartiality and fairness of the system, and although the relationship is surely reciprocal, we claim that the main flow of causality goes from system perceptions of impartiality (or more generally political trust) to generalized trust in other people. How exactly does the level of impartiality of a welfare or legal system influence the generalized attitudes of citizens? We suggested that three mechanisms are at work, all of which are closely related: (1) the generalization from the character of government, (2) the observation of and generalization of the behavior of other citizens, and (3) one’s own or close others’ experiences with the welfare and legal system. Besides one’s own experiences, citizens make inferences from what they hear and read through the media, their neighbors and colleagues at work, and their fellow-association members, etc. In addition, we suggest, that such experiences about impartiality are transmitted through one’s parents in the early childhood phase.

Our argument is certainly not that all forms of “generalized trust” are caused by experiences with and trust in the impartiality and honesty of certain government institutions.
There are certainly other important sources that are creating such social capital, for example the early childhood experiences of trust relationships in one’s immediate family. However, our model helps to identify some of the important dimensions of state institutions that are causally closely related to a significant aspect of social capital, generalized trust, and we thus present an institutional theory of generalized trust. We specify the institutional mechanisms that function as the main causes for trust or distrust development; more specifically we identify institutional impartiality and fairness as the important institutional characteristics that influence a society’s trust. The question, of course arises, how these aspects and structures of institutions can be implemented and built up? The answer to this important question, though obviously relevant, goes clearly beyond the scope of this paper, and builds on a vast literature about the rise of the welfare state and the origins of legal systems (e.g. Esping-Andersen 1990, Olsson 1993). However, it would be utterly dissatisfying if these institutional dimensions are purely a product of important historical constellations and critical junctures and could not be implemented in today’s systems. We get back to some of these issues in the conclusion.

**Empirical Illustrations and Analysis**

Our argument entails three aspects that specify the causal mechanism between institutional impartiality and generalized trust. Before testing and presenting evidence for the micro-level causal mechanism with data from various sources, we like to illustrate our argument with macro statistical data. Our reasoning here is to test our theory at both, the macro and micro levels. One of the first questions that arises then is whether the aspects of institutional impartiality that we specified in welfare states and legal systems capture the generalized trust differences between various countries. If our argument is correct, we should see that institutional impartiality is closely related with generalized trust. In particular, generalized trust should be higher in universal and inclusive welfare states and should be lower in means-tested and conservative (hierarchical) welfare states. Furthermore, generalized trust should be higher in countries with fair and impartial legal institutions, in lower in countries where such institutions are perceived as discriminatory.

Our data for the macro analysis are the complete second and third waves of the World Values Surveys. In addition to these data, we analyze aggregate measures of the countries’

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3 Sample units which are not independent nation states have been excluded from the analysis. This applies to Moscow, Tambov oblast in Russia, Northern Ireland, Puerto Rico, and some extra surveys for particular Spanish regions. Serbia and Montenegro have been merged as to represent Yugoslavia. West and East Germany are
political and social institutions. These data are taken from a variety of statistical sources. We will here discuss our most prominent indicators, namely the character of welfare state institutions and several measures of the impartiality of the legal and political systems.

Measurements for Illustrations of Causal Mechanism (Aggregate Evidence)

Our first measures capture the extent to which welfare states exhibit a universal character or the lack thereof. We utilized four important measures, all of which indicate various aspects of impartiality. The first indicator measures benefits equality, which indicates the average differential between basic and maximum social benefits for sickness, unemployment and pensions. This measure demonstrates how equal or unequal benefits are between different receivers in a society, depending on the rules employed. For the logic described above, in a universal welfare state, benefits are automatically similar or the same for everyone, the average equality benefits measure therefore is relatively high (or close to one). Welfare states, in which benefits levels depend on one’s social background and other measures of eligibility, exhibit lower levels of average benefit equality.

Our second welfare state measure distinguishes between degrees of etatism, the extent to which governments favor certain groups of the population for benefits (mainly government employees). Etatism is measured as an expenditure on pensions to government employees, as a percentage of GDP (see again Esping-Andersen, 1990: 70ff.). Our third welfare state measure is the expenditure of governments for one of the most universal programs, public education (measures appear in the United Nations yearly sourcebook, 1995). Finally, we also provide the known GINI index, a measure of income inequality, which is based on the Lorenz curve, which estimates the share of population against the share of income received (Deininger and Squire, 1996). With the exception of the GINI index, these measures are unfortunately only available for West European welfare states, the US, Canada as well as Japan.

Our argument goes beyond the welfare state and includes the legal and general political system as another important arena in which impartiality is publicly expressed and experienced. How can we measure the impartiality of the legal system? We offer here some

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4 The data is based on net (after taxt) benefits, see also Esping Andersen, 1990:70ff
general indexes, which reflect the level of freedom for political rights and civil liberties in various nations, as well as the perception of corruption from Transparency International. The Freedom House scores measure the performance of democracy. These scores provide a widely accepted measure that has a long time series dating from 1972 to the present. We reversed the polarity of the civil and political rights scales so that higher values indicate higher levels of democracy. We then multiplied the scores, producing an index ranging from 1 (the lowest level of democracy) to 49 (the highest level). We use the product of the civil and political rights scores instead of their average, because many countries have moved substantially on the political dimension but not on the civil rights dimension.5

In addition, we utilize a very common measure of the perception of corruption, collected by Transparency International. Transparency International has tended to focus on corruption in the public sector and defines corruption as the abuse of public office for private gain. The surveys used in compiling the CPI ask questions in line with the misuse of public power for private benefits, with a focus, for example, on bribing of public officials, taking kickbacks in public procurement or embezzling public funds, etc. This definition is broad and includes political as well as administrative corruption. The CPI is an assessment of the corruption level in 85 countries as perceived by business people, risk analysts, investigative journalists and the general public. The scores range from 10 (country perceived as virtually corruption-free), to close to 0 (country perceived as almost totally corrupt), see more on the web-page of Transparency International: http://www.gwdg.de/~uwvw/Graphics1998.html.

Finally, we utilize a subjective measure of institutional impartiality. The World Values Survey provides several measures of institutional confidence that all have been labeled political confidence or political trust. We would like to go a step beyond the label of political trust under which various aspects of political and institutional trust have often been collapsed. We examine whether the impartiality and neutrality of institutions might build a separate dimension among various classic political trust items and the extent to which this dimension is related to generalized trust.

5 See Figure 1 in Welzel and Inglehart 1999: the proportion of countries scoring high (6 or 7) on the political rights scale increased from 24 to 46 per cent between 1972 and 1998, while the respective proportion in the civil rights scale only increased from 23 to 33 per cent. If civil and political rights interact to produce democratic performance, one should not allow the scores to compensate for each other, which is avoided by taking their
Illustrations at the Aggregate Level

[Figures 4 and 5]

A first casual look at the data reveals interestingly strong relationships between our welfare state measures and generalized trust. As expected, benefit equality is positively related to trust with a bivariate correlation of $r=0.4$ (results not shown). Etatism is strongest in societies with less trust, the negative bivariate relationship is about $r=-0.54$ (results not shown). The percentage of GDP spent on one of the most universal programs, public education, is strongly related to trust as well, the Pearson $r=0.75$ (Figure 4). The GINI index, which measures the consequences of welfare policies in terms of income differentials in the society, is also highly correlated with generalized trust (Figure 5). The higher the index, the more inequality, and the lower trust levels generally. Latin American countries are distinguished here from most of the European welfare states. High income inequality is certainly an expression of stronger segmentation of the society into various groups that do not live in similar life circumstances, and at the same time it also demonstrates the limited capacity of welfare states to distribute benefits such that egalitarian outcomes are maximized.\(^6\) Our first very rough look at the data then indicates that the most universal, and therefore the most impartially structured and the most egalitarian welfare states are the ones that accommodate citizens with the highest trust levels. This is true for a comparison within the group of European countries as well as a wider inclusion of countries from various regions of the world. The results roughly confirm our theoretical insight and the causal mechanisms that we developed above. Aspects of impartiality, which are closely related to actual measurements of equality (though not exclusively), are strongly related to generalized trust. See more on the issue of causality below.

[Figure 6 about here]

We move to the arena of impartiality in legal affairs. Here we are forced to broaden our indicators, as specific measurements of the impartiality of the legal system are not available (however, we work on an extended database). We therefore expand our focus in this part of the empirical illustration to generally include measurements of corruption perception products. By doing otherwise, we obscure the difference between merely "electoral democracies" and genuine "liberal democracies" (cf. Diamond 1993).

\(^6\) In fact, we utilize the GINI index here as an indication of welfare states, and not as a measure of prior societal divisions. Since our argument is that the egalitarian and inclusive character of welfare states is behind the development of generalized trust, it is important to show that the actual welfare state characteristics differ between high and low trust societies, more than the pre-existing societal cleavages, as low societal cleavages could also result into more egalitarian welfare states.
in governmental and public affairs, as well as the level of political and civil freedom enjoyed in each country. It is no secret that the corruption perception index is very closely related to generalized trust (see also Andersson, 2000 and La Porta et al, 2000). Obviously, in a corrupt system, which is known to tolerate bribes and which does not adhere to any norms of impartiality, generalized trust cannot thrive. Figure 6 demonstrates this connection very well.

In addition, the Freedom House scores, which measure the extent of political rights and civil liberties in each country, are also highly correlated with generalized trust (pearson r=.63; results not shown). Many European democracies have similarly high freedom scores; and the variation is mainly caused by differences in Latin American, Central European and African countries. Surely, many questions remain unanswered, as we like to know how the relationship between generalized trust and the country’s quality of democracy is influenced by the length of experienced democracy and economic development issues (but see Sides, 1999 and Stolle & Welzel, 2000 for a fuller treatment). The point here though is that several independent measures of institutional quality – and in the case of corruption perception – of institutional impartiality, are strongly related to generalized trust. The next step here is to build a multivariate model.

Before this analysis we turn to the indicators of political confidence in the World Value Survey. Our previous discussion demonstrated that there are at least two dimensions along which citizens judge political institutions: they expect representatives of political, legal and social institutions to function as their agents; and at the same time citizens expect impartiality. Moreover, citizens expect more agency and potential political bias from political institutions with elected offices, whereas, we argue, citizens expect impartiality and an unbiased approach from order institutions (judicial system, police, etc.) and those that implement public policies. Our claim is, of course, that the lack of impartiality of order and public policy implementing institutions disturbs trust developments within the population. Let us first have a look at the distinctions citizens draw between various institutions.

We subject the aggregated third wave of the WVS to a factor analysis. As the results in Table 1 indicate, citizens from 50 countries make distinctions between confidence in institutions in a list of ten. The factor analysis (principal component, with varimax rotation)

7 The third wave WVS contains the most complete battery of questions about confidence in a variety of institutions.
reveals that three different dimensions of institutions emerge. Indeed most political institutions with elected offices fall under the first dimension, such as confidence for parliaments, governments, and political parties. A second dimension taps confidence in institutions that are mostly control institutions that check power of institutions with elected offices, and include the media, and the business community and also the civil service. However, confidence in the civil service also loads on the third dimension, which clearly taps those institutions that are expected to do their work in an unbiased and impartial way; they include legal institutions, the police, and the army (see Table 1). Unfortunately, the WVS data do not include confidence for social welfare institutions or social services, however, the same analysis with Swedish national survey data suggests that confidence in institutions of which citizens expect impartiality load on one dimension, see more below. In other words, citizens make distinctions in their confidence for various institutions; they do not view all institutions in a similar way. It is clear that the third dimension reflects the group of institutions that are expected to function without political bias and in an impartial manner, even though the actual experiences with the police in authoritarian systems, for example, are often very different.

What is even more interesting in the light of our argument is the relationship between the three dimensions of institutional confidence and generalized trust. The correlation between confidence in political/biased institutions, as well as between confidence in power check institutions and generalized trust is negative and low, perhaps because the confidence in these institutions varies much according to the political orientations of the respondent. However, in line with our expectations, we find a rather strong relationship between aggregate levels of confidence in order institutions and generalized trust. The results support the claim that societies in which the impartiality of the order institutions cannot be guaranteed, which is expressed by lower citizens’ confidence in these types of institutions, also produce lower generalized trust (and vice versa). See Table 2. These preliminary findings need to be subjected to a more thorough multivariate data analysis.

Even in a multivariate analysis, many of the indicators we present withstand the test.

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8 The results are confirmed in the WVS data set with individual cases.
In a multivariate regression model we include a variety of prior socio-economic and cultural indicators that are theoretically valuable in any models of trust. For economic development we use a comprehensive measure introduced by Vanhanen (1989; 1997). We label it Index of Economic Resource Distribution.9 Further control predictors that we use, reflect structural features of national societies, which are assumed to be linked with generalized trust. These indicators include protestantism (percentage of Protestants in the mid 1980s, from 1990 and 1993 Britannica Book of the Year), and ethnic polarity (percentage of the second largest ethnic group in mid 1980s; same source as for Protestantism). The measurements used result from the time period prior to our averaged trust measure, because we assume their influence on trust development. Unfortunately the data set shrinks to only 20 to 30 cases, because not all indicators were available to us for the prior time period.

Table 3 about here

The results show that time-wise prior measures of the Gini index, the percentage of GDP spent on universal programs such as education (not shown), etatism (not shown) and trust in the police do have effects on trust, even if we control for economic resource distribution, proportion of protestants and ethnic fragmentation (see Table 3). Furthermore, these results also hold when we integrate controls for associational memberships (results not shown). In fact, in a multivariate regression aggregate membership measures do have very unstable effects on trust, and are usually statistically insignificant, confirming various negative findings at the micro-level (see also Hernandez and Morales, 2000; Stolle and Welzel, 2000 for similar findings at the aggregate level and positive evidence for the macro-relationship between associational membership and trust in a select sample of European countries in van der Meer, 2001). Even though the further completion of this analysis should in the future include an encompassing list of countries as well as hierarchical modeling design

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9 Vanhanen generates his index from six indicators which he combines additively to three sub-indices for (1) the distribution of physical resources, (2) the distribution of cognitive resources, and (3) occupational diversification. The sub-index of physical resource distribution is generated from indicators for the share of family farms in the agricultural sector (weighted for the agricultural sector’s share in GDP) and the deconcentration of non-agricultural resources (measured by 100 minus the share in GDP generated by the state, foreign enterprises and large national trusts). The sub-index of cognitive resource distribution is measured by the number of students per 100,000 inhabitants and the literacy rate. And the sub-index of occupational diversification is produced from the proportion of the urban population and the percentage of the non-agricultural work force (for a description of data sources and scaling procedures, see Vanhanen 1997:42-63). Assuming that the additive sub-indices represent three different dimensions of resource distribution, Vanhanen multiplies these sub-indices to generate his overall measure of resource distribution. Theoretically this index can range from 0 to 100.
(currently such an analysis is being developed), it is safe to conclude that the impartiality of political and social institutions, particularly in the arena of the welfare state and legal institutions, are important for trust development in a cross-national comparison.

Measurements for Illustrations of Causal Mechanism (Individual Evidence)

Our results would not be as convincing if we did not include a test at the individual level. The theory we specified is after all a micro theory of trust development. As already elaborated above, most micro-tests of the social capital theory have failed in the past (Selle and Wollebaek 2000; Stolle 2000; Uslaner forthcoming), so it is important that we provide the micro evidence for our theoretical insights above. For the analysis, we utilize the yearly SOM-SURVEYS, which have been conducted by the SOM (Society – Opinion – Media) institute at Göteborg University, Sweden for the years 1996 to 2000.10 The survey includes a variety of indicators on social capital, political attitudes as well as demographic data. However, since Sweden is a country that developed one of the most universal welfare states and probably one the most impartial legal system, our test will be indeed a difficult undertaking.

Our evidence here consists of three pieces, just according to the three causal mechanisms we specified. First, we argued that citizens generalize from knowledge about the honesty and impartiality of public officials and the public welfare/legal system to other people (see again Figure 3). If this causal link would be true, we should see a relatively strong relationship at the individual level between the perception of impartiality of what we call order and neutral institutions, on one hand, and generalized trust, on the other. In the SOM data, we can examine the varieties of political trust, just as in the World Values survey. The inclusion of some welfare state institutions in the battery of institutional confidence questions in the Swedish survey, such as confidence in the health system as well as confidence in the school system, will be an interesting addition in scrutinizing the relationship between institutions and trust. Second, we argued that citizens observe others who might be perceived to abuse the system. In particular we argued that in means-tested welfare states, for example, citizens are more prone to be perceived to abuse the system. In Sweden, we only find a few

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10 The institute is managed jointly by the Departments of Political Science, Public Administration and Journalism/Masscommunication at Göteborg University. For this project, questions about trust have been added to the five surveys 1996 to 2000 with funding from the Swedish Council for Research in the Humanities and Social Sciences. For information about sampling, response rates, etc. please visit www.som.gu.se or contact som@jmg.gu.se.
selective welfare programs, however, if this insight about the causal mechanism is correct, we should see that regions with higher proportions of fellow-citizens in selective programs also accommodate less trusting people. Third, our final argument was that citizens, who experience discrimination through the welfare or legal systems themselves or of close others, feel threatened and develop distrust for outsiders. If this proposition was true, we should see that citizens who participate in Swedish selective programs as well as discriminated groups, such as immigrants, should indeed trust less. Here we utilize indicators that measure the contact with very few selective and means-tested welfare programs in the Swedish system, namely the handout of social welfare benefits as well as the participation in selected labor market schemes, as well as information about the immigration background of the respondent.

Results: Micro-Level Analysis

We start with our last causal linkage proposition first since this is the one, which will then later serve as our basic model for further analyses. We analyze the pooled five-year sample of the Swedish SOM survey. The survey distinguishes between two groups of the population, who according to our logic experience discrimination. Immigrants in Sweden have enjoyed a variety of integration policies and social/political support, yet they often live in segregated neighborhoods, experience higher unemployment rates and sometimes a disturbed relationship with public authorities (see Rothstein, 2000). If our causal mechanism is correct, we should see that respondents in selective programs as well as immigrants, who might experience or perceive discrimination in the Swedish legal and political system, are less trusting.

[Figure 8 about here]

In a simple comparison for one wave of the SOM data, we see in Figure 8 that those who received benefits from Swedish selective welfare state institutions, such as social welfare benefits (socialtjänst) and early retirement benefits (förtidspension), are less trusting. This is particularly clear in a comparison to others who did not receive such benefits and in comparison to those who received benefits from programs with a universal character (we used the example of the sjukpenning). The differences are significant between those with selective benefits and everyone else. Furthermore, we find in Table 4 that citizens who are immigrants in Sweden also trust other citizens significantly less. This is indeed an important finding given
the causal logic developed. The results also hold in a simple regression model in which we include important demographic predictors of generalized trust.

[Table 4 about here]

In a more elaborate regression model as well, we include a wide variety of predictors of generalized trust that have been found important in the social capital literature, including associational membership. The inclusion of age, for example, is of course related to the argument about the civic generations in the United States (Putnam 2000); education has often been shown to be an important predictor of trust (Brehm and Rahn 1997; Putnam 2000), whereas the marriage status is an embattled variable (see Uslaner, forthcoming). We also included employment status as a particularly important control variable in our test, as unemployment in itself could be the source of lower trust for people in special welfare programs. Finally we included an array of attitudinal correlates of trust, such as satisfaction with life, and satisfaction with democracy in Sweden, trust in the parliament as well as trust in impartial institutions as well as a self-placement variable on the left to right political scale. Most importantly, we include a variable that measures the memberships in social associations as those are seen as most productive of trust in the societal approach to social capital theory (results are robust also with the inclusion of all memberships).

The results in Table 4 show clearly that even controlling for the above demographic and other indicators, immigrants in Sweden do trust their fellow-citizens less. Furthermore, and most importantly, citizens who have used selective welfare state services in Sweden are less trusting than the rest of the population. In addition, we see that contrary to some previous evidence, age negatively correlates with trust, so that older people in Sweden trust less. Being married and being unemployed, given all other explanatory variables, are not related to trust. All other variables are significantly correlated with trust. More education, a more positive outlook on life and satisfaction with democracy, left political placement, trust in various political institutions are all positively correlated with trust. Interestingly, it also matters that the respondent is a member in social associations (such as sports clubs and cultural groups etc.), though the coefficient is smaller than the one we identified for being an immigrant in Sweden and most importantly, for participating in selective services. Obviously, the experience of these selective programs, which we argue is a discriminatory experience in an otherwise universal welfare state, contributes to lower trust levels. The immigrant experience in Sweden, also related to the participation in selective welfare services as well as the
perception of biased institutions also contributes to generally lower trust for other citizens. In sum, the experience of discrimination is closely related to a reduction in generalized trust.

Secondly, we argued above that certain types of welfare states and legal systems are more prone to fraud and the perception of fraud, dishonesty and corruption. If our causal mechanism is true, we should see that in Swedish areas in which there are particularly high proportions of people who are dependent on selective services, there will be also people with lower trust levels. Again, Sweden is a difficult case in this test, because of its universal system and the minor differences between regions. Yet, if we divide Sweden into over 280 counties (kommuner), we see that people in those counties with particularly high levels of people on selective social welfare are also those with significantly lower trust, all controls provided, see Table 5. This is particularly true for counties in which the level of people on social welfare increased over the 1990s, the period in which the surveys were taken (results not shown). The result holds even if we control for the individual influence of being on social welfare.

These results confirm some of the macro effects that we showed before with international data, though the difference is that we show contextual effects on the individual, and we control here for the other two causal mechanisms that operate as well: the individual experience of discrimination as well as the experience of political and impartial order institutions. In other words, holding personal discrimination as well as perceptions of institutions and several other controls constant, we still find an (even though small) effect of the experience of observing other citizens in potential fraudulent situations, confirming the second causal mechanism we identified (Figure 3).

Finally, we move to another causal mechanism that we introduced as the inference from the behavior of bureaucrats, politicians and public officials. We argue that the experience of their behavior as corrupt, biased and dishonest (or uncorrupt, impartial and honest) will influence how citizens think about others. The reason is that citizens make an inference from the official behavior to everyone else. If our causal mechanism would be true, we would see that citizens in areas or countries with more corruption, also relate differently to other citizens and trust less. We already provided evidence of this relationship at the macro level in that we showed that there is a strong relationship between the corruption measurements of Transparency International and generalized trust at the country level. Similar evidence at the county level in Sweden is hard to get, though Stolle showed in a case
study of two extreme counties in Sweden, that corruption has been behind the differences in generalized trust (Stolle, forthcoming). We are working on further evidence at the kommun level, though as the case study evidence shows there is a negative relationship between the length of time a local party stays in power unchallenged, which we use as a rough indicator of corruption, and generalized trust (results not shown). Most importantly though, the evidence works at the individual level as well. Trust in the impartiality of order institutions turns out to be one of the strongest individual level predictors of generalized trust controlled for other influences (see previous tables 4 and 5). As in the WVS data, we also find that the Swedish citizens make distinctions between various kinds of institutions; in fact legal institutions, the police and welfare institutions scale on one dimension of institutional trust. The trust in the impartiality of legal institutions and the police is also here most strongly connected to trust; the pearson correlation coefficient is about $r=.24$ and is significant (results not shown).

Ideally we like to link actual events of corruption at the county level with perceptions of corruption and impartiality and generalized trust. As we do not have the data available at this point, we compare some attitudinal indicators about corruption perception and the belief that others cheat between trusters and distrusters. For this purpose, we divide the sample into trusters and distrusters, in that we define distrusters as those who score from 0 to 4 on a trust scale from 0 to 10. All other respondents are trusters. About 17 percent respondents of the Swedish sample are distrusting.

![Figure 9 about here](image)

Figure 9 shows that besides the strong predictive power of trust in the impartiality of legal institutions and the police, there are other relatively strong attitudinal differences between trusters and distrusters. On the relative scale, distrusters are about 17% more likely to believe that other people cheat on their benefits, and about 26% more likely to believe that corruption is widespread in Sweden, in comparison to distrusters. Most importantly, distrusters are much more likely to believe that citizens’ rights are not respected, which is exactly at the heart of our argument.

**Conclusion**

We have developed here an institutional theory of generalized trust. Our argument is that the structure of contemporary institutions is an important and overlooked factor that matters for the generation of generalized trust. In particular, we develop a causal mechanism which
explains and specifies the causal flow from impartial, just and inclusive institutions responsible for the implementation of public policies to generalized trust. The impartiality of these institutions influences (1) how citizens make inferences from the system and public officials to other citizens, (2) how citizens observe the behavior of fellow-citizens, and (3) how they experience discrimination against themselves or close others. In our empirical part we have shown that these three causal mechanisms are at work. Citizens do make strong connections between the impartiality of institutions and generalized trust at the micro and macro levels. Citizens develop different levels of trust dependent on their observations of their fellow-citizens. And finally, citizens, who have experienced discrimination are significantly less trusting.

Most discussions about the sources of social capital have so far been located at the arena of civil society. Moreover, there is no successful theory of social capital that links aspects of civic life and trust at the micro and macro level. The theoretical discussion and findings in our paper intend to situate the concept of social capital more squarely in the realm of public institutions. More importantly, our institutional theory of generalized trust encompasses macro and micro links which are supported by empirical evidence.
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Figure 1
Social Capital Research

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<th>1) Sources/Origins</th>
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</tr>
</tbody>
</table>
Figure 2

The Three Worlds of Social Capital

<table>
<thead>
<tr>
<th>Type of Welfare State:</th>
<th>Universal</th>
<th>Selective</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main characteristics</strong></td>
<td>Universal programs dominate</td>
<td>Means-tested programs dominate</td>
<td>Programs are mixture between means-tested and universal</td>
</tr>
<tr>
<td><strong>Important characteristics for Societal Divisions</strong></td>
<td>Encompassing Includes ALL citizens Does not create or manifest societal divisions</td>
<td>Divisive Singles out the “needy” and “deserving”</td>
<td>Etatist Singles out the privileged from the unprivileged</td>
</tr>
<tr>
<td><strong>Prone to fraught?</strong></td>
<td>Easy rules, everyone gets the same</td>
<td>Desire to “cheat the system” Complicated rules and tests of eligibility (fraud is likely)</td>
<td>Complicated rules (fraud is possible)</td>
</tr>
<tr>
<td><strong>Norm of Impartiality?</strong></td>
<td>Everyone is treated the same way</td>
<td>Citizens receive very different treatment Stigma</td>
<td>Citizens receive very different treatment</td>
</tr>
<tr>
<td><strong>Consequences for Trust</strong></td>
<td>Can spread widely</td>
<td>Those singled out will trust less</td>
<td>Compartmentalized trust for one’s group, prevents generalized trust</td>
</tr>
</tbody>
</table>
Figure 3

Linking Political and Social Institutions and Generalized Trust: The Causal Mechanism

Impartiality and Fairness of Every-Day Bureaucracies

- Inference
- Observation
- Experience

- Attitudinal Extension to everyone else (Generalization)
- Actual Behavioral Influence on Fellow-Citizens (and themselves)
- Actual Experience of discrimination and violation of impartiality (particularly for minority groups). Experiences of close others.

Generalized Trust in other people
Figure 4

Public Education and Trust

Correlation: .75

Public Expenditure For Education as a % of GDP

% Trusting
Figure 5

Gini Index and Trust

Correlation: -.53
Figure 6

Corruption Perception and Trust

Corruption Perception (Transparency International 1996-2000)
Table 1
Rotated Component Matrix
For Confidence in Various Institutions
(WVS Third Wave, Number of countries=50)

<table>
<thead>
<tr>
<th></th>
<th>Factor: Political/Biased Institutions</th>
<th>Factor: Power Checking Institutions</th>
<th>Factor: Neutral and Order Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidence in the Parliament</td>
<td>.882</td>
<td></td>
<td>.368</td>
</tr>
<tr>
<td>Confidence in the Government</td>
<td>.871</td>
<td>.169</td>
<td>.194</td>
</tr>
<tr>
<td>Confidence in Political Parties</td>
<td>.863</td>
<td>.295</td>
<td>.239</td>
</tr>
<tr>
<td>Confidence in the Press</td>
<td>.129</td>
<td>.938</td>
<td></td>
</tr>
<tr>
<td>Confidence in TV</td>
<td>.148</td>
<td>.910</td>
<td></td>
</tr>
<tr>
<td>Confidence in Business/Companies</td>
<td>.301</td>
<td>.563</td>
<td>.304</td>
</tr>
<tr>
<td>Confidence in the Civil Service</td>
<td>.420</td>
<td>.544</td>
<td>.470</td>
</tr>
<tr>
<td>Confidence in the Police</td>
<td></td>
<td>-.150</td>
<td>.918</td>
</tr>
<tr>
<td>Confidence in the Legal System</td>
<td>.377</td>
<td>.275</td>
<td>.782</td>
</tr>
<tr>
<td>Confidence in the Army</td>
<td>.195</td>
<td>.128</td>
<td>.618</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 5 iterations.
Figure 7

Table 2: Correlations Between Various Types of Institutional Confidence and Generalized Trust

<table>
<thead>
<tr>
<th>Factor Political/Biased Institutions</th>
<th>Pearson Correlation</th>
<th>Sig. (1-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-.135</td>
<td>.174</td>
<td>50</td>
</tr>
<tr>
<td>Factor Power-Checking Institutions</td>
<td>-.145</td>
<td>.158</td>
<td>50</td>
</tr>
<tr>
<td>Factor Neutral/Order Institutions</td>
<td>.532**</td>
<td>.000</td>
<td>50</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (1-tailed).
### Table 3
#### Multivariate Regressions

Number of cases: 26  
Adjusted R square: .73  
F test: 18.6

<table>
<thead>
<tr>
<th></th>
<th>Std. Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.085</td>
<td>4.162</td>
<td>.000</td>
</tr>
<tr>
<td>Ethnic Polarity</td>
<td>.002</td>
<td>-.087</td>
<td>-.736</td>
</tr>
<tr>
<td>Vanhanen</td>
<td>.001</td>
<td>.378</td>
<td>2.761</td>
</tr>
<tr>
<td>% Protestants</td>
<td>.001</td>
<td>.419</td>
<td>2.987</td>
</tr>
<tr>
<td>GINI80</td>
<td>.002</td>
<td>-.243</td>
<td>-2.102</td>
</tr>
</tbody>
</table>

a Dependent Variable: Generalized Trust

Adjusted R square: .70  
F test: 12.5

<table>
<thead>
<tr>
<th></th>
<th>Std. Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.082</td>
<td>.951</td>
<td>.357</td>
</tr>
<tr>
<td>Ethnic Polarity</td>
<td>.002</td>
<td>.149</td>
<td>1.044</td>
</tr>
<tr>
<td>Vanhanen</td>
<td>.002</td>
<td>.023</td>
<td>.144</td>
</tr>
<tr>
<td>% Protestants</td>
<td>.001</td>
<td>.580</td>
<td>3.557</td>
</tr>
<tr>
<td>Trust in Police</td>
<td>.129</td>
<td>.452</td>
<td>2.599</td>
</tr>
</tbody>
</table>

a Dependent Variable: Generalized Trust
Figure 8

Universal and Selective Benefits and Generalized Trust

No Benefits

Universal Sickness

Selective Benefits*

Types of Support from the Welfare System

*Significant Differences between Selective Benefits versus Others
Table: 4  
The Experience of Impartial Institutions and Generalized Trust:  
Micro Results

N= 2432

<table>
<thead>
<tr>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.413</td>
<td>15.597 .000</td>
</tr>
</tbody>
</table>

**Demographic variables:**  
SES

<table>
<thead>
<tr>
<th>Age</th>
<th>.003</th>
<th>-.108</th>
<th>-5.292</th>
<th>.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>.021</td>
<td>.123</td>
<td>6.089</td>
<td>.000</td>
</tr>
<tr>
<td>Married or not</td>
<td>.094</td>
<td>.025</td>
<td>1.304</td>
<td>.192</td>
</tr>
<tr>
<td>Being unemployed</td>
<td>.235</td>
<td>-.016</td>
<td>-8.74</td>
<td>.382</td>
</tr>
</tbody>
</table>

**Attitudinal Correlates:**  
Life Satisfaction

<table>
<thead>
<tr>
<th>Satisfaction with how democracy works in Sweden?</th>
<th>.066</th>
<th>.057</th>
<th>2.716</th>
<th>.007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust in the parliament</td>
<td>.054</td>
<td>.105</td>
<td>4.702</td>
<td>.000</td>
</tr>
<tr>
<td>Left-Right Placement</td>
<td>.040</td>
<td>-.069</td>
<td>-3.665</td>
<td>.000</td>
</tr>
<tr>
<td>Trust in Impartial Institutions</td>
<td>.060</td>
<td>.166</td>
<td>8.032</td>
<td>.000</td>
</tr>
</tbody>
</table>

**Structural Social Capital**  
Social association index

| Importance of Impartial and Inclusive Institutions: Micro-Level |
|---------------------------------------------------------------|--------------------------------------------------|
| Being an Immigrant                                           | .218    | .064 | 3.467 | .001 | |
| Contact with the Selective Welfare Institutions              | .071    | -.072| -3.818| .000 | |

Dependent Variable: Generalized Trust  
R square (adjusted): .20  
F Test: 49.448
Table 5

County Characteristics and Generalized Trust
N=2351

<table>
<thead>
<tr>
<th></th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.384</td>
<td>18.882</td>
<td>.000</td>
</tr>
<tr>
<td>Demographic variables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>.003</td>
<td>-.108</td>
<td>-5.142</td>
</tr>
<tr>
<td>Education</td>
<td>.021</td>
<td>.132</td>
<td>6.421</td>
</tr>
<tr>
<td>Married or not</td>
<td>.097</td>
<td>.029</td>
<td>1.456</td>
</tr>
<tr>
<td>Being unemployed</td>
<td>.239</td>
<td>-.019</td>
<td>-.983</td>
</tr>
<tr>
<td>Attitudinal Correlates:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Satisfaction</td>
<td>.072</td>
<td>.213</td>
<td>10.928</td>
</tr>
<tr>
<td>Satisfaction with how democracy works in Sweden?</td>
<td>.067</td>
<td>.055</td>
<td>2.565</td>
</tr>
<tr>
<td>Trust in the parliament</td>
<td>.055</td>
<td>.112</td>
<td>4.925</td>
</tr>
<tr>
<td>Left-Right Placement</td>
<td>.041</td>
<td>-.069</td>
<td>-3.512</td>
</tr>
<tr>
<td>Trust in Impartial Institutions</td>
<td>.062</td>
<td>.160</td>
<td>7.556</td>
</tr>
<tr>
<td>Structural Social Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studiecirkel Index per county (Hours per 100 inhabitants)</td>
<td>.001</td>
<td>.021</td>
<td>1.036</td>
</tr>
<tr>
<td>Importance of Impartial and Inclusive Institutions: Micro-Level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counties with particularly high proportions of social welfare recipients</td>
<td>.019</td>
<td>-.037</td>
<td>-1.800</td>
</tr>
<tr>
<td>Recipient of social welfare benefits</td>
<td>.268</td>
<td>-.041</td>
<td>-2.084</td>
</tr>
</tbody>
</table>

Dependent Variable: Generalized Trust
R square (adjusted): .19
F Test: 43.024
Figure 9

Attitudinal Differences between Trusters and Distrusters

- People cheat with benefits
- Trust in impartiality
- Corruption is wide-spread
- Citizens' rights are respected

Percent Relative Difference on Scale from 0-10

Attitudinal Items