The Impact of Welfare States on Social Trust Formation: A Multidimensional Approach

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Contents

Preface

This study is a result of a long research process which was made possible thanks to the support of many people. First of all, I would like to thank my supervisor Prof. Dr. Wolfgang Voges for his constructive suggestions, criticism and support during the last three years. I am also very grateful to him for encouraging me to participate in a number of academic events, in particular scientific conferences and seminars. I would also like to express my appreciation to my second supervisor Prof. Dr. Jan Delhey for guiding me through the complicated process of conducting an empirical analysis and helping me to restructure the dissertation in order to clarify my reasoning.

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List of Acronyms

EQLS	European Quality of Life Survey
ESS	European Social Survey
EU	European Union
EVS	European Values Study
GDP	Gross Domestic Product
ISSP	International Social Survey Program
OECD	Organization for Economic Cooperation and Development
SOM	Samhälle Opinion Massmedia
UK	United Kingdom
USA	United States of America
WVS	World Values Survey

Chapter 1: INTRODUCTION

Higher levels of social capital have been associated with many positive effects ranging from the prevention of crime to enhancing the economic growth and overall functioning of democracy[1]. The role that social capital performs at individual and societal level has spurred numerous researches about its recent dynamics and factors that may determine the speed and the direction of its change. The progress is however limited and only a small share of variation in social capital levels across countries and over time could be explained. Some ambiguity exists with regard to both: the direction of change over time and the factors which may trigger it. Among the determinants, welfare state development is the most controversial and often discussed. More specifically, many argue that if the state gets into the business of organizing everything, people will become dependent on it and lose their ability to spontaneously work with one another (De Swaan, 1988; Fukuyama, 2000; Kumlin and Rothstein, 2007). This negative relationship was conceptualized in the 'crowding out' hypothesis.

However, the empirical evidence of negative dynamics in social capital and crowding-out effects is controversial. Those scholars who suggest that with respect to certain elements of social capital the negative trend is really taking place (Putnam, 1995, 2000; Uslaner, 2000-2001; You, 2005a,b) usually omit welfare state impacts from their analysis. Those who focus directly on this relationship generally provide empirical evidence of the positive, or at least neutral, influence of welfare state development on people's trust in others, participation in volunteer organizations and social networks, and supportive behavior in families and neighborhoods (Hall, 1999; De Hart and Dekker, 1999; Rothstein, 2001; Van Oorschot and Arts, 2005).

The impact of public policies on social capital requires a more detailed elaboration and can be considered an issue of utmost importance if taking account of the current transformation of welfare states. The latter is happening because of the enforcement of neo-liberal principles which results in the shrinking of social spending on the one hand, and redesigning their structure on the other. The potential effects of this change on social capital among the population are impossible to predict if the relationship between welfare state development and the level of social capital is not fully understood and explained.

The main objective of this study is to test the "crowding out" hypothesis by applying a new approach based on the multidimensionality of social policies and the differences in their effects on social capital formation. The latter is considered plausible due to the fact that the

[1] See for instance Billiet and Cambree, 1999; Fedderke, Dekadt, and Luiz,1999; OECD, 2001; Mishler and Rose, 2005; Portes, 1998, 2000; Seligson, 1999; Stark, 2003; Woolcock, 1998.

research conducted so far has mostly focused on the careful measurement of social capital while welfare state policies were treated as a single indicator without taking into account the diversity of social programs as well as their characteristics and the differences in their impact on social values and networks. Focusing on the multidimensionality of social capital and the relevant ignorance of the multidimensionality of the state activity provides a reason to think that this narrow operationalization of the predictor can to some extent explain the controversy of the empirical results obtained so far and provide some ground for better theoretical elaboration on the association in question. Moreover, an approach of this kind may allow us to identify what policies lead to the decline of and what policies may enhance the social capital development. The latter would have a direct policy implication allowing for a design of a set of policies which, apart from ensuring individuals' wellbeing, would also have a positive impact on the level of their social capital.

1.1.Introducing a multidimensional approach to the analysis of social capital

The research conducted up to now is mainly based on the one-dimensional understanding of the relationship between the welfare state and social trust. Our main idea consists of demonstrating that this relationship should be analyzed in light of a multidimensional approach. Multidimensionality rests on the premise that it is necessary to operationalize welfare state development from all possible sides to study its effects on social trust. To define the multidimensional space, we will base our research on three assumptions. First, each social program is intended to cover certain risks or contingencies, and is designed for a certain group of people, namely those experiencing these contingencies. Second, it is assumed that social spending does not reflect the actual level of decommodification and ignores the stratification function of welfare states. Apart from that, we assume that each policy possesses a number of characteristics, which reflect the features of the program design, implementation, as well as financing conditions. This logic hence suggests a three-fold analysis for defining three axes around which the multidimensional space is formed. First, one should analyze the effects of the level of social spending on certain social programs on trust indicators among their direct recipients. Second, it is worth seeing how the level of out-sourcing of individuals from the market affects their trust indicators. Finally, one can account for how the specific conditions of benefits provision, financing and design affect trust levels. In other words, we derive three axes around which the multidimensionality of social policies is formed. The first one is the functional axis, which takes into account different functions performed by the social policies and forms functional dimension. The functions are derived on the basis of the risk or contingencies which social policies are designed to cover. The distinction here applies to the existence of policy specific effects on social trust levels. The second axis takes into account the final outcomes of social policies, namely the level of decommodification and stratification. Around this axis, an outcome dimension is formed which focuses on the effects of welfare state outcomes on social trust indicators. The third axis can be called qualitative and it takes into account the different policy characteristics in order to study their separate effects on social trust levels. The dimension formed around this axis is called qualitative.

This multidimensional approach constitutes a clear breakthrough in analyzing the effects welfare states may have on social capital. This study is valuable for social policy research for two reasons. First, it will contribute to a better understanding of the relationship between welfare states and social trust by isolating the effects of different social policies and their characteristics on social capital. Second, based on these results it will become possible to provide suggestions about the 'ideal' characteristics for the welfare state design which would guarantee not only individual well-being but also societal prosperity by imposing pro-social behavior.

1.2. Limiting social capital to social trust

For the purpose of the research, we will limit the analysis of social capital to social trust. The selection of these elements of social capital is done in order to be able to fully detect all of its determinants to control for their possible spurious and/or indirect effects. The choice of social trust can be explained by the fact that an emphasis on trust over other ties is prevalent in the literature (Brehm and Rahn, 1997; Putnam, 1995) since it is easy to measure compared to other positive emotions. Moreover, trust is highly associated with generalized reciprocity and hence remains a good proxy for positive reciprocal ties in general (Paxton,1999). It hence becomes indispensable to shed some light on the relationship between social capital and social trust.

The recent interest in the concept of social capital can be partly traced to the early works of Pierre Bourdieu. Although he does not analyze social trust and its relationship to social capital, Bourdieu introduces and elaborates on the notion of social capital in general. Through the late 1960s and early 1970s, Bourdieu produced a series of studies seeking to establish culture as a dynamic and creative, but also a structuring phenomenon. Bourdieu (1980, 1986) sees capital in three guises: as economic capital, as cultural capital and as social capital. He defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of institutionalized relationships of mutual acquaintances and recognition – or in other words, to membership in a group." He also elaborates on the link between these three forms of capital, emphasizing that social capital is not reduced to economic or cultural capital, nor is it independent of them. Based on his final analysis it is however possible to conclude that economic capital is at the root of all other types of capital, including social capital.

Moreover, Bourdieu (1980) analyzes social capital determinants and argues that capital in this form is represented by the size of the network and the volume of the capital possessed by those to whom the person is connected. Consequently, social capital depends on the size of one's connections and on the volume or amount of capital in these connections' possessions. In other words, Bourdieu sees social capital as a production of the group's membership.

Bourdieu defines social capital as a form of capital possessed by members of a social network or group. He is more concerned with social capital as an individual attribute in terms of individual networks or forms of capital (Mihaylova, 2004). In contrast to this individual position, other scholars of modern social capital research favor a broader notion of social capital which encompasses social groups, organizations and societies. Moreover, Bourdieu did not directly analyze the concept of social trust as a form of social capital. But he does recognize that social capital is a collective asset that endows members with credits and is maintained and reinforced for its utility when members continue to invest in the relationship.

Social capital was further studied by Coleman (1982, 1990). He defines social capital as a particular kind of resource available to an actor, comprising a variety of entities which contains two elements: they all consist of some aspect of social structure, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure. Placed more clearly in the educational context he developed his notion of social capital as follows: "social capital is the set of resources that inhere in family relations and in community social organization and that are useful for the cognitive or social development of a child or young person." Whether any structural aspect is a capital depends, according to Coleman, on whether it serves a function for certain individuals engaged in particular activities. For this reason, social capital is not fungible across individuals or activities, but should rather be seen as the resources, real or potential, gained from relationships. In his scheme of social action, Coleman delineates how actors exercise control over resources in which they have an interest, and how they are also interested in events that are at least partially controlled by other actors.

Coleman's research primarily addressed educational achievements and social inequalities. He measured social capital by the physical presence of parents per number of children in the family so as to determine the amount of attention that children received. Among other factors influencing educational performance, he measured the number of times a child had to change schools because the family moved. Coleman argued that social relations (both family relations and relations with the wider community) constitute useful capital because they establish obligations, expectations and trustworthiness. They also create channels of information and set norms that can be backed up by sanctions (Mihaylova, 2004).

In much of his analysis, Coleman shares marked similarities with Bourdieu, including a striking concern for social capital as a source of educational advantage. Unlike Bourdieu, however, Coleman saw the creation of social capital as a largely unintentional process, which he defined mainly in functional terms. For Coleman, social capital functions precisely because it arises mainly from activities intended for other purposes. Yet, if a major use of the concept of social capital depends on its being a by-product of activities engaged in for other purposes, it follows that there is often little or no direct investment in social capital.

Moreover, Coleman focuses on individual behavior and uses that to draw conclusions about larger social entities. Coleman's premise is that actors operate according to a single principle of action: to maximize their realization of interests. Thus, he works within an elementary model of rational choice (Harris, 2001 in Mihaylova, 2004). This was the main subject of criticism from different scholars. Apart from that, he was criticized for providing a rather vague definition of social capital.

Thus, for Coleman the definition of social capital owes its cohesion to the relational effects in social structures that benefit the actors. As an example of these effects, generalized trust is mentioned as one of the most recognized. So from a micro-level point of view one could analyze the level of trustworthiness in a given society or the actual extent of obligations held. Other effects are also pointed out by Coleman, such as the information potential that relationships could provide (saving time to get the sources) or the relational benefits (market opportunities, job offers) that organizations could produce for their members as a by-product of their activities. Coleman thus uses an output approach to define the relationship between social capital and social trust. Generalized trust is viewed by him as an effect or output of social capital.

Social capital in general and social trust in particular is more elaborated on in the studies conducted by Putnam (1993, 1995, 2000). He offers a succinct definition of social capital, by which he means features of social life – networks, norms, and trust – that enable participants to work together more effectively to pursue shared objectives. These three 'features' – networks, norms, and trust – are the triad which dominates conceptual discussions. He also gives considerable emphasis to the tension between 'bridging' and 'bonding' forms of social capital. Bonding social capital refers to the links between like-minded people, or the reinforcement of homogeneity. Bridging social capital, by contrast, refers to the building of connections between heterogeneous groups; these are likely to be more fragile, but also more likely to foster social inclusion. His contribution also consists in offering the operationalization of social capital which includes measures of community organizational life, engagement in public affairs, community voluntarism, informal sociability, and social trust.

Putnam's contribution is not limited to defining social trust as an element of social capital but also consists of analyzing the process of its formation. He argues that social associations and the degree of participation indicate the extent of social capital in a society. These associations and participation promote and enhance collective norms and trust, which are central to the production and maintenance of the collective well-being.

Putnam's work was however the subject of heavy criticism. According to Harris (in Mihaylova, 2004) Putnam does not provide the theory of trust but rather confusions of various concepts: interpersonal trust, generalized trust, belief in the legitimacy of institutionalized norms and confidence in their implementation and cultural traditions. But regardless of this confusion he was the first to define social trust as an element of social capital.

The concept of social capital was further studied by Newton, who predominantly uses the 'input' approach to define the relationship between social capital and social trust. Newton (1999a, 1999b) suggests that social capital consists of the set of values and attitudes of citizens relating primarily to trust, reciprocity, and cooperation. Seen in this way, he regards social capital as a subjective phenomenon of social and political culture which refers to the collective attitudes people have about their peers, and therefore to the way that citizens relate. Crucial to this treatment are those features of a subjective world view which predisposes individuals to cooperate with each other, to trust, to understand, and to empathize. According to him the concepts of reciprocity and trust are central to the concept of social capital in this sense: they constitute the social cement which binds society together by turning individuals from self seeking and egocentric calculators, with little social conscience and little sense of social obligation, into members of a community with shared interests, shared assumptions about social relations, and a sense of common good. He refers to Simmel's (1950) comments on trust which say that trust is one the most important synthetic forces within society. Newton also studies the relationship between reciprocity and trust. He asserts that generalized reciprocity involves a degree of uncertainty, risk, and vulnerability. It is therefore built upon trust: reciprocity involves risk, and taking risks in society requires trust in others.

Trust thus precedes all other elements of social capital. Newton (1999a, 1999b) also criticizes the writers who focus on the social networks of individuals, groups, or organizations as the crucial component of social capital. He says that trust is "a necessary link between supply and demand; it puts consumers and producers into contact with each other, it speeds up deals, it turns rational fools into effective cooperators and it avoids the need to sew up everything by means of expensive and time consuming contracts which are legally watertight." He assumes that the normative and subjective definition of trust is logically prior in the sense that social networks, formal or informal, are necessarily built upon the norms of reciprocity in social relations without which strong and extensive networks would not be created and formal and informal associations would not proliferate.

The relationship between social trust and social capital was further studied by Torcal and Montero (1999). In their theoretical elaboration on the dynamics of social capital, they limit the former to the membership in voluntary associations. In their analysis they refer to the traditional assumption that trust itself 'lubricates' cooperation and that cooperation, in turn, promotes trust. This model of the origins of social capital is derived from Coleman and his rational choice approach, according to which all elements that form social capital are mutually self-reinforcing.

Torcal and Montero (1999) see social trust in a rational choice perspective as rational and relational, although not always fully calculated action. They argue that social trust may also be seen as a cultural attitude, and that it is its majoritarian presence in collectivity which facilitates the creation of social capital. The latter points to similarities with Newton in studying the relationship between social trust and membership.

Torcal and Montero (1999) also elaborate on social capital determinants, emphasizing that institutional change and democratic politics foster the creation of social capital, but that there still might not be enough to break a situation of low intensity equilibrium. According to them, this outcome seems evident in light of the persistently weak associative and political life found in some countries with stable democracies. They further assert that the installation and increase in social capital in these new democracies is conditioned by the attitudinal presence of trust among citizens. The latter allows one to again draw conclusions that trust is regarded here as the key pre-condition for other elements of social capital to be created and changed in stock. Their work is thus based on the 'input' approach to define the relationship between social trust and social capital, which assumes that trust is a precondition for social capital to accumulate.

Next, Torcal and Montero (1999) express doubt about the traditional assumption that face-to-face interactions can be the driving force behind rising social capital in new democracies. They explain by pointing out that these interactions are rare and irregular outside small voluntary organizations. A pre-existing level of trust among individuals has to exist, and socialization according to them is instrumental in the creation of social trust and hence in any significant increase in the levels of social capital. Their analysis of the Spanish case shows that the full functioning of democratic politics does not result in an axiomatic increase in social capital when measured as membership in voluntary associations. On the basis of these results, they demonstrate that the evolution of social capital in new democracies is conditioned by trust among citizens. Democracy may create social capital according to them, but the rate of change is dependent on the extent to which different generations harbor different levels of interpersonal trust.

An interesting explanation as to the positioning of social trust in the concept of social capital is provided by Michael Woolcock (1998, 2002). He distinguishes between three approaches to conceptualizing social capital. According to him, one approach is to refer to macro-institutional issues under a separate banner, calling them instead as 'social capabilities' or 'social infrastructures'. He sees the virtue of this strategy in relieving social capital of its mounting intellectual burden, analytically and empirically disentangling micro community and macro-institutional concerns. The problem is that it removes a convenient discursive short-hand for the social dimensions of development vis-à-vis other factors of production and treats as separate what is more accurately considered together.

A second approach is to call for a more tightly focused micro definition of social capital to advocate a 'lean and mean' conceptualization focusing on the sources of social capital - i.e. primarily social networks - rather than its consequences such as trust, tolerance and cooperation. Woolcock sees the upside of this approach in the fact that it clearly defines what is and is not social capital, making for cleaner measurements and more parsimonious theory building. However, the downside here is that it tends to overlook the broader institutional environment in which communities are inherently embedded.

A third approach in the conceptualization of social capital, consists in dismissing the debate altogether. For researchers relying on this approach, whether social capital is or should be understood as a micro or macro phenomenon becomes a moot point. Here the research is done even without the existence of a universally agreed definition.

Moreover, Woolcock (1998, 2002) distinguishes between two micro-level approaches to social capital conceptualization: one regards social capital as the source and the other as its consequence. The latter approach incorporates social trust. He emphasizes however that any definition of social capital should focus on its sources rather than consequences, on what it is rather than what it does. He does however recognize that this approach eliminates an entity such as 'trust' which is vitally important in its own right but which can be regarded as an outcome (of repeated interactions, of credible legal institutions of reputations). Trust is thus built upon an 'output' approach which assumes that it can be regarded as an element of social capital but still a consequence rather than a source of its other elements.

A completely different approach is used by Freitag (2003) to position trust in the definition of social capital. In his overview of the literature on social capital, he came to the conclusion that social networks and social trust constitute two main aspects or two dimensions of the concept of social capital. On the one hand, he writes, social connectedness and the civic engagement of individuals such as associational membership are seen as crucial components of social capital because they embody the capability to mobilize a wide range of personal contacts that are decisive to the improvement and effective functioning of one's social and political life. On the other hand, when defined as subjective norms of trust, social capital involves attitudes people have about other people and therefore reveals how individuals are affiliated with one another. Although Freitag recognizes that these two dimensions are interrelated, he argues that there are reasons to separate them conceptually. According to him, norms and values like social trust are subjective and intangible, thereby referring to a more qualitative dimension. However, social networks are objective and easier to observe, and thus belong to a rather quantitative dimension (Freitag, 2003).

The analysis of the concept of social capital therefore provides evidence that social trust is mentioned in many works as an element of social capital. This allows for eliminating the confusion with the definition of social capital. The latter is a wider concept than social trust. To be more precise, social trust is just a part of social capital. On the other hand, social trust is assigned a key role in developing and reinforcing other elements of social capital. As was demonstrated before, social trust is a precondition for developing reciprocity and membership in voluntary organizations. This conclusion enables us to apply social capital theories to the analysis of separate phenomena related to social trust issues.

Another source of confusion related to social trust issues consists in the co-existence of many forms of trust. According to the literature trust may take different forms among which one can distinguish the following: (1) thin, thick and abstract trust (Newton, 1999a,b), (2) primary and secondary trust (Sztompka, in Möllering, 2006), (3) rational, institutional and active trust (Möllering, 2005), (4) interpersonal, network and institutional trust (Rus, 2005), (5) strategic and moralistic trust (Uslaner, 2000-2001), (6) generalized and particularized trust (Uslaner, 2000-2001), (7) systemic or institutional trust (Luhmann, 1979), (8) thick interpersonal trust, thin interpersonal trust and institutional trust (Khodyakov, 2007), (9) fiduciary, mutual and social trusts (Thomas, 1998)[2]. In spite of the diversity of trust forms, for the purpose of this research the distinction will be between interpersonal trust and institutional trust. The former is understood as the belief that most people can be trusted and which usually appears in the literature as generalized trust (Uslaner, 2000 – 2001). The latter reflects the confidence and faith people have in public institutions and organizations.

[2] All researchers have a static perspective on social trust, although social trust can be considered as time dependent and hence requires a dynamic approach.

1.3. Overview of the dissertation structure

This dissertation consists of eleven chapters. Each chapter is organized as follows. The second chapter will analyze the concept of social trust itself. Systematization of the recent literature on the notion of trust will be provided and will be accompanied with the discussion of their drawbacks. The discussion will conclude with a proposition to use a new classification in the literature on the meaning of trust which is derived based on four mechanisms: rational choice, psychological, institutional, and reflexive. In the following section, the overview of the theories about social trust formation will be presented. They will be grouped into two types: 'individual' and 'societal' theories. Individual theories embrace network, socio-psychological, life experience, ideological, and socio-demographic theories. Societal theories refer to income inequality, country wealth, fractionalization, institutional and protestant theories.

In the third chapter, we will analyze the relationship between welfare states and social trust. We will demonstrate that theoretical explanations assume that the state may destroy social trust through a negative impact on volunteering, individual's ability to cooperate, or their sense of responsibility. On the other hand, there are theories that argue that synergy between the state and social trust is possible, which is mainly based on the idea that the state can keep individual integrated when he or she has difficulties. The chapter will conclude with the formulation of the key drawbacks derived from the existing studies.

The fourth chapter will discuss methodological issues, methods used, and the way variables are operationalized. The chapter will start with the justification of the need to introduce a multidimensional approach for studying the relationship between social trust and welfare states. In the following section, the description of three dimensions will be given. The main source of the data will be the World Values Survey from the wave 1999´-2000 selected for 18 OECD countries. The analysis will be conducted at both the aggregated and individual levels. The main methods used will be multilevel logistic regression for interpersonal trust and multilevel linear regression for institutional trust.

The fifth chapter will analyze the level of interpersonal and institutional trust among selected countries as well as its change over time. The analysis will begin with an overview of the average levels of trust across selected countries. This will be followed by the description of how trust changed from 1981-2004. Finally, we will present descriptive analysis of the relationship between social spending and social trust. The latter will include scatter plots to visualize a grouping of countries based on their level of spending and social trust. We will also present a hierarchical cluster analysis which will show whether countries can cluster in a way similar to welfare regime typology. In addition to this, we will relate social spending to social trust levels to discover whether there is a certain correlation between these variables.

Moreover, inclusion in the multilevel model of social spending will allow us to show whether it can explain a large share of variation in social trust, especially at the country level.

The sixth chapter will be aimed at analyzing the functional dimension which is defined based on the functions social polices perform. The functions will be derived on the basis of the risks or contingencies which social policies are designed to cover. The analysis will be conducted by relating relevant social expenditures measured as percentage of GDP to the levels of institutional and interpersonal trust among their direct recipients. Relevant social expenditures will include pensions and unemployment spending which is linked to the social trust levels among pensioners and unemployed people. The results will be compared to those calculated based on social trust for the whole population and total social expenditures. The analysis will provide grounds to conclude whether the effects of social policies are policy specific or not. Explanation of the relevant social spending effects among pensioners and the unemployed will be conducted based on the attitudinal theory of trust formation.

The seventh chapter will study the outcome effects of social policy which forms outcome dimension. The first sub-chapter will provide arguments in favor of the introduction of an outcome spectrum in social trust analysis. In the next section, an analysis will be presented which will relate the level of decommodification and stratification in the selected 18 OECD countries to interpersonal and institutional trust indexes among their population. It will become possible to see whether decommodification affects social trust indexes in the same way as social spending. Apart from that, it will be possible to analyze how the stratification mechanism of social policies influences social trust levels.

The eighth chapter will analyze the effects of policy characteristics on social trust levels. Out of all the characteristics, we will focus on the effects of institutional design on social trust indexes. The analysis will be conducted by relating the spending on non means-tested and means-tested benefit schemes to social trust indexes. Apart from that, the question of the possible interaction of qualitative dimensions with functional ones will be raised. The analysis hence will be extended to the question of whether the effects of the institutional design of benefit schemes can be policy specific or not. In the following section, we will argue for the need to account for other characteristics of social polices. More specifically, it is necessary to take into account how the type of labor market policies, the form of delivery, and the mode of financing affect interpersonal and institutional trust indexes.

The ninth chapter will extend the analysis of the multi-dimensional approach to trust in social security systems, which will consist of replicating the analysis of three dimensions. As the main data source, we will use the European Quality of Life Survey, which contains questions about people's confidence towards social security systems. Based on the results of this analysis, it will be possible to assert whether the effects of different measures of welfare state development on trust towards social security systems follow the same pattern as those obtained for institutional trust.

Chapter ten will elaborate how the effects of social policy differ across groups or, in other words, whether they can be group specific or not. This will include, on the one hand, discussions of the existence of a gender gap in social trust, and, on the other hand, an analysis of the differences in effects of social policy on social trust by gender. The literature review will also be provided, which will allow for inferences about the theoretical probability of the gender gap in social trust levels to be drawn. The analysis that will follow will allow us to make conclusions about the group specific effects of social spending on social trust for both sexes.

The concluding chapter will focus on analyzing the recent trends in the evolution of welfare state approaches to securing individuals' well-being and predicting their effects on social trust given the relationship between relevant social spending and social trust obtained from empirical analysis. The overview of the literature on welfare states transformation will be provided which will show that, under pressure from external and internal factors, social policy undergoes a deep restructuring concerning both the level of spending and the character of social benefits provisions. The effects of these changes will be assessed for social trust. It is possible to expect that the final outcome will be the result of the interaction of different trajectories the effects of which in the short-run may significantly differ from those in the long-run.

Chapter 2: THE CONCEPT OF SOCIAL TRUST AND MECHANISMS OF ITS FORMATION

2.1. Evolution of the concept of social trust

The concept of trust was developed over a long period of time but the concept itself is recognized as multi-faceted. There is no agreement among scholars about the meaning of trust, its main characteristics, and mechanisms of its formation and there is a wide variation in the literature about the theoretical framework of its analysis. Apart from that, trust can also be considered a multi-disciplinary concept which is studied by economics, sociology, management, political and administrative sciences. Each discipline puts diverse emphases in defining trust and discussing its determinants which makes the analysis more complicated and difficult to understand. Some researchers try to employ an integrated framework of analysis in their attempts to disaggregate trust and explain its origins. Other researchers suggest that trust exists at different societal levels (micro, meso, and macro), which may explain the diversity of trust definitions. We will try to present the different classifications of trust which summarize the whole diversity of trust definitions and represent its general meaning. We will next try to give a more precise analysis of the trust definitions to capture all approaches used to define and explain trust.

In early research scholars associated trust and distrust with an individual's expression of confidence in the intentions and motives of others (Deutsch, 1958; Lewicki et al, 1998; Mellinger, 1956; Read, 1962). In contrast, the focus of recent research is on the behavior based on positive expectations of the trustor about a trustee's course of action (Barber, 1983; Hosmer, 1995; Mayer et al., 1995). Such classification is however too limited since it does not distinguish between the possible mechanisms of trust formation or the types of processes upon which trust emerges. It is not clear from this definition whether the intentions or expectations of others are formed on a rational basis or if they are the results of a psychological process.

Another classification of trust studies which, to some extent, accounts for the drawbacks of the previous typology is provided by Mizrachi, Drori and Anspach (2007) within the frame of management sciences. They distinguish between three broad strands in studying trust. The first strand treats trust as a unitary phenomenon with a stable meaning. The second strand identifies the macro social determinants of trust such as embeddedness in social networks. The third strand distinguishes among types of trust which vary over the course of interpersonal relationships. They refer here to calculative and normative trusts, which they consider as the two major clusters of trusting behavior varying in scope and degree.

Alternative classification that emphasizes the role of history is provided by Bjornskov (2005). In discussing the possibility of public policy affecting trust, he distinguishes between two strands. The first strand tends to see trust as a cultural or moral feature. The latter can be attributed to a historical perspective of trust analysis, which asserts that trust is a result of historical processes that determine whether a society has a high or low level of trust. The second strand interprets trust as reputation, which arises from conscious and purely self-interested motives that are endogenously determined, with institutions and policies shaping incentives for trust. This again can be attributed to history since reputation reflects an individual's past course of action or his or her propensity to keep promises in the past.

To some extent, similar characteristics of trust are proposed by Tonkiss and Passey (1999). They distinguish between a number of common features that emerged from their analysis. First, they see trust relations as characterized by voluntarism. This can be interpreted from two perspectives since, on the one hand, the level of trust depends on the involvement of an individual in voluntary activities and, on the other hand, entering trusting relations is a decision taken by the individual himself and it is hence up to him to decide whether to trust others or not. Second, trust is linked to shared values. This again reflects what Bjornskov (2005) relates to cultural and moral features. Finally, trust relations are separate and potentially incompatible with relations of confidence based on control and constraints. The latter is however highly disputable since in our opinion control enhances trust instead of replacing it. Control can be present in trusting relations for instance in contracts in which the state performs the role of third party enforcer executing control over the partners' conduct and intervening in the relationship when the contract terms are not held.

Murphy (2006) proposes his own classification of the literature on trust which is based on the role social trust performs in society. According to him, the first stream regards trust as an input for exchange relationships that reduces transaction costs. One can derive two perspectives here. In the first perspective, trust is viewed as an individualized and rationally based input, form of capital, commodity or lubricant that facilitates the decision-making processes of individuals. The second transaction-cost driven approach focuses on the development of the institutions, norms and property rights that increase the general level of trust in a society or economy. In other words the first stream is related mostly to the rationalist approach which puts emphasis on rational choice behavior. The second stream (Murphy, 2006) regards trust as an embedded structural characteristic of organizations and networks. Here, sociologists view trust as a structurally embedded asset or property of relationships, organizations, and networks that helps to mobilize resources, enable cooperation, and shape interaction patterns within economies, industries, and firms. A third area of the literature sees trust more as a social outcome and focuses on how agents construct trust through communication and interpersonal negotiation. This stream emphasizes that trust is not a rational choice per se but rather a moral and subjective construct that emerges when one agent complies with the expectations of a relationship and where one's self identity is recognized and verified by others.

Lewicki et al. (1998) define two main approaches to trust analysis which put different emphases on trust sources as well as the relations between trust and distrust. According to them, there are behavioral and psychological approaches to analyzing trust. The behavioral approach is grounded in the observable choices made by an actor in interpersonal contact. This approach defines trust in terms of choice behavior which is derived from confidence and expectations while assuming rational choices. Here trust begins at zero when no prior information is available. Trust grows as cooperation is extended or reciprocated.

The psychological approach includes unidimensional, two-dimensional and transformational approaches. Whereas the behavioral tradition focuses on observable behavior and inferred expectations, the psychological tradition emphasizes cognitive and affective processes. Thus, whereas those who espouse the behavioral approach fast-forward to the action and presume that it is rational thinking that led to that action, the psychological approach backs up to consider the root causes of that action, particularly beliefs, expectations, and affects. Psychological approaches therefore allow for the possibility that trust may result from other factors in addition to, or instead of, strict rationality. Moreover, although the psychological approach may incorporate behavioral measures, the emphasis is on understanding the internal psychological processes and dispositions that shape or alter those choices.

A successful attempt to bring together multidisciplinary definitions of trust is done by Tschannen-Moran and Hoy (2000). They recognize that despite widespread agreement on the importance of trust, there is an overall lack of agreement on a suitable definition of the construct. They distinguish between definitions provided by various disciplines: "From a philosophical perspective, trust has to do with ethically and morally justifiable behavior; in economic terms, trust is a rational calculation of costs and benefits; in individual terms, trust is conceived as the extent to which people are willing to rely upon others and make themselves vulnerable to others; from an organizational perspective , trust is often a collective judgment that another group will not act opportunistically, is honest in negotiations, and makes a good faith effort to behave in accordance with commitments" (Tschannen-Moran and Hoy, 2000: 551). Based on the summary of trust definitions, they derive their own multidimensional definition of trust. Accordingly, trust is regarded as one party's willingness to be vulnerable to another party based on the belief that the latter party is (a) benevolent, (b) reliable, (c) competent, (d) honest, and (e) open.

The literature on the meaning of trust and its forms is quite large and can also be classified based on the theoretical approach underlying the mechanism of trust formation. It is possible to distinguish between rational choice, and the institutional, psychological, and reflexive perspectives, which are summarized in the table below. Rational choice mechanisms presuppose the prevalence of reason in trust formation processes which happen within cognitive functions and are based on an assessment of others' trustworthiness. Psychological mechanisms rely on emotions and reflexes and can mainly be considered affective since trust is formed based on the positive affect for an object of trust. Institutional mechanisms stress the role of formal and informal institutions which were developed within constraints of dominant cultural ideology and history. Finally, reflexive mechanisms are regarded as a leap of faith that is a result of interaction and suspension and is based on the positive perception of trustee's trustworthiness in the future.

Table 2.1.: Approaches to defining the meaning of social trust

	Trust sources	**Key process of trust formation**	**Main basis for trust**
Rational choice	Reason	Cognitive	Others' trustworthiness
Psychological	Emotions, reflexes or automatic responses	Affective	Positive affect for the object of trust and/or attitude of optimism
Institutional	Formal or/and informal institutions	Culture, history or dominating ideology	Institutional arrangements
Reflexive	Blind trust or leap of faith	Interaction and suspension	Positive perception of a trustee's trustworthiness in the future

A more detailed elaboration of these approaches is provided below.

2.1.1. The rational choice approach

The first approach is based on the idea that trust can be formed mainly from evaluations of others' trustworthiness while defining the trust in the frame of rational choice perspectives. The most prominent scholars who use rational choice approach to analyze this form of trust are Hardin and Coleman.

Hardin (2001) writes that 'a natural and common account of trust is that certain people are trustworthy and can therefore be trusted'. According to Möllering (2006), these simple observations express three ideas: first, trust is selective- we can only trust certain people. Second, trust is reasonable: we look for good reasons and we assess the trustworthiness of others before trusting them. Third, trust is decisive: we trust by taking a step in a certain direction, and thereby reaching a certain state of expectation while performing corresponding actions and facing the consequences.

The rational choice approach stresses heavily the role of 'reason' in defining trust levels. Another decisive feature of the rational choice perspective is the fact that the decision whether or not to trust someone is mainly based on cognitive processes which involve assessing other's trustworthiness based on observable characteristics or past behavior. The perceived trustworthiness of others is seen here as the main determinant of trust levels while trust itself is characterized as a function of trustworthiness. The general logic of utility maximization assumes that the more trustworthy other poeple seem to us, the more trust can be generated.

Hardin's contribution also consists of introducing the concept of encapsulated interest (Hardin, 2006). He forms the definition while trying to address the question about the incentives of the trusted to fulfill trust. By encapsulated interest he means that trustor A can see that trustee B knows that he will only be able to maximize his own interest if he takes A's interests into account: "I trust you because your interest encapsulates mine, which is to say that you have an interest in fulfilling my trust." In other words, by refusing to trust or by behaving in a way which damages A's interests, B would harm himself. Hardin's concept of trust is rationally accounted for when the trustor perceives that the trustee realizes that his own interests are encapsulated with the interests of the trustor, who learns to trust by drawing on relevant past experiences with the trustee or with other people, and by making and continuously updating an estimate of the trustee's trustworthiness.

A conceptualization of trust according to the rational choice tradition is also offered by James Coleman (1990). The central idea here is that a trustor's decision can be regarded as a bet: "if the chance of winning, relative to the chance of losing is greater than the amount that would be lost (if he loses) relative to the amount that would be won (if he wins); and if he is rational, he should place it". Coleman thus introduces a probabilistic approach into the process of generating trust. In order for the process to work, the trustor needs to know the potential gain (G); the potential loss (L) and an estimate of the probability (p) ($0< p < 1$) that the trustee will be trustworthy. Möllering (2006) concludes that according to Coleman, a purposive actor will place trust in someone else if $p/(1-p) > L/G$. In other words, the trustor will rationally trust a trustee if he perceives the probability of the trustee's trustworthiness to be high enough to yield a net expected gain.

The main problem here which was also recognized by Coleman is how to get the required information about potential gain, loss and estimates of the probability of success. He notes that in most cases p, L and G are known to a varying degree, with p being the most difficult to estimate. The estimation of these parameters is therefore done based on obtained information. The process of obtaining information is again subordinated to 'reason', which assumes that "the search should continue as long as the cost of an additional increment of information is less than the benefit it is expected to bring." Moreover, Coleman emphasizes that in order to obtain a reliable estimate of B's trustworthiness, trustor A must seek to understand B's motives although Coleman does not elaborate on this idea.

Rus (2005) provides his own elaboration of the meaning of trust. By developing the theory of trust within a rational choice perspective, Rus shifts the emphasis from the object of trust to the characteristics of the trustee. According to him, trust is a dimension of interpersonal relations that is associated with three elements: interdependence among actors, uncertainty or risk regarding the behavior of the other party to a transaction and expectations that the other party will not abuse the trusting actor's vulnerability. He defines trust as an expectation by an actor that the other party will fulfill its obligations in spite of uncertainty and opportunities for defection and self-serving behavior. He analyzes the role of uncertainty in trusting relations while making a distinction between uncertainty and risk. Rus (2005) says that in trusting relationships, uncertainty is never operationalized in terms of risk, since risk requires information, calculation, assessment, monitoring, management, and governance. Trust avoids all the steps required for the rational management of a transaction. Actors accept uncertainty in a given transaction and do not manage it directly. Instead, they manage the social relationship that underlies the implicit or explicit contract. When actors base transactions on trust they actually shift governance from a transaction to a relationship by converting transactional uncertainty into rational certainty.

Rus (2005) says that the defining characteristics of trust are that uncertainty is always present in trusting relations and is not operationalized as a set of objectives, conditions and processes that control the level of risk involved in a given transaction. Because trusting parties do not try to rationalize the uncertainty in a transaction, 'all trust is in a certain sense blind trust.' He does however assert that while trust is blind, the choice of a partner to trust is rather highly informed. Again, the choice of a partner is based on how trustworthy he or she is. The trustworthiness of partners is determined based on information gathered by trusting parties. Trust hence requires that actors collect information on the trustworthiness of their partners in a transaction. Actors may obtain information about their partners from very different sources. Information may come from macro sources, such as public information provided by institutions, from a meso level, such as interorganizational networks, and from a micro level, which is defined by personal experience with a given partner.

Haas and Deseran (1981) also define trust as dependent on a perception of trustworthiness. Their theory also emphasizes the role of a trustee's trustworthiness in relations. They refer to Blau's definition of trust under which one understands a "belief on the part of one person that another will fulfill his or her obligation and generally pull his or her weight in their relationship to one another" (Haas and Deseran, 1981: 4). The problem of maintaining and creating trust is seen by them as a problem with the presentation of oneself as a trustworthy person. They assume that its resolution is accomplished largely through the use of conventional language: "that is, the establishment of trust requires that there be a vocabulary of typical gestures which refer to typifications of social relationships" (Haas and Deseran, 1981: 5). Such typifications involve the imputation of intentions or orientations to actors standing in certain types of relationships with one another. They recognize that the imputation of intentions to another person is difficult both because it is intrinsically difficult to know another person's intentions and because people often try to conceal their true intentions to convey false information about themselves. Unlike Rus, they recognize that gathering information about others is not a way out of this dilemma since one rarely has enough information about the orientations of others to draw firm conclusions about them. But one may rely on the documentary method of interpretation, that is, one takes specific items of behavior as being documents or evidence of a certain orientation. One can hence pervade another of his or her trustworthiness by displaying a willingness to invest a good deal in their relationship with one another or, in other words, "doing investments in expensive gestures of good faith." The authors conclude by observing that the more each is willing to invest, the more trust the other will be inclined to feel. Haas and Deseran (1981) called the exchange of such tokens of good faith 'symbolic exchange'.

Molm et al. (2000) also relate trust to trustworthiness and analyze the conditions in which trust appears. They distinguish between trust as expectations of benign behavior based on inferences about a partner's personal traits and intentions, and assurance that expectations are based instead on knowledge of an incentive structure that encourages benign behavior. The scholars propose that negotiating exchanges with binding agreements provides assurance, while reciprocal exchanges enable trust. However, the authors notice that whether or not trust actually develops depends on a partner's behavior and the information it conveys about the partner's trustworthiness. In support of these predictions, their results show that reciprocal acts of individual giving produce significantly higher levels of trust than the joint negotiation of binding agreements, even when exchanges of equivalent value, in equivalent structures of power and opportunity, are compared. And, when the risk of reciprocal exchange provides the opportunity to demonstrate their trustworthiness, actors' behaviors- their commitments to one another and the equality or inequality of their exchanges – strongly influence the level of trust they develop.

Doney et al (1998) also develop their own view on trust within rational choice perspective. However, they go further than other authors since they emphasize that expectations about a trustor's trustworthiness constitute only one perspective of understanding trust. According to them, there is a second perspective which emphasizes a trustor's willingness to use trusting expectations as a basis for behavioral intentions and behavior. Doney et al (1998) refer to the definition of trust provided by Deutsch, which consists of viewing trust as actions that increase one's vulnerability to another. The authors argue that both belief and behavioral intention components must be present for trust to exist. In other words, trust involves more than just forming beliefs about another's trustworthiness; there must be a willingness to act based on those believes. In this framework, Doney et al. (1998) develop an integrative definition of trust that encompasses each of these diverse perspectives. Accordingly, they define trust as a willingness to rely on another party and to take actions in circumstances where such action makes one vulnerable to the other party. In their opinion, this definition incorporates the notion of risk as a precondition for trust, and it includes both the belief and behavioral components of trust. In their understanding, expectations of a target's trustworthiness drive a trustor's behavior, and both are necessary for trust to be present. How a trustor comes to form trusting expectations is not however specified in the definition. But Doney et al. (1998) argue that trustor's engage in one or more cognitive processes in order to determine whether or not targets are trustworthy. In other words, they again reduce the definition to the cognitive process of trust building.

Their contribution consists in defining five cognitive trust–building processes.

(1) *Calculative process*: one party calculates the costs and/or rewards of another party. To the extent that the benefits of cheating do not exceed the costs of being caught, the trustor infers that it would be contrary to the other party's best interest to cheat, and that party can be therefore trusted.

(2) *Prediction process*: Trust emerges via a prediction process whereby a trustor determines that a target's past actions provide a reasonable basis upon which to predict future behavior. Using a prediction process, the trustor confers trust based on prior experiences demonstrating that the target's behavior is predictable. Thus trust building on prediction requires information about a target's past actions.

(3) *Intentionality process*: Motives underlie an intentionality process in which trust formation is influenced by one party's perception of the other party's intentions. Using an intentionality process to establish trust, trustors interpret a target's words and behavior and attempt to determine their intentions in exchange.

(4) *Capability process*: Trust building by means of capability process involves a trustor's willingness to trust based on an assessment of the target's ability to meet his or her obligations as well as the trustor's expectations.

(5) *Transfer process*: trust is built through a transfer process when the trustor transfers trust from a known entity to an unknown one. Trust is transferred from a trusted proof source to another individual or group with which the trustor has little or no direct experience.

A rational choice perspective also gives the framework for trust analysis in a study conducted by Khodyakov (2007). He introduces a dynamic perspective in analyzing trust by proposing the use of agency theory to grasp all dimensions of trust which would embrace all three temporal properties (the past, present and future) which influence the creation, development and maintenance of trust. By accepting an agentic nature of trust, he claims that the decision to trust another person is made in the present and is affected by the partner's reputation, which represents the past, and by expectations of possible tangible and/or non-material regards, which represent the future. The author proposes the following definition of trust as a process which takes all three temporal dimensions into account: "Trust is a processes of constant imaginative anticipation of the reliability of the other party's actions based on the reputation of the partner and the actor, the evaluation of current circumstances of action, assumptions about the partner's actions and the belief in the honesty and morality of the other side." (Khodyakov, 2007; 126). This definition of trust reflects the idea of temporality and accounts for rational and to a limited extent non-calculative or affective dimensions of human behavior. Khodyakov (2007) thus proposes that the choice of whether or not to trust involves all temporal dimensions. A rational decision regarding trust is based here on information about past behavior, which is a good foundation for estimating the trustworthiness of others. Moreover, trustworthiness is also analyzed based on the current observable characteristics of the other party which is completely in line with the rational choice perspective of trust formation. Although he mentions the future as a temporal dimension, it is possible to argue that it is also related to the past and present since expectations of possible tangible and/or non-material regards is usually based on past behavior and present characteristics.

Thus, the rational choice perspective provides a developed framework for analyzing the meaning of trust. There are however several critics who emphasize weakness of this approach. A common weakness of rational choice perspectives is that their understanding of rationality in trust relies heavily on calculative cognition and prediction. There are a lot of critics to this aspect of trust formation who state that the common problem is usually attributed to the availability of information. Rothstein (2000) for instance emphasizes that the amount of information A needs in each and every moment, when A must decide whether or not to trust B, must be very high. He therefore expresses some doubts that this definition can capture trust between agents as it takes place in the real world. “Do agents really make such complex calculations each and every time they decide whether or not to trust?”. Rothstein doubts this since the time and resources the agents would need to gather that type and amount of information about B must be too large which would therefore make trust a rare event.

Rothstein (2000) also emphasizes that the calculative nature of trust is also absent in the case of the contract since it is simply impossible to predict the complexity of the environment and to foresee all possible contingencies. Moreover, the rational choice definition of trust does not allow for the variation of trust across nations. He stresses that in countries with a low culture of trust are suitable for the rationalistic definition, while societies with a high culture of trust usually employ factors other than rationalistic calculations. On the other hand, Rothstein (2000) agrees that information matters in trust decisions. Of course agents are not fully informed about the world they live in, but they are able to base their decisions on fragmented information which is mostly concerned what other agents have done in the past: “they (the agents) are likely to take into account what is known about the moral standards, professional norms and historical record of these other agents”. In small groups this information can be collected from personal knowledge and communication, in large groups however, it becomes difficult.

Critics of the rationalist perspective of trust formation can be found in studies conducted by Murphy (2006). He argues that the rational choice approach does not sufficiently address the contingent, reflexive, affective, and ideological forces that influence collaborative activities or the inevitable power differentials shaping network configurations and the prospects of trust. Emotions are recognized as essential elements of the process of trust formation by a number of scholars. The role of emotions in generating trusting behavior is well developed in the psychological approach.

2.1.2. The Psychological Approach

The main idea of the psychological approach consists in emphasizing the role of emotions in generating trust. This approach goes beyond the common ‘rational choice’ understanding and asserts that trust succeeds where rational prediction alone would fail. According to David Lewis and Andrew Weigert (1985) trust in everyday life is a mix of feelings and rational thinking. Accordingly, trust should be conceptualized as having cognitive, emotional, and behavioral dimensions which are merged into a unitary social experience. Cognitive processes discriminate between persons and institutions that are trustworthy, distrusted, and unknown. In this sense, "we cognitively choose whom we will trust in which respect and under which circumstances and we base our choice on what we take to be a good reason, constituting evidence of trustworthiness" (Lewis and Weigert, 1985: 970). The cognitive element of trust goes beyond peer rationality. As the authors underlie it, the cognitive dimension in trust is characterized by a cognitive leap beyond the expectations that reason and experience alone would warrant – they simply form a platform from which the leap is made. In this view, emotional trust rests on the strong positive effect for the object of trust and is analytically distinct from rational reasoning about why the trustee will be trustworthy. Emotional trust refers mainly to the extent to which a trustor is willing to be open to the trustee and does not fear emotional harm from the trustee. Finally, the behavioral context of trust is regarded here as the undertaking of a risky course of action based on the expectations that all persons involved in the action will act competently and dutifully. The behavioral content of trust is reciprocally related to its cognitive and emotional aspects: "when we see others acting in ways that imply that they trust us, we become more disposed to reciprocate by trusting in them more" (Lewis and Weigert, 1985: 971).

The role of emotions is emphasized in a trust analysis conducted by Karen Jones (1996). According to her, trusting is composed of two elements: one cognitive and one affective or emotional. Roughly, "to trust someone is to have an attitude of optimism about her goodwill and to have the confident expectations that, when the need arises, the one trusted will be directly and favorably moved by the thought that you are counting on her" (Jones, 1996: 5-6). If A's attitude toward B is predominantly characterized by optimism about B's goodwill and by the expectation that B will be directly and favorably moved by the thought that A is counting on her, then A has a trusting relationship with B. In other words, Jones claims that trust is composed of two elements: an emotional attitude of optimism about the goodwill and competence of another as it extends to the domain of our interaction, and, further, an expectation that the one being trusted will be directly and favorably moved by the thought that they are being counted on. The expectation here is visibly grounded in the attitude of optimism. We expect others to react favorably to our counting on them because we are optimistic about their goodwill. Our expectation is usually grounded in the very same evidence that grounds our attitude of optimism. Thus, the attitude of optimism is a central component.

Nooteboom (2006) argues as well that trust has psychological causes that impel feelings without reasoning and rationality. Psychological causes include emotions and may entail reflexes or automatic responses. Rational reasons entail inferences on the basis of perceived behavior and someone's trustworthiness. Admittedly, rational reasons and emotional causes go together in the context of trust. An assessment of someone's trustworthiness on the basis of observed or reported behavior is limited by uncertainty and bounded rationality. According to social psychology, it is mediated by mental heuristics, in the perception and attribution of motives and competences of people, which are to some extent emotion-laden. Using such heuristics, people infer on the basis of 'relational signals' whether people are in a mental frame conducive or detrimental to trustworthiness.

Thus the emotional component in generating trust is central to the psychological approach. However, it should be noted that this approach is to some extent complementary to the rational choice perspective. It does not completely substitute the cognitive process but complements it.

2.1.3. The Institutional Approach

Besides the rational and emotional argument, there is a point of view that can be called institutional. This point of view emphasizes the role of formal and informal institutions in generating trust. Farell (2005), for instance, argues that trust can be analyzed as an effect of institutions. In other words, interpersonal trust is viewed here as the contingent result of particular institutional arrangements. He suggests that formal and informal institutions are likely to be associated with quite different outcomes in terms of trust relations among individuals. He argues that formal institutions involve written rules that are typically enforced by a third party such as the state; informal institutions involve unwritten rules that are typically enforced through bilateral relationships within a given community of actors and work through reputation penalties. Farell (2005) compares formal and informal institutions and elaborates on the differences in their effects on the form of commitments and the range of involved actors. Formal institutions such as laws are relatively specific, and they must thus induce clear ex-ante expectations about actors' likely strategies under circumstances that are unforeseen and addressed by the institutions. At the same time, they are likely to provide weak guidance when anticipated circumstances arise. In contrast, informal institutions are diffuse, unwritten understandings; although they may provide less precise ex-ante expectations about actors' strategies, they are more easily adapted to previous unforeseen contingences.

Farell (2005) goes on to assert that trust cannot be reduced to mere institution-induced expectations. Nonetheless, such expectations may serve as an important anchoring point for trusting relationships insofar as they provide a technology that actors can employ to make credible commitments to each other. Formal and informal institutions will have different consequences for expectations and thus for trust. Formal institutions may help actors engage in tightly defined transactions with a wide variety of other actors who are not part of the same community, as long as the latter actors are subject to the appropriate institutions and the same third party enforcer. Informal institutions, in contrast, may allow for relationships that involve wider – and ex-ante more diffuse-set of issues. However, these trust relations are only possible with members of the same community, which usually encompasses a smaller set of actors. In other words, appropriate formal institutions will allow actor X to engage in relations with a wide range of other actors Y over a predefined set of matters Z. Appropriate informal institutions will allow X to engage in relations with a narrower range of other actors Y but with regard to a broader and more diffuse set of matters Z.

Farell (2005) applies his theory to the analysis of trust relations and their effects on different types of cooperation for the manufacturing industries in Germany and Italy. He concludes that in Germany where there were no extensive informal institutions of the sort found in Italy, firms typically were not able to trust each other enough to cooperate through the kinds of extensive subcontracting found in Italy. In the few cases where they did rely substantially on subcontracting, it appears to have involved formal institutions. By contrast, in Italy, informal institutions supported a highly flexible form of reciprocal gift exchange which could shift according to change in demand. German final firms, if they wished to make credible commitments to their subcontractors, had to do so through relatively inflexible contractual forms.

In this frame of trust formation, the theory of collective memories,which emphasizes the role of formal and informal institutions, easily fits. Rothstein (2000) argues for instance that it may seem that it is the culture of the society that decides whether or not the individuals trust others and formal institutions. Or, in other words, trust levels are given by the culture, the dominant ideology, or history. It is a part of American political culture to hate the government, while Scandinavians, for example, put enormous trust in their political system and gladly pay half of their income in taxes. However, Rothstein (2000) correctly points out that it is not today's formal institutions as such that people evaluate, but their historically established reputation with regard to fairness and efficiency. What matters here is the collective memory about the actual operation of institutions. Moreover, collective memory is not regarded as something given or able to change. Rothstein (2000) emphasizes that the collective memory is deliberately created by strategic political entrepreneurs in order to further their political goals and ambitions at some point in time.

Nooteboom (2006) tries to combine several approaches under one definition of trust which also incorporates the role of informal and formal institutions in the process of trust emergence. According to the author, trust can be defined as the expectations that a partner will not engage in opportunistic behavior, for whatever reasons including control of his conduct: in other words, trust is asset of positive expectations that a partner will not engage in opportunistic behavior even in the face of short-term opportunities and incentives in the absence of control. Control of another party's conduct and management of a sanction system is what formal institutions are supposed to do. The author distinguishes between three societal levels of the mechanism of trust formation: micro, meso and macro levels among which he specifies the macro level which is directly related to the institutions providing a mechanism for trust formation. More specifically, on the macro, institutional, level opportunity control may be based on legal coercion which can be regarded as an aspect of formal institutions. Apart from that trustworthiness may be based on socially inculcated values, norms, and customs which can be regarded as informal institutions. Besides this macro level, the author refers to two other levels. More specifically, on the meso level, there is incentive control by reputation. On the micro (relation specific) level, opportunity control may be based on hierarchical control or incentive control.

Murphy (2006) also uses three levels to explain the process of trust formation among which there is an explicit reference to formal and informal institutions. According to him, there is a micro-level or subjective scale at which trust-building practices are influenced by an individual's disposition or general willingness to trust, his or her perceived power or control of the situation, calculations of the risk and uncertainties related to the extension of trust and his or her assessment of the rewards associated with, or interests encapsulated through, the actions derived from the establishment of trust. The meso or intersubjective scale is constituted by the personal front and the setting. The personal front is constructed through the performance or embodiment of speech acts, expressions, gestures, emotional energies and social cues or significant symbols. The setting relates to the physical locations and spaces within which or across which the interaction occurs and the props, appearances, materials, and technologies that can mediate these exchanges. Finally, Murphy (2006) specifies the macro level or scale. Here, the role of wider institutions, structural conditions, circumstances, and hierarchies are accounted for, and which include the laws, norms, and rules for conducting business, the value system embodied in religious beliefs or political ideologies, and the sanctioning institutions that can help individuals respond to opportunistic behavior. The third level thus refers to the formal and informal institutions which structure social relationships, on the one hand, and create incentives for non-opportunistic behavior on the other.

Contract as a formal institution is another alternative for reducing uncertainty in trust relations. The latter was deeply studied by Shapiro (1987), who uses a principle-agent framework to study how to cope with uncertainty in trust relations. She bases her analysis of trust relationship on the assumption that this conception has two elements: an idea of 'agency', in which individuals or organizations act on behalf of others (known as principles), and the idea of risky investment of future contingency, inherent in agency relationships. Trust is used here as a social relationship in which principles – for whatever reasons or states of mind – invest resources, authority, or responsibility in another to act on their behalf for some uncertain future return. In order to understand the various ways in which embeddedness penetrates these trust relationships, it is necessary to take a sustained look at principal's responses to uncertainty.

According to Shapiro (1987), principals cope with potential risks and uncertainties in a number of ways. Some avoid or limit their participation in agency relationships. Alternatively, principals attempt to reduce their exposure to agent abuse by spreading their risk. Personalizing the agency relationship by embedding it in structures of social relations represents a third copying mechanism. More specifically, principals may limit their relationships to known agents, members of their social networks, kinship or ethnic groups, or neighborhoods. Contracts represent a fourth strategy by which principals can assume some control over the behavior of those who act on their behalf. Contracts stipulate the principal's preferences and priorities, discloses the responsibilities and obligations of the agents, explicitly states the procedures agents are to follow and the decision rules that are to employ, plans for contingencies, creates incentives for contractual compliance, and specifies sanctions to be imposed if agreements are not kept. Contracts thus help to institutionalize the relationship between people building trusting relationships. However, it is often mentioned in the literature that contracts cannot foresee all possible contingencies which may arise in a trusting relationship.

The institutional perspective of trust formation thus provides some framework for explaining how trust formation happens. This theory is however limited to some extent since it first does not explain how trust appears in societies with poor formal institutions. East European countries have long being characterized by corrupt, poor, and ineffective formal institutions which are rarely enacted in practice, but they still have rather high levels of trust. Second, the institutional theory which covers both formal and informal institutions cannot explain how the shift from low trusting to high trusting societies happens since both forms of institutions (especially informal) are quite stable and sustainable in time. Third, it is sometimes mentioned in the literature that contracts may replace trust rather than generate it since contracts reduce the uncertainty from which trust cannot emerge.

2.1.4. The Reflexive Approach

Finally, there is another form of trust as 'reflexivity', which refers to the fact that trust can be thought of as an outcome of a process of interaction and is usually based on reflexivity (Möllering, 2006). It will most likely have effects on the process too and alter the conditions and the manner in which future interactions take place. Even static models of trust, Möllering (2006) asserts, include a vague feedback mechanism whereby a trusting state of mind towards a trustee in the present promotes positive perceptions of that trustee's trustworthiness in the future.

Möllering (2006) further argues that trustors cannot just select the right conditions and then be passive and wait for trust to emerge; they have to actively work on trust and engage in extensive signaling, communication, interaction and interpretation in order to maintain the continuous process of trust constitution. Möllering (2006) refers to Giddens in talking about active trust. This new, unexplored concept stands for the reflexivity of trust as an on-going process that is as much influenced by knowledgeable actors as it exerts influence on them.

In the frame of trust as reflexivity, Möllering (2006) discusses blind trust. The main point of his argument is that actors are able to learn that it can be rewarding if they behave as if people can be trusted even in unpromising situations. This learning process enables a trust-building process to take place. Möllering (2006), while analyzing a great amount of research, draws the conclusion that common to all research is the fact that actors do not need to trust each other fully from the beginning of a relationship, because they may engage experimentally in a kind of as-if trust which may gradually produce genuine trust. While such a process may simply emerge, the more interesting possibility is that actors will actively produce mutual experiences with the aim of testing whether a trust relationship is feasible, but without being able to know in advance the associated benefits and risks. He refers to Cook's study of trust (2005), which found that trust can be built through risk taking. It follows again that an essential feature of trust and its development must be an actor's ability to 'just do it' and overcome, at least momentarily, the irreducible uncertainty and vulnerability involved in social exchanges. Trust is a matter of reflexivity that often needs to develop gradually in a process which, once they get started, may be partly self-reinforcing but requires active agency too.

This point is discussed more often under the heading of trust as a leap of faith. Möllering (2006) analyzses the meaning of this 'leap of faith' as the essential feature of trust. He argues that the image of a leap of faith is a very fortunate one since it connotes agency without suggesting perfect control of uncertainty. He prefers to speak of suspension as the process that enables actors to deal with irreducible uncertainty and vulnerability. Suspension is according to him an essential element of trust, since trust as the state of positive expectations of others can only be reached when reason, routine, and reflexivity are combined with suspension. Without suspension, trust cannot occur. The trust weal, introduced by him, implies a feed-back mechanism, suggesting that when trust is reached, this will have an effect on the trust bases, too. In other words, learning takes place.

Möllering (2006) suggests three ways of coming to terms with suspension. First, he returns to the idea that trust implies an 'as –if attitude'. He shows that as-if is a rather common expression in the literature on trust, which is however generally taken far too lightly. Second, the term 'bracketing' is used, which expresses a kind of temporary blending out. He argues that perhaps uncertainty and vulnerability are bracketed in the formation of trust. Third, he regards trust as matter of willpower and, more specifically, faith. Central to his discussions here is the notion of a leap of faith. He argues that an important aspect of trust processes presented before was that the development of trust depends on getting the process started somehow, after which there is a chance that it will be self-reinforcing. In this regard, faith would not only be instrumental in getting the process started, but is itself a prime example of a self-fulfilling attitude.

The contemplation on the meaning of trust provided by Held (1968) fits in with the leap of faith framework. Held analyzes trust in the frame of the prisoner's dilemma. Here the question can be formulated as follows: is it rational to take a chance that the other fellow will also cooperate, in which case both will be better off, or is it rational to suppose that one should further one's own interest, just as he may? In other words, the problem is described here in terms of whether or not it is rational to trust. Held (1968) criticizes Tullock's definition of trust which asserts that to trust someone is to be able to make an accurate prediction that his behavior will be co-operative. Based on this reasoning, she refines the definition of trust by pointing out that trust seems to have more to do with situations of uncertainty than with situations of certainty. She does not propose any way of reducing the uncertainty but she writes that it is exactly in uncertainty that trust is born: "In short, it seems that trust is more required exactly when we least know whether the person will or will not do an action" (Held,1968: 157). When uncertainty is present, the emergence of trust is made possible. It is hence plausible to conclude that she is talking about the leap of faith required in uncertain situations.

Jones (1996) criticizes this approach of as-if trust. She bases her reasoning on the assumption that one thinks that by trusting and displaying our trust we will be able to elicit trustworthy behavior from others. When we do this, she continues, our hope is that by trusting we will be able to bring about the very conditions that justify our trust. It might be thought that we do not need to inquire whether attempts at this sort of bootstrapping can be justified, for we need never actually trust on the basis of forward-looking considerations – all we need to do is act as if we are trusting. But she further puts under doubt the hope that acting as if you are trusting will have the same results as acting on the basis of genuine trust, cultivated in the hope of bringing about trustworthiness. Acting as if you are trusting and genuine trusting could have the same result only if one assumes that there is no perceptible difference between the behavior that would be produced from trust and the behavior that would be produced from acting as if you trust someone. She links this situation to the frequency of contacts. She concludes that it is precisely the frequency of contacts between those who trust and those who would elicit trustworthiness that makes it implausible to suppose that merely acting as if you are trusting could, on each of many separate occasions, result in behavior indistinguishable from the behavior of one who genuinely trusts.

A leap of faith as the process of trust formation is criticized as well by Tillmar and Lindkvist (2007) who analyze the grounds for the emergence of trust. They emphasize that trust does not appear out of nowhere: there must be some starting point. The authors do however recognize the possibility of cooperation between people when established and reliable societal institutions are largely lacking and a generally low culture of trust prevails. Their case study in Tanzania suggests that in the absence of an adequate institutional framework, people tend to focus on imaginatively creating good reasons for trust by drawing on any available social or material circumstances in their context. More specifically, in such conditions people try to minimize the necessary leap and focus instead on identifying secure reasons for trust. It is seen for instance as advantageous if people have a house or children. Apparently, it is a way of benefiting from a natural hostage situation, which would serve to reduce the possibility and the incentives of a collaborator absconding. A similar tendency to reason in terms of what might hinder people from pursuing their own interest opportunistically are salient in connection with the business training programs where people learn bookkeeping and how to write contracts. It also appears advantageous for members to know the character, habits, and goodwill of potential collaborators. Since business owners had started to interact through the Chamber of Commerce and training, they were provided with at least a starting point for gaining trust based on knowledge of the people's character. Finally, increased interaction between people from different tribes and sexes that take place within business training programs and the Chamber of Commerce also contribute to the creation of trust across borders of tribe and gender.

Thus, the literature on trust is quite numerous and sometimes inconsistent which reflects the diversity of disciplines studying trust and the wide range of approaches applied to analyze trust relations. It is difficult to pick up from a given range of definitions the one which would perfectly fit our analysis. It is however possible to draw some conclusions which sum up the numerous theories describing trust formation.

First, trust describes social relations, a set of largely informal relationships that may help the achievement of goals. These social relations can refer to a multitude of social interactions, regulated by social norms, between two or more people, with each having a social position and performing a social role. Social relations in a simplistic way can be described as relations between people, but more specifically a relation between individuals insofar as they belong to a group. But one can also say that social relations can be expressed as the relation between groups of people or as relations between an individual and a group of people. What is rarely specified in theoretical discussion on trust is that while trust may be built within relationships on a personal basis, it may also arise outside relationships on the basis of institutions. In other words, the trustee can be individual people, but also collectives, such as organizations and institutions.

Second, trust involves a certain level of abstraction and has its limits. The abstraction stems from the fact that while entering into trusting relations with others, the individual does not usually know the partner in the relationship. One should hence be able to generalize the positive experience that the individual obtained in the past to unknown partners with whom he or she establishes relations in the present and future. This requires that successful interaction with one person should be abstragated to all individuals with whom the trustor may potentially cooperate. This process is however limited to some extent since trust is dependent on circumstances.

Third, trust has cognitive, emotional, and behavioral components. Trust is based on a cognitive process which discriminates among persons who are trustworthy, distrusted, and unknown. Trust has a rational experiential basis (Thomas, 1998). We may not calculate risk and probabilities, but we do make decisions in deciding whom to trust and with what we entrust them. In other words, trust is grounded in the ability to know and understand others well enough to predict his or her behavior. Definition of trust also accounts for affective determinants or psychological causes that impel feelings without reasoning and rational reasons. Psychological causes include emotions and may entail reflexes or automatic responses. Finally, definitions of trust generally include some references to expectations or beliefs that others will behave in a predictable manner and not devoted entirely to self-interest. We trust them to take our interests into account, even in situations in which we are unable to recognize and evaluate the potentially negative courses of action on their part.

Fourth, trust is associated with relational risk. Here risk is used in an ordinary language sense of being vulnerable to the actions of others and yielding to the possibility of loss. Many writers, particularly rational-choice theorists, use trust and risk synonymously so that trust is warranted when the expected gain from placing oneself at risk of another is positive but not otherwise. If rational actors simply calculate expected payoffs based on perceived risks as in a prisoner's dilemma game, then trust is not present and risk is a more precise term (Thomas, 1998). It is also recognized that risks can be reduced through repeated interactions which enhance one's understanding of others and knowledge about the predictability of others.

Fifth, trust should be regarded as a dynamic concept or, as it is suggested by Khodyakov (2007), it is more a process than a static concept. Apparently, all three time spans are present in the process of building trust relations: past, present and future. The past is involved as far as the trustor has certain experience in cooperating with the individuals upon which he forms a predisposition to trust or distrust potential trustees. The past is also involved when a trustor relies on the reputation or the past records about a trustees' behavior in trusting relations. The present is reflected in the evaluation of a trustees' trustworthiness done by the trustor based on their current characteristics and current circumstances. Finally, the future is included due to the fact that trust is defined in terms of positive expectations with respect to the possible outcomes of interactions which are anticipated at a specific moment in future.

2.1.5. Trust in survey questions

Trust represents a multifaceted concept, defined from a point of view of different prospectives. In spite of the diversity of trust notions, it is difficult to choose which one is most suitable for the purpose of research. The main explanation is the fact that we base our research on the survey data where traditional questions of trust were asked: 'would you say that most people can be trusted or you cannot be too careful in dealing with people'. And the most striking feature of the survey work, as Hardin (2006) emphasizes is the fact that surveys on trust, especially interpersonal trust, are atheoretcial: the notion of trust is left completely untheorized. The latter happens due to the fact that it is the respondents, not the social scientists, who implicitly define trust since it is up to the respondents to interpret the traditional question on trust while their responses are defined through the prism of their own understanding.

Most of the survey research on trust implicitly assumes that the notion of trust has a commonly understood meaning. It therefore does not test for different conceptions or theories of trust. However, Hardin (2006) sees a great merit in traditional question of trust: 'generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?'. This question overtly asks for judgments of the trustworthiness of others. Nevertheless, he also finds problems with the trust question. The main problem is that the question does not differentiate varied conceptions of trust and it does not address or acknowledge the relational character of actual trust. It does not differentiate between varied categories of people whom one would be more or less likely to trust, and it does not differentiate different objects of trust ranging from reciprocating minor favors to fulfilling major, very costly promises. He underlines that such a question generally asks about trusting everyone or most people, implicitly with respect to anything at all: "In the formula A trusts B with respect to X, both B and X in the survey instruments often implicitly roam over the ranges of everyone and everything", Hardin (2006) continues. This contradicts common sense since no sane person trusts equally with respect to any and every level of risk.

Similar arguments are provided by Glaeser et al (2000). On the basis of the experiment the authors show that standard survey questions about trust do not appear to measure trust. However, they do measure trustworthiness, which is one ingredient of social capital. Moreover, they emphasize that the standard questions of trust are too vague and difficult to interpret while variation in responses might arise for numerous reasons: differences in beliefs about the trustworthiness of a common set of people, differences in interpretation of who comprises 'most people', differences in interpretation of what it means to be able to trust someone; or differences in the ability to elicit trustworthy behavior from other people.

Miller and Mitamura (2003) went even further in their argument about the ambiguity of the traditional question on trust. They assert that the question does not ask respondents to choose between trust and distrust but rather between trust (measured through trustworthiness) and caution. Moreover, Miller and Mitamura (2003) emphasize that trust and caution are not opposites: certainly it is possible for a person to believe that most people can be trusted, and at the same time believe that it is prudent to be cautious. In other words, caution does not necessarily imply distrust.

Miller and Mitamura (2003) explain this distinction between caution and distrust by separating the question into two components. 'Would you say most people can be trusted?' is asked as an assessment of other people's trustworthiness. It does not relate "the respondent's behavior, but rather seeks a general appraisal of other people's behavior" (Miller and Mitamura, 2003: 63). The second half of the question, however, asks people whether they believe that 'you can't be too careful.' According to Miller and Mitamura (2003), this refers to one's own behavioral preferences rather than that of others. In doing so, it taps the respondent's willingness to be vulnerable. In other words, it asks for a self-evaluation regarding the respondent's degree of comfort in taking risks. Hence it is possible for a risk-averse person to feel that people in general are trustworthy, but still be inclined to be careful in dealing with others. Thus, they conclude that how one answers the traditional question on trust will depend on two factors: an assessment of other people's trustworthiness and an assessment of one's willingness to take risk. This distinction has profound implications, because it could undermine a number of past studies. For example, studies that have used this question to suggest that social trust has recently declined in the United States may instead be witnessing an increase in caution (Miller and Mitamura, 2003).

The critics are justified since the traditional question of trust is too indefinite and not concrete. It should however be added that this question is also impersonal. This is due to the fact that the trustee is not specified and is not defined by the question, but rather created in the imagination of the trustor. This entails several consequences for the definition of trust which can be interesting for the analysis.

First, the mechanism of trust formation, which presupposes that trust is based on how trustworthy a trustee is, is blocked here. It seems that trustworthiness is not a decisive factor in choosing the level of trust the respondent develops. The absence of a trustee or, to be more precise an unclear specification of the trustee and the object of trust in the relationship, does not allow for defining how trustworthy the trustee is at building upon a certain level of trust. The interaction between trustor and trustee does not really take place, but is rather imaginative for the trustor. The imaginative nature of trusting relations has its own consequences. Here, it is the general propensity to trust others which matters in defining the response to the trust question. More specifically, what becomes important here is the past experience of respondents in trusting relationships and their outcomes upon which the respondent forms his or her propensity to trust other people. If most promises were held for the trustor and the past trusting relations yielded positive outcome, the trustor tends to be more trusting and willing to positively and optimistically evaluate future deals involving trust. The actors thus learn that it can be rewarding if behave as-if-trusted even in unpromising situations. In the opposite case, when past experiences are limited to meeting dishonest people with trusting relations yielding more negative outcomes, the individual tends to show less trust in general. Past experience thus contributes to the routinization of the conduct of the respondent, which defines the future behavior with respect to whether or not to trust 'other people'**.**

Second, the traditional question on trust presupposes the prevalence of respondents' characteristics over a trustee's characteristics in the process of trust formation. Trust formation includes the choice of partner, which is based on his or her history and/or observable characteristics and is not completely spontaneous. Rus (2005), for instance, asserts that the choice of trustee is not blind but highly informed. This can also be supported by the fact that numerous studies point out the role of reputation and past records of a potential trustee in trust building processes. In addition to that or in the absence of reputation or access to information about past records, we try to assess how trustworthy an individual is based on his or her observable characteristics. This mechanism is completely blocked in the impersonal process of trust formation that is imitated by the traditional question on trust. This happens because it becomes difficult to evaluate trustees in the circumstances in which they are referred to as 'most people'. Here, the characteristics of the potential trustee are unknown and become insignificant since the trustee is not clearly defined. In such circumstances, personal characteristics of the trustor which predefine the respondent's potential to trust obtain a superficial role. The respondent trying to reply to a question about trust thus does not take into account how trustworthy others can be, but rather assesses his or her personal potential to trust others in general.

Third, the traditional question on trust is surrounded with more uncertainty than trusting relations taking place in real life. The latter can be explained by the fact that in most circumstances, trusting relations are not spontaneous since the choice of partner is highly informed. Thus, trust is rather blind here since we do not know the potential people in whose hands we place trust. Uncertainty entails more risk and hence the decision to trust will depend on the extent to which the individual is willing to become vulnerable to the actions of others. It is possible to assume then that the level of desire to show vulnerability is a function of the general level of risk aversion which the respondent possesses. Highly risk averse people are afraid to enter trusting relations since they prefer to avoid risk wherever possible. They are therefore more likely to give negative answers to the trust question. People who can easily take on risk may be less afraid to be vulnerable to the actions of others and hence give positive answer to the trust question. Risk aversion thus places constrains for trust levels and defines the general attitude of an individual towards trusting relations.

Fourth, the imaginative nature of trust blocks the cognitive process since it is not feasible to assess the possible outcomes of trusting relations and define whether the potential gain will outweigh potential losses. Neither the former nor the latter are clear in the trustor's imagination and are not linked to concrete people and concrete situation. Thus trust building attributed to the cognitive process that occurs at the individual level stemming from the characteristics and behavior of trustees is not possible in the traditional question on trust. The concept of encapsulated interest fails here as well since it is difficult to predict whether the trustee will be able to maximize his own interest if he takes a trustor's interests into account due to the fact that the trustee merely exists in the trustor's imagination. The third element which is blocked here is the role of reputation. Reputation performs the role of signaling in trusting relations and cannot be involved in the analysis of trust in surveys since the trustee is not clearly identified.

Fifth, a full understanding of interpersonal trust is not possible without understanding the systemic context in which such personal trust develops. The respondents evaluate his or her level of trust while taking into account how safe the environment in which the trustor operates is. In the countries, where the legal system's range of laws and sanctioning mechanisms functions effectively, the trustor will be more prone to trust. This happens since the respondent realizes, that in the case the trustee does not act honestly, he will be punished by the state. The state is hence regarded as a protector that guards a trustor's interests and helps individuals respond to opportunistic behavior. The system of laws functions as a protecting element, which boosts the average level of trust in society. Therefore, in countries with an effective legal system, the respondents will be more willing to trust 'other people,' while countries where the interests of the trustor are less protected by the state will see respondents being more cautious and less trusting in general.

Sixth, the individual level of trust depends on the average level of trust in society which can be viewed as a public good and as such it affects individual behavior. The norms and rules- the value system embodied in religious beliefs or political ideologies- form the necessary preconditions for a society to be less trusting or highly trusting. The reasoning applied here assumes that trustworthiness may be based on socially inculcated values, norms, and customs or identification or routinization of conduct in a relationship. In societies with a prevalence of trusting attitudes, people usually have positive expectations about others' conduct and hence they respond positively to trust questions. In less trusting societies, people have mostly negative expectations about others and thus tend to give negative answers to the traditional trust question.

The most proper definition reflected by the traditional question on trust can thus be defined as follows: *trust is a willingness to act honestly towards other people routinized through the past experiences of a respondent and embedded within the constraints of his or her general propensity to trust as well as risk aversion, which are formed in specific formal and informal institutions prevailing in society.* This definition reflects all six remarks drawn from the analysis of trust building processes that are imaginative in nature.

2.2. An Overview of theories of social trust formation

One of the most controversial issues about social capital in general and social trust in particular is how it is formed. There are many theories that attempt to explain the mechanism of trust formation, ranging from those emphasizing ideological factors to those stressing country-level characteristics. In our opinion all theories can be classified into two types. The first type includes those theories relying on some individual-level characteristics and can hence be called ‘individual’. The second type consists of theories that emphasize the importance of country-level characteristics and can thus be named ‘societal theories’. The general logic of this typology as well as the subdivision of each type into specific theories are illustrated in figure 2.1.

2.2.1. Network theories

The most often mentioned determinants of social trust are civic engagement and socializing with friends which can be combined into a network society theory. Classical theory holds that social trust is produced by individual involvement in voluntary associations which generates the skills and habits associated with democratic culture and practice (Brehm and Rahn, 1997; Daniszewski, 2004; Etzioni, 1995; Newton, 1999a,b; Oyen, 2002; Putnam, 1993, 2000; Paxton, 2002; Sell, 1999; Siisiainen, 1999; Stolle and Rochon, 1999). The argument asserts that by participating in regular and close contact with others individual develop reciprocity, cooperation, empathy for others, an understanding of the common interest and common good and, as a result, trust. The most important form of participation from this point of view is direct, face to face and sustained involvement in voluntary organizations in the local community. This model is supported by many empirical findings. Scholars usually find that members of associations are more politically active, more informed about politics, more sanguine about their ability to affect political life, and more supportive of democratic norms. It should be noticed that the role of civic engagement in generating trust concerns not only interpersonal but also institutional trust. The main argument for this theory rests on the assumption that civic engagement connects people to each other and to the political process (Espinal et al., 2006).

On the other hand, there are some studies that find little relationship between civic engagement and political attitudes (Brehm and Rahn, 1997; Newton, 2001; Newton and Norris, 2000). The main argument supporting the absence of relationship between two variables of interest is that civic participation is likely to expose the disjuncture between the democratic ideal and reality, particularly when these organizations are critical for a government perceived as corrupt or illegitimate.

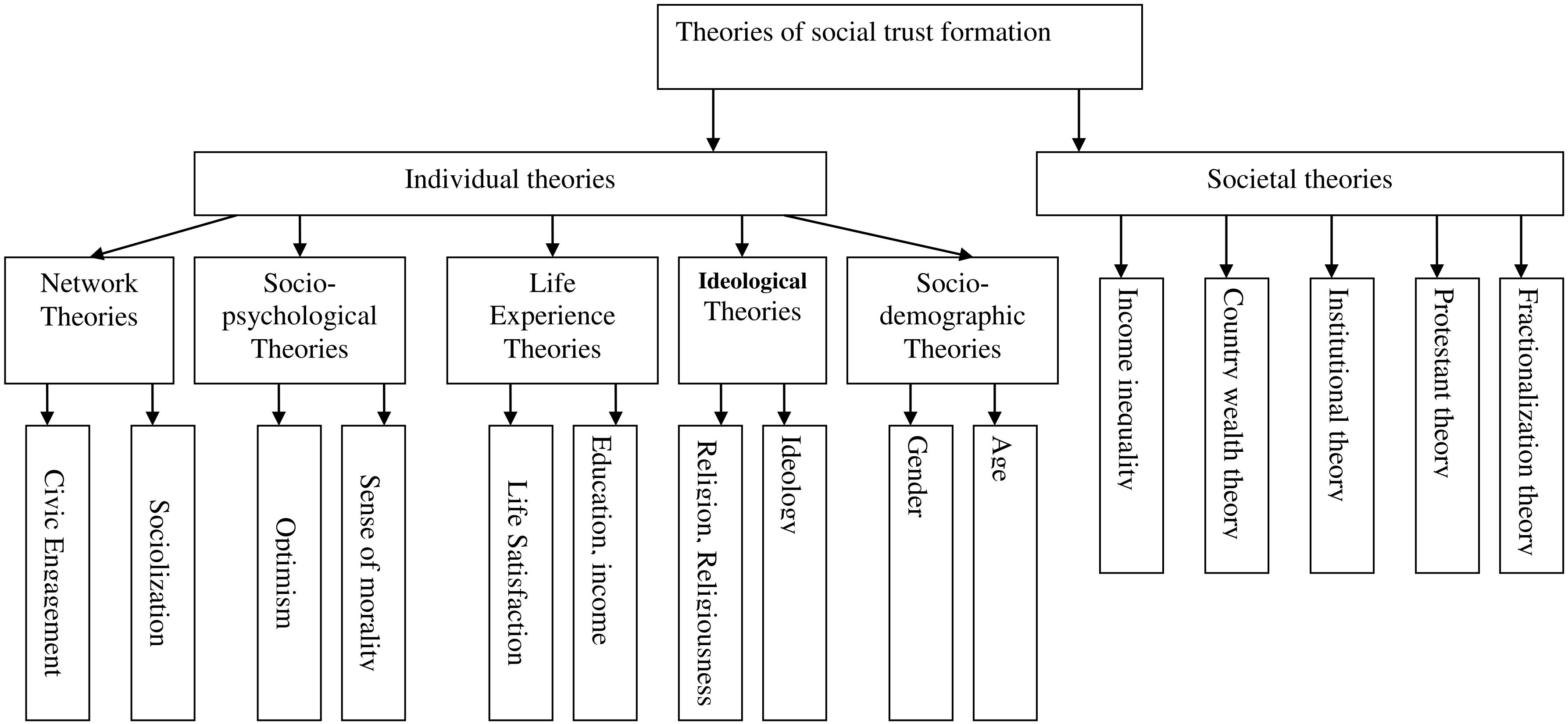

Figure 2.1.: Classification of theories of social trust formation

There are also studies that argue that the causal link in the relationship between volunteering and social trust is backward and hence generalized trust is actually a cause rather than an effect of civic engagement (Kwak, Shah and Holbert, 2004; Kumlin and Rothstein, 2007; Newton, 2001; Uslaner, 2000-2001).

In addition to the problem of the effects of volunteering on social trust, there are some studies which shed doubt on the idea that volunteering may affect social trust levels. For instance, Kumlin and Rothstein (2007) assert that many voluntary organizations and networks are in fact based on the idea of distrust rather than trust. Uslaner (2004) also provides arguments contesting the importance of volunteering for social capital. He asserts that even if social trust is learned from various forms of civic engagement, there are two key obstacles to doing so. First, most people spend little time in any voluntary organization, at best a few hours a week. In his opinion, this suffices to make people more (or less) trusting of their fellow citizens. Second, we are simply unlikely to meet people who are different from ourselves in our civic life. Such membership is hence likely to enhance particularized trust at the expense of out-group trust.

Thus, the literature is quite controversial about the relationship between social trust and volunteering. The data is however ambiguous about this relationship as well. With respect to interpersonal trust, we found that those who are engaged in voluntary activities usually show more trust towards others. More specifically, interpersonal trust among volunteers equals to 0.48[3], while among those who do not participate in voluntary associations, the trust index amounts to 0.37. With respect to institutional trust, we see no difference between two groups of people; both of them display confidence towards public welfare institutions which can be assessed at a level of 14.

Despite the fact that the literature puts considerable emphasis on the role of volunteering in creating social capital, we did not receive much evidence to support this hypothesis. Only 0.8% of total variance in institutional trust is explained by membership in voluntary organizations. For interpersonal trust, only 1.6% of the total variance is explained by volunteering.

Network supporters also argue that what matters in trust building is the network of everyday life: informal relations with friends and family and participation in social relations at the workplace. Socializing often appears in the literature as a standard control variable in trust equations (Paxton, 1999; Rothstein and Uslaner, 2006). More sociable people are usually perceived as more trusting. Li, Pickles and Savage (2005) for instance elaborate on this question in more detail. Their empirical analysis based on British Household Panel Survey

[3] The calculations here and further are conducted based on the World Values Survey.

suggests that informal networks, especially those that arise from neighborhood attachment, is of particular importance in generating social trust whereas that from civic participation is relatively unimportant. Moreover, they emphasize that informal neighborhood relations plays a crucial role in generating trust for people in disadvantageous positions while those in more advantageous positions are more likely to have social capital from social networks and civic engagement.

Our descriptive analysis however provides limited evidence supporting the idea of the importance of socializing for social trust. Based on the WVS calculations more sociable people display equally as much trust as less sociable people. For both groups, the average interpersonal trust levels were found to be 0.41 while institutional trust was found to slightly exceed 14.

These results suggest that in modern societies sociability can hardly be considered a determinant of social capital. This is confirmed by the small explanatory power of socializing as a covariate of social trust. Only about 0.1 percent of total variance in social trust is explained by variation in the level of socializing. Delhey and Newton (2002, 2005) to some extent provide the explanation for this phenomenon. Their analysis suggests that the informal network plays a more crucial role in post-Soviet countries than in Western democracies.

Thus, network theories emphasize on the one hand the importance of participation in voluntary associations and organization and they stress the focus on the role of informal socializing in trust generating process on the other. However, none of these theories are decisive in creating social trust since their effects are quite small if judged by the explanatory power of these two variables. But one should note that these two variables are considered standard controls in trust equations. It hence becomes necessary to include them in the final equation if we want to find out the direct effects of social efforts on social trust.

2.2.2. Socio-psychological theories

According to a well-developed social-psychological school of thought in the United States in the 1950s and 1960s, social trust is considered a core personality trait of individuals (Allport, 1961; Cattell, 1965; Erikson, 1950; Rosenberg, 1956, 1957; Rotenberg, 2007; Runkel, 1959) that is dependant on the quality of the maternal relationship. Mothers create a sense of trust in their children; it is learned in early childhood, and tends to persist in later life, changing only slowly as a result of later experiences. Rotenberg (2007), for instance, demonstrates in his empirical analysis that, during the elementary school years, mothers shape their children's trust beliefs whereas fathers shape their children's trusting behavior. Parents who fulfil promises to their children constitute reliable nurturing activities. Mental representations of parent-infant trustworthy interactions are the building blocks of a child's trust beliefs in parents and others. In other words, reliable nurturing parents promote trusting relationships between themselves and their children and serve as role models for children's relationships with others. Moreover, Rotenberg emphasizes that mothers serve as the primary attachment figure because they play a more significant role in the socialization of their children's trust during childhood than fathers do. In general, however, he finds that parents' trusting behavior is correlated with children's trusting behavior. However, this factor cannot be operationalized based on the WVS and hence inclusion of this variable in the equation is not possible.

Another model of social capital formation rooted in individual morality was suggested by Freitag (2003) and Uslaner (2002a,b). Their major criticism of the models of trust formation is that it has little to say about the role of morality in the creation of social capital. Recent research has suggested that empirical evidence from anthropology and psychology supports the proposition that human beings have a universal 'moral sense' that pervades their thinking and conditions their attitudes towards other people. The traditional hypothesis is that individuals with a strong moral sense which promotes empathy with others and a desire for fairness are likely to be predisposed to trust other people in comparison with individuals who lack such a moral sense. Due to the lack of empirical data which could operationalize the level of an individual's morality, we omit this theory from consideration. But still one should keep in mind that social trust is a complex phenomenon which is also affected by socio-psychological factors.

An additional socio-psychological factor which is considered as critical in trust creation is the level of optimism, or our outlook on the world. This approach was elaborated in depth by Uslaner (2002a,b). He concludes that people who are optimistic believe that others can be trusted. They believe that things will get better and that they can make the world better by their own actions (Uslaner, 2002a,b). Optimism in Uslaner's view is a multifaceted phenomenon. It contains four components. The first two are central: the view that the future will be better than the past and the belief that we can control our environment to make it better. The other elements of optimism are a sense of personal well-being and a supportive community. His empirical analysis shows that measures of optimism and control overwhelm most other predictors in the model. In addition, overall subjective measures of optimism matter a lot more than objective measures about economic circumstances. The absence of the question about the level of optimism in the WVS does not allow us to measure the effects of optimism on interpersonal and institutional trust.

2.2.3. Life experience theories

Alternative models suggest that one's experience may substantially influence trust levels. Among the social trust determinants, life satisfaction is mentioned as one of utmost importance. Individuals who are generally happy and satisfied with their lives are more likely to trust other people than individuals who are unhappy or dissatisfied (Orren, 1997; Newton, 1999a; Uslaner, 2002a,b; Whiteley, 1999). There are many explanations that support the effects of life satisfaction on trust levels. Delhey and Newton (2005) find that surveys suggest that social trust tends to be expressed by the "winners" in society as measured in terms of money, status, and high levels of job and life satisfaction and subjective happiness. They refer to Putnam's research which concludes that 'have-nots' are less trusting than 'haves,' probably because haves are treated by others with more honesty and respect. In contrast, distrust is more common among "losers" – those with a poor education, low income and low status, who express dissatisfaction with their life. Distrust also tends to be expressed by victims of crime and violence as well as the divorced.

According to this view, it is possible to conclude that social trust is the product of adult life experience. Those who have been treated kindly and generously throughout their lives are more likely to trust others than those who have suffered from poverty, unemployment, discrimination, exploitation and social exclusion. This sort of interpretation is consistent with the findings of Hall (1999) and Van Oorschot and Arts (2005) who provide evidence that being unemployed may be negatively related to social capital in general, or social trust in particular. Hall (1999) explains this relationship by pointing to the fact that unemployment places individuals at a disadvantage that erodes social trust relative to others. An alternative explanation was provided by Christoforou (2005), who assumes that unemployed people may develop distrust towards other social groups and society as a whole because they are considered to have deprived him or her of opportunities for employment and self-development.

When analyzing the variation of trust across satisfaction levels, one finds strong support that more satisfied people tend to be more trusting towards other individuals and institutions. Interpersonal trust levels among less satisfied people was calculated at a level of only 0.27 while more satisfied people tend to possess trust levels that exceed 0.43. Institutional trust for the former was found to be 14. 4 and for the latter 15.6. Moreover, satisfaction with life appeared to explain 3.3 percent of the total variance in social trust and hence can be considered a strong predictor of social trust levels. Despite the strong explanatory power, this variable seems to have no spurious or indirect effects on institutional and interpersonal trust. Hence, the inclusion of this variable in the equation will not contribute to better understanding the relationship between social trust and social spending.

Moreover, satisfaction levels must correlate with income, and controlling for both of them may result in the problem of multi-colinearity.

As far as unemployment is concerned, the data generally follows the path of theoretical argumentation. The level of trust among unemployed people calculated on the basis of the WVS is less than half of that for the rest of the population. More specifically, interpersonal trust for unemployed people was found to equal 0.29 while for others this index was obtained at the level of 0.41. Institutional trust indexes equal 14 and 15 respectively. It is hence necessary to control for the unemployment status of the respondent since employment status seems to have a strong effect on trust levels among individuals. Moreover, unemployment is a subject of direct intervention by the state in the form of social policies and hence it should be controlled for when studying the relationship between social spending and social trust.

Knack and Keefer (1997), Putnam (2000), and Uslaner (2002a,b) also see an association between household income and trust at the individual level pointing out that people from better-off households have generally higher indicators on social trust. The general logic is that the poor are less trusting since they cannot afford to lose what little they have while insecurity and anxiety are the most powerful forces driving distrust[4]. Empirical analysis also shows that higher levels of income coincide with a strong probability of higher interpersonal trust from the part of the individual. This may lead to the idea that not all individuals may enjoy access to the stock of social capital available in society; low income may lead to social exclusion which hinders trust formation. Higher poverty rates appear to weaken an individual's incentive to act collectively and cooperate. Christoforou (2004) explains that this happens not only because of absolute poverty, with its adverse effects on the physical ability of individuals to respond to their role as social actors in groups, but also because of relative poverty, which create sentiments of discrimination and injustice, thus leading to distrust towards people, collective action and society as a whole.

Our descriptive analysis generally supports the idea of income being a predictor of social trust. There is a considerable variation of interpersonal trust levels across income quintiles. Those belonging to the first quintile usually possess interpersonal trust equal to 0.33 which increases to 0.56 for the people in the last quintile. As far as institutional trust is concerned, we find no variation across income groups while institutional trust was estimated at the level of 14 for all levels of income. The explanatory power of the income variable in the

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[4] There is however research indicating that the causal relationship between trust and income is reversed, that is, the level of trust defines the level of an individual's income (see for instance Slemrod and Katuscak, 2005). Their results suggest that trust is associated with higher income. According to their empirical analysis, trusting as opposed to not trusting increases one's income by 7.59 percent. However, in their check of the reverse causation they recognize the possible endogeneity problem in their analysis and hence do not exclude the possibility that income can be a determinant of trust levels among individuals.

case of institutional trust is however small - about one percent. In the case of interpersonal trust, controlling for income helps to explain about 3.3 percent of variance. Income might also be partially related to welfare state development. It can be regarded as a micro-level outcome of the macrolevel state activity as social policy. This is because the main objective of social policy is to provide alternative sources of income for those who are out of the labor market. It hence becomes indispensable to control for income when studying the relationship between social policy and social trust.

Fukuyama (2000), Helliwell and Putnam (1999), Knack and Keefer (1997), and Knack and Zak (2001) regard education as a positive factor leading to an increase in social capital: more educated people have higher levels of social trust. Helliwell and Putnam (1999), for instance, estimate that college graduates are over 35 percent more likely to answer yes to the trust question than high school dropouts. Their regression analysis shows that trust is indeed higher in states where there are fewer high school dropouts. On the other hand, education is viewed as a factor that develops opportunities for collective action, either through offering access to social networks and personal acquaintances or through cultivating values and morals that lead to a sense of citizenship and solidarity. In some cases, education is interpreted as a means for attaining social status, which complements human capital in generating higher income. Education is thus seen as a means for moral development and social awareness which, in a society of widespread cooperation, produces benefits in the form of higher income as a medium-run by-product, rather than as an end in itself.

The WVS data in general support the idea that education is a predictor of social trust. There is obvious variation of interpersonal trust levels across different education groups. According to the WVS, less-educated people possess average interpersonal trust levels equal to 0.31. This level increases to 0.41 for moderately-educated people and to the level of 0.57 for highly-educated people. Institutional trust however does not vary across educational groups. The role of education in explaining variation in institutional trust is quite small since only 0.2 percent of total variation can be explained by this variable. This percentage goes up to 5.4 percent when studying the effects of education on variations in interpersonal trust. Moreover, education is closely related to social policy since it is organized by the state in most countries. Moreover, active labour market policy includes re-education measures among unemployed people. This makes necessary to control for the respondents' educational level when analyzing the relationship between social policy and social trust.

2.2.4. Ideological theories

Ideological differences are recognized as influencing trust levels. Inglehart (1999) and La Porta et al. (1997) point to the significance of religious traditions in their analysis of the

WVS data. La Porta et al. (1997) suggest that hierarchical religions such as Catholicism and Islam are associated with low levels of trust, while Inglehart (1999) found that Protestant and Confucian societies are generally more trusting. Branas-Garza et al. (2006) however found that Catholicism reinforces both horizontal and vertical trust more than other religions. Moreover, Catholic affiliation reinforces the link between religiosity and social capital. Uslaner (2000) demonstrates that protestant societies are more trusting due to their individualistic nature while Muslims tend to trust less because of their more collectivistic culture. Bjornskov (2005), like Uslaner, argues that Protestants are more trusting than other religions. He distinguishes between two possible explanations. One stresses that Protestantism is not a hierarchical religion. The second emphasizes that in Protestantism, the responsibility of ones actions is individualized so that actions that are considered morally wrong will somehow be penalized in the afterlife.[5] On the other hand, Catholics believe it to be possible to be absolved of one's sins by the church. The practice of absolution thus releases the subjects of the Pope of individual responsibility for their worst deeds, which could lead people to be more wary of trusting their fellow citizens. Another joint problem for hierarchical religions may be the potential tendency for individuals to place part of the responsibility for their actions on a supreme power, leaving this God-given uncertainty to naturally lead to lower degrees of trust in fellow citizens. Another possible effect of hierarchies is that people come to live according to strict rules. They may therefore fail to develop trust because following rules does not induce any social learning about what people would do in the absence of any enforced formal rules.

The WVS data provides evidence that generally supports the above given argumentation. Protestants are found to be most trusting with an average interpersonal trust score of 0.50. Catholics appeared to be least trusting since their trust index is only 0.33, considerably smaller than that of Protestants. Other religions and atheists seem to differ little in their trust levels. Both groups had interpersonal trust score estimated at 0.41. It should also be noted that religion must conduct a certain influence on the relationship between social trust and social policy since inclusion of religion in the model considerably changes the sign on social spending. It is however difficult to explain the direct or indirect effects of religion on the relationship between social trust and social spending. But one thing is sure here: religion should be included in the model.

Apart from one's specific religion, social trust is influenced by the religiousness of an individual (Branas-Garza et al, 2006; Van Oorschot and Arts, 2005). More religious people

[5] However, in his further analysis, he comes to the conclusion that the positive effects of Protestantism are most likely due to positive effects specific to the Nordic countries that potentially might be traced back to particular Viking norms.

are found to be associated with higher levels of social capital of all forms. On the one hand, faith in people and faith in a Supreme Being both promote civic engagement. People with more faith participate more often in civic affairs – especially in more demanding activities such as volunteering. On the other hand, faith leads people to put less emphasis on materialistic values and more on helping others. Whiteley (1999) also suggests that religious beliefs should generally create an ethos which is trusting, altruistic, and favourably inclined towards cooperation with other people.

The empirical data give little support to this argument since we obtained results based on the WVS which advocate for the absence of any difference in social trust between more and less religious people. Both groups have interpersonal trust scores that were estimated at the level of 0.41 while institutional trust was found to equal 14. Although they seem to differ little in trust levels, we find strong spurious effects of religiosity on the relationship between social spending and social trust. Inclusion of the religiosity variable in the equation drastically changes the coefficient on social spending. The latter can be perceived as the necessity to control for religiosity if one wants to obtain the direct effect of social spending on social trust. Moreover, religiosity was found to explain slightly more than one percent of total variation in social trust, which is an additional argument for including religiosity in the model.

The control for ideology reflects the fact that basic ideological beliefs may well influence an individual's willingness to trust other people. Whiteley (1999) asserts that ideologies from the left, which emphasize cooperation, solidarity, and fraternity, are more likely to result in an ethos of trust in other people than ideologies of the right, which stress individualism, competition, and a social Darwinism struggle for survival. Another explanation that supports this view is provided by Triandis (1995 in Simpson, 2006), who suggests that, given a tension between individual and collective interests, actors in collectivist societies tend to give greater priority to group goals leading to higher levels of trust among individuals. Van Oorschot and Arts (2005) also insist on the significance of political effects on the different elements of social capital, in particular on interpersonal trust. Their empirical research shows as well that left-leaning people tend to have more trust in other people than right-leaning people.

However, when looking at the aggregated level of collectivist traditions, the research finds that collectivist societies are usually less trusting than individualist societies (Simpson, 2006; Yamagishi et al., 1998). In spite of wide argumentation about the effects of political stance on social trust, we see little variation in trust levels across left-leaning and right-leaning groups. Both possess interpersonal trust just that slightly exceeds 0.4 and institutional trust of about 14 unites. Moreover, the explanatory power of political stance is too small (about 0.2 percent) to be included in the final equation. Besides that, political stance causes no spurious effect on the relationship between social spending and social trust, which again is a good reason to omit this variable from the analysis.

2.2.5. Socio-demographic theories

There is also a group of socio-demographic characteristics which can also influence an individual's level of trust. Age is an important social background variable in the context of the study of basic values like trust. On the one hand, Inglehart's analysis of post modern values is rooted in the idea that basic values are developed by individuals during their pre-adult years. Based on this approach, Whiteley (1999) asserts that different age cohorts will have different levels of social trust because of differences in the political and economic environment which existed in society during their formative years. The precise relationship between social trust and pre-adult experience however remains to a great extent unclear. On the other hand, there are empirical studies which show that older people tend to have higher trust indicators than younger people (Hall, 1999). Moreover, Espinal et al. (2006) found that the relationship between age and trust is nonlinear. More specifically, it follows the exponential mode, meaning that there is a square positive term which points out that as age increases, its positive impact on trust increases exponentially such that older people are much more trusting than younger people. There are also studies that indicate the absence of any kind of age or cohort effects on trust formation (Torcal and Montero, 1999).

Empirical calculations based on the WVS do not support these expectations. People aged 30-44 were found to have the highest level of both interpersonal and institutional trust. The level of the former was estimated at 0.44 while the latter at 14.8. Younger people have a slightly lower level of both forms of trust which equal 0.39 and 14.7 respectively. Older people surprisingly possess almost the same trust levels as younger people. Their interpersonal trust level was found to equal 0.41 and institutional trust 14.4. Since age is a standard control variable in all studies, we opt for including this variable in the final equation.

Gender effects are not clearly defined in the literature with respect to social trust but are still mentioned among its determinants. Some scholars (see for instance Lin, 2000a,b; Lin et al., 1981; Lowndes, 2000; Moore, 1990) claim that women in general have less social capital than men. The standard argument is that gender discrimination makes women less socially successful and satisfied with their life than men or that women with dependent children are inclined to be cautious and distrustful in protecting their off-spring. The WVS data do not support the idea of a gender gap in social trust. The institutional trust for both males and females was found at the level of 14.6. There is a slight difference between men and women with regard to interpersonal trust, but it is not big enough to claim the existence of a substantial gender gap. The level of interpersonal trust among women was estimated to equal 0.40 while for men 0.42. In spite of a lack of a considerable gender effect on social trust, we will control for these variables in our analysis.

2.2. 6. Societal theories

Societal theories are based on the idea that country-level characteristics may predispose the level of social trust. Such characteristics include income inequality level, wealth of the country, corruption level, percentage of Protestants living in the country and fractionalization level.

Kawachi et al. (1997), Knack and Keefer (1997), Putnam (1993) and Uslaner (2000) suggest that among other factors, income inequality essentially determines the level of trust in a country. Countries with higher degrees of inequality are usually associated with lower trust indicators. This can be explained by the fact that people are more likely to be trusting when they feel common bonds with each other, which usually only exists in homogeneous societies. Income inequality makes people on the lower end of the income spectrum feel at a disadvantage compared to upper classes, which ruins bonds among the population. Citizens who see their fellow citizens as equals and as 'one of their own' can more easily make a leap of faith and trust others they do not necessarily know.

Uslaner (2002a, b) demonstrates that the level of economic equality is the strongest determinant of trust. He explains that equality promotes trust in two ways. First, a more equitable distribution of income makes people with fewer resources more optimistic that they too can share in society's bounty. Indeed, optimism is the basis of trust. Second, a more equitable distribution of income creates stronger bonds between different groups in society. When some people have far more than others, neither those at the top, nor those at the bottom are likely to consider others as part of their moral community. They do not perceive the shared fate with others in the society and are hence less likely to trust people who may be different from themselves. Generalized trust, he continues, does not depend on your personal experience, including how well-off you are. But collective experience – including, but not limited to, the distribution of resources in society, plays a crucial role in shaping trust. Following this line of thought, he concludes that we are unlikely to reverse the decline in generalized trust until people feel better about the future. And they are unlikely to feel better about the future until we reverse the trend in economic inequality.

There is also micro-level explanation of the impact inequality may have on social trust levels. Boix and Posner (2005) argue that the degree of social and political inequality is one of the main factors that affects social cooperation and hence explains variation in social capital stocks across countries. They assert that cooperation among economic non-quals is problematic because there will always be incentives for the poor, who will naturally be dissatisfied with the existing distribution of assets, to defect from cooperative arrangements that perpetuate the status quo. Moreover, to maintain their economic and political privileges, the rich will maneuver to undermine any collective effort that the poor may undertake to better their lot. Boix and Posner (2005) went even further in their argument about the role of inequality for cooperation. The implication of their discussion consists in the fact that whether or not cooperation takes root will depend on the preexisting set of social and political relations in a community and on the degree of inequality and polarization suffered by society. They illustrate this by analyzing the case of Italy. They write that in the North, where there is, roughly speaking, more equality, cooperation proved relatively easy to sustain. The wide inequalities which characterize social life in the South, however, fuels resentments which prevent co-operative practices from crystallizing.

Bjornskov (2005) provides an alternative explanation for the effects of inequality that mainly emphasizes the role of perceptions. He argues that the effects of income inequality are also due to perceived injustices arising from perceptions of why some people are rich and others are not. 'Haves' might in particular be seen as having exploited those who 'have not', which will tend to reinforce stereotypes of other groups in society and thereby perpetuate mistrust between those groups. As such, he concludes, the effects of inequality might be due both to the actual fractionalization as well as individual perceptions of fractionalization.

The vital question here is whether one should control for inequality when analyzing the effects of social policies on social trust. The welfare state can be understood as an instrument that reduces various forms of economic inequality and its effects, which contain to a large extent the effects of social policy on social trust. This can be also supported by a high correlation between inequality and social spending. This correlation is negative pointing out that increase in social spending tends to reduce income inequality while the absolute value of the correlation coefficient slightly exceeds 0.770. We also see a substantial correlation between income inequality and social trust in both of its forms. More specifically, the correlation coefficient between interpersonal trust and income inequality at the aggregated level equals -0.608. The correlation between institutional trust and income inequality is estimated at -0.683. Both correlation coefficients are statistically significant and negative which confirms the theory that high income inequality tends to ruin social trust.

Knack and Keefer (1997), Inglehart (1999), and Paxton (2002) find that a country's wealth is positively related to social trust and is even more effective at the national than the individual level. This impact is explained either directly by the fact that wealthier countries promote taking the risks that trust involves, or indirectly by educating people better, which is associated with liberal and trusty attitudes.

There is however a certain controversy about the direction of influence between a country's wealth and trust levels. Knack and Keefer (1997 in Slemrod and Katuscak, 2005) test the impact of trust attitudes on a country's wealth as measured by growth in 29 European countries. They find that social capital variables exhibit a strong and significant positive relationship to economic growth. Moreover, they found that trust is more correlated with per capita income in later years than with income in earlier years, suggesting that the causality runs from trust to growth more so than vice versa. But since there is no longitudinal study, which would directly analyze the direction of causality between trust and a country's wealth, we use the traditional assumption that it is wealth which affects trust levels but not vice versa.

We see a strong correlation between social trust and GDP per capita at an aggregated level. More specifically, the correlation coefficient between a country's wealth and interpersonal trust equals 0.323 which points to the fact that wealthier countries usually have associated with more trusting populations. The correlation between institutional trust and GDP per capita is found to be much stronger at 0.687. This allows one to conclude that the overall performance of the economy measured through GDP per capita is associated with the trusting attitudes of the individuals towards public institutions.

Few studies point out that institutional factors (democracy, corruption and quality of governance) may also influence social trust indicators (Booth and Richard, 2001; Inglehart, 1999; Knack and Keefer, 1997; Newton, 1999a,b; Paxton, 2002). Since there is a certain controversy with regard to the direction of the causal relationship between these factors and trust (Uslaner, 2000; Knack, 2002), it is tricky to include them in the equation. However, our logic suggests that corruption levels matter in building social trust, especially in countries with new democracies. La Porta et al. (1999) and Putnam (1993) show that nations with more trusting citizens have more efficient and less corrupt governments by assuming the direction of influence from corruption to trust. In agreement with them is Espinal et al. (2006) who argues that corruption presents a serious obstacle to long-term democratic stability and consolidation, undermining representation and the functioning of democratic institutions and thereby producing distrust. Uslaner (2000) agrees that corruption is strongly correlated with generalized trust but he asserts that corruption does not lead to trust – though lack of trust can give birth to civic knavery. But we will argue that in corrupt societies where entitlements to social benefits can be easily arranged by bribing civic servants, the trust in such welfare institutions and even generalized trust is oftentimes also affected. The transparency, fairness and credibility of decisions concerning an individual's access to social benefits are largely determined by the level of corruption. Messages about welfare fraud send signals to the rest of society about the behavior of others. 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 generally corrupt the impartibility of government institutions in order to extract special favors. One reason for 'most other people' to be trusted is that they are generally known to refrain from such forms of behavior (Rothstein and Stolle, 2001). In corrupt systems, which are known to tolerate bribes and which do not adhere to the norms of impartiality, generalized trust cannot thrive.

This theoretical elaboration is widely supported by the data. The correlation between corruption levels and social trust is found to be high, and especially for institutional trust. More specifically, the correlation coefficient between interpersonal trust and corruption indexes is estimated at 0.688, which generally means that more trusting people can be found in less corrupt societies. The same direction of the effect is obtained for institutional trust with a stronger magnitude of influence at 0.747. Institutional trust is thus highly determined by the degree of credibility and fairness of these institutions.

Another country level characteristic affecting trust is the degree of racial fragmentation in society. The impact of racial fragmentation on trust stems from the argument that more fragmented societies tend to express less trust. As Alesina and La Ferrara (2002) emphasize, this can be explained by two reasons. One is that people distrust those who are dissimilar from themselves; in more heterogeneous communities trust is lower because interracial contacts are less frequent. This is what they call the 'aversion to heterogeneity' explanation. A second interpretation has to do with complementaries in individuals' willingness to trust. If an individual is surrounded by non-trusting people, he or she may be less inclined to trust others, and vice versa. And since the percentage of minorities is higher in more racially mixed communities, the average level of trust is lower, and hence everybody trusts less as an equilibrium response to a low trust environment. They refer to this second interpretation as the 'local interaction' one. Their analysis of interpersonal trust shows the negative relationship with racial fragmentation in society. However, an analysis of trust towards different institutions provides results that suggest that it is not affected by the level of racial fragmentation. This provides ground for believing that racial fragmentation affects how much people trust other individuals but does not influence the overall level of trust.

The descriptive analysis generally confirms this theoretical argumentation. The correlation between social trust indexes and fractionalization measurements is found to be negative, which means that social trust tends to be lower in more fragmented societies. Moreover, the absolute value of the correlation coefficients is larger for interpersonal trust than for institutional trust which again confirms the idea that fractionalization is a determinant of interpersonal trust rather than institutional trust. The estimated value of the correlation coefficients is found at 0.242 for institutional trust and -0.325 for interpersonal trust.

Some studies show that the percentage of Protestants living in a country can determine trust levels. Most assert that countries with a large share of Protestants are more trusting, although different explanations have been proposed. One of the explanations is that Protestantism is a non-hierarchical religion as opposed to Catholicism and Islam. In Protestantism, responsibility for one's action rests with the individual such that actions that are morally wrong will somehow be penalized in the afterlife. On the other hand, in Catholicism it is possible to absolve one's sins by the church. Our data generally confirm this theory. The correlation between social trust and percentage of Protestants is positive, which suggests that in Protestant societies, the overall level of trust is higher than in non -Protestant societies. Moreover, this relationship is stronger for interpersonal trust rather than for institutional trust since the correlation coefficient is much higher for the former (0.697) than for the latter (0.431).

The analysis of trust determinants provided above allow us to choose control variables that can be included in the final equation which will serve as the basis for studying the relationship between different measures of welfare state development and social trust levels. It should also be emphasized that the scope of our study does not allow us to include all the determinates found in the literature in the final equation. We will instead control for those determinants that may cause spurious or indirect effects in the relationship between social trust and measures of welfare state development. The variable is recognized as causing spurious or indirect effects if the coefficient or the significance level on the variable of welfare state development changes after the inclusion of this control variable in the model. It should be noted that for some of the control variables it is difficult to theoretically explain why they may cause spurious effects and what their nature is.

The overview of theories about social trust formation allows us to describe the general logic and mechanism of trust building. The results point out that trust formation is subject to simultaneous influence by a large number of factors reflecting both individual-level as well as society-level characteristics. The distinction between the different theories can provide the basis for understanding the ways in which welfare states may intervene in the process of social trust formation.

2.3. Overview and concluding remarks

The main objective of the second chapter was to analyze the concept of social trust and the mechanisms of its formation. Systematization of the recent literature on the notion of trust is provided and is accompanied by a discussion of their drawbacks. The discussion concludes with a proposition to use a new classification for the literature on the meaning of trust which is derived based on four mechanisms: rational choice, psychological, institutional, and reflexive. The rational choice mechanism presupposes the prevalence of reason in trust formation processes that is based on an assessment of others' trustworthiness. The psychological mechanism relies on emotions and reflexes and can be considered affective since trust is formed based on a positive effect for the object of trust. The institutional mechanism stresses the role of formal and informal institutions that are developed within the constraints of a dominant cultural ideology and history. Finally, the reflexive mechanism is regarded as a leap of faith resulting from interaction and suspension and is based on the positive perception of a trustee's trustworthiness in the future.

Next, the overview of the theories on social trust formation are provided and are grouped into two types: 'individual' and 'societal' theories. Individual theories embrace the network, socio-psychological, life experience, ideological and socio-demographic theories. Under societal theories, the following mechanisms of trust formation are specified: income inequality, country wealth, fractionalization, institutional, and Protestant theories.

It thus becomes obvious that social trust is a complex and multidimensional concept that is based on multiple mechanisms of formation. The need to know the mechanisms of social trust formation can be explained by the fact that it will allow us to better understand the patterns of a state's influence on social trust that goes through many direct and indirect mechanisms. On the other hand, an overview of trust determinants allows us to select the most influential ones to control for their indirect and spurious effects when analyzing the direct effect of different measures of welfare state development on social trust indexes. The next step consists in studying the theoretical and empirical research on the relationship between the welfare state and social trust.

Chapter 3. THEORETICAL AND EMPIRICAL FOUNDATIONS OF THE IMPACT OF WELFARE STATES ON SOCIAL TRUST

There is a clear lack of agreement among scholars about how the quality of relationships between citizens and the government affects social capital in general and social trust in particular. On the one hand, the welfare state variable can be included in the 'societal theory' which assumes that country-level characteristics, in this case welfare state development can be considered a determinant of social capital levels. There are a number of theories that explain why the welfare state may affect institutional or interpersonal trust that will be presented later. On the other hand, the theories elaborating on the relationship in question also take into account the indirect effects of social policies on social trust which arise from welfare state intervention. Both can be systemized in the following way.

Table 3.1. : Classification of theories of welfare state effects on social trust[6]

Theories	Assumptions upon which the theory is based	Mechanism of influence	Final outcome
'Civil society erosion argument'	Social trust is dependent on the level of development of civil society	The welfare state discourage civic engagement	Crowding-out
Moral destruction argument	The ability of the individual to cooperate is based on habit and practice	The welfare state destroys people's ability to work with one another and erodes the individual's sense of responsibility	Crowding-out

[6] In total, the vast majority of studies conducted so far are developed around the question of the sign of the influence the welfare state development causes on social capital formation. Researchers (advocating for either positive or negative relationship between welfare state activities and social capital) base their arguments on the assumption that the causal mechanism goes from the state to trust. Recently, this assumption has been contested. Uslaner (2000) for instance asserts that the direction of causality is reversed and it is hence not welfare state development that determines trust, trust that determines the amount of GDP the state spends on social programs. According to him, trusting nations spend more of their total income on governmental programs in general and on education in particular. They also have a larger share of their total population employed by the government. A similar logic is used by Soroka (2003). To check this assumption however, one needs longitudinal data that goes back to the initial formation of the welfare state. Such data are not available which makes it difficult to define the direction of causality between the welfare state and social trust. For the purpose of our analysis, we rely on the traditional assumption that causality goes from the welfare state to social trust and not the other way around.

Integration argument	The welfare state helps to integrate the individual into society when he or she has difficulties	The welfare state protects people from severe income losses and redistributes substantial sums from the rich to the poor, making income redistribution more even	Crowding-in
Institutional argument ***(a) Macro-level***	The state serves as the third party enforcer of agreements	State institutions promote trust through reducing the risk involved in agreements	Crowding-in
(b) micro-level	The institutional design of the program defines the type of effect on social trust	Non means-tested schemes cause no crowding out compared to means-tested schemes since they are more efficient in reducing inequality and enhancing the equality of opportunities	Crowding-out and Crowding-in
Synergetic argument	The synergy between the state and society is possible	The state creates incentives for collective actions from below	Crowding-in

Thus, it is possible to distinguish between several arguments in the literature regarding the relationship in question. The first point of view can be called the 'civil society erosion' argument, which assumes the dependence of social trust on the level of development in civil society. Here, the effect of the welfare state is intermediated through civic engagement which stems from the general assumption that civic engagement is the basis for social capital creation. This thus suggests that welfare states may discourage civic engagement which makes social trust levels go down. In other words, when social obligations become public, intimate ties will weaken and civil society, as well as the norms of reciprocity, are crowded out. The effect of the welfare state in this case is a kind of indirect effect which arises from the 'network' theories of social trust formation.

Alternative explanations of how welfare states affect social trust include the 'moral destruction argument'. This argument is based on the assumption that the ability of people to cooperate with each other is based on habit and practice. As such, they suggest that the crowding-out effect on social capital will happen if the state starts to undertake activities that are better left to the private sector or to civil society. The crowding-out mechanism is explained here by the fact that if the state gets into the business of organizing everything, people will become dependent on it and lose their ability to work with one another. Alternative mechanisms of the negative relationship between the state and social capital assume that state activity erodes an individual's sense of responsibility for caring about family members and friends.

There are, however, scholars who support the opposite effects of the welfare state. They base their argument on the idea that social policy helps to integrate an individual into society. As a consequence, these theories can be called 'integration arguments'. Some argue that high support by the state may result in higher levels of trust. They assume that if government guarantees to keep an individual alive and in good health when he or she has difficulties, the individual does not feel abandoned and as a result his or her perception of failing substantially decreases, which forms the necessary grounds for higher institutional and interpersonal trust. The main reasoning here consists in the fact that welfare states make people's lives more secure by protecting them from severe income losses and by redistributing substantial sums from the rich to the poor, thereby in a way artificially making the income redistribution more even. Others use the backward induction mechanism which demonstrates that the shrinking of a welfare state will lead to an increase in uncertainty among the population, which may entail a loss of their confidence in the future, thus negatively affecting trust levels.

The fourth argument found in the literature can be called 'institutional', which emphasizes the role of institutions in inducing pro-social behavior. The institutional argument about social capital may be divided into macro-and micro-level theories. The former emphasizes the role of the quality of public institutions in generating social trust while the latter stresses the dependence of the final outcome on the institutional design of benefit schemes.

More specifically, macro institutional theories assert that efficient state institutions promote more trusting societies by reducing the risk involved in agreements. This is due to the fact that the state may serve as a third party enforcer of agreements through administrations or courts that have the power to impose fines or other penalties or sentences and in this way boost social trust. An alternative way for public institutions to influence social trust (in particular institutional trust) consists in citizens evaluating the quality of performance of these institutions or elected officials.

The micro-level institutional theories focus on the fact that the particular design of welfare state programs may explain the kind of influence they have on social capital. Crowding-out is expected in the case of means-tested schemes, while universal non means-tested schemes usually have a positive influence on social capital levels. This is because universal programs are more efficient in reducing inequality and tend to promote equal opportunities.

The next block of literature on the relationship between social capital and the state recognizes the possibility of a synergy between the state and society and can hence be called 'synergetic'. Here, for instance, one uses the term 'political construction,' which is based mainly on the idea of the state creating the incentives for collective actions from below. Others suggest that norms of cooperation and networks of civic engagement among ordinary citizens can be promoted by public agencies, which can take the form of complementarity or embeddedness. In general, these studies demonstrate that the vigor and dynamism of civil society can be associated with a strong state.

We will try to discuss all the selected arguments about the type of influence of welfare state on social trusts in more detail.

3.1. The civil society erosion argument

Network theory states that a vigorous state ruins social capital in general and social trust in particular. Kumlin and Rothstein (2007) demonstrate that the analysis of this relationship is usually based on Wolfe's assumption[7] that the most important prerequisite for the accumulation of social capital and for democracy to work is the prevalence of norms of reciprocity and networks of civic engagement in the society. According to them, welfare state development discourages civic engagement and hence voluntary reciprocity becomes harder to create. As a consequence, instead of organizing themselves in associations that reach out to support fellow citizens in distress, or that build strong reciprocal ties, citizens in large welfare states refer their more unfortunate compatriots to the broad system of social and welfare programs (and morally adjust themselves by referring to the high level of taxes they are paying). In other words, when social obligations become public, intimate ties weaken and civil society and norms of reciprocity are crowded out.

Based on a similar assumption Stolle and Rochon (1999) analyze the relationship between social capital, civic engagement and the state. They use different reasoning for their argument, but still base it on network society theories of social trust creation. Stolle and Rochon (1999) assert that one of the fundamental assumptions about the connection between associations and social capital is that associational memberships produce more social capital in weak state settings and in pluralistic civil societies. Likewise, associations may produce less social capital in a strong state setting with a more institutionalized and less competitive

[7] See Wolfe, 1989

civil society, such as in Germany and Sweden. They emphasize the fact that strong states subsidize associational life more and in a more pro-active (visible) way than weak states. The authors argue further that while state support may produce an extensive associational network, participation in a state-fostered network may also diminish the impact of associations on social capital. They refer to Tocqueville, who was already concerned in the nineteenth century about the possibility that states would take over the functions of voluntary associations. As a result, Stolle and Rochon (1999) conclude that in nations where states have expended their activity levels, one may expect more apathy, less involvement, and less of an impact by voluntary associations. Their empirical analysis however shows that regardless of institutional differences among countries (in their analysis Germany, the United States, and Sweden), they find that associational membership creates trust in all three countries. Moreover, the trust creation capacity of Swedish and German associations in most sectors is equal to or greater than that found in the United States.

The argument about the effects of the welfare state on social trust through civic engagement remains however mainly theoretical in nature. On the one hand, there is little empirical research that demonstrates that welfare state activity discourages civic engagement. On the other hand, the theory is quite ambiguous about the fact that civic engagement may be a determinant of social trust at all (Kumlin and Rothstein, 2007; Newton, 2001; Uslaner, 2004).

Moreover, Bode (2006) emphasizes that the classical theory that holds that welfare states undermine social trust levels by discouraging civic engagement can be revisited. The author focuses on voluntary agencies being partners of the welfare state. His analysis shows that during the 20th century, most countries experienced a common development into governance regimes exhibiting a tight coupling of civil society and the welfare state in (a) the process of planning, providing and supervising social services; (b) system-wide coordination via negotiated public-private partnerships and (c) a milieu-based firm involvement of civic stakeholders in voluntary action. Bode (2006) however recognizes that they are now in the state of continuous dis- and re-organization while the distance between voluntary agencies and both welfare states and civil society is growing.

3.2. The moral destruction argument

The moral destruction argument repeats that welfare states may be detrimental to social capital in general and social trust in particular. Fukuyama (2000) presents this causal mechanism in the following way. He supports the idea that crowding-out in social capital will happen if the state starts to undertake activities that are better left to the private sector or to civil society. He explains these effects by the fact that the ability of an individual to cooperate is based on habit and practice. And hence, if the state gets into the business of organizing everything, people will become dependent on it and lose their ability to work with one another. To some extent, a similar logic was used by De Swaan (1988). He also insists on the negative consequences of welfare state development for social capital, arguing that the activities of the state erode an individual's sense of responsibility for caring about family members and friends. According to him, the root of the negative relationship lies in an individual's propensity to cede caring activities to the state in the presence of a developed welfare state. These studies are again purely theoretical and provide no empirical evidence which would either confirm or disprove their argument.

3.2.The integration argument

There are however several studies that recognize the probability of the opposite relationship and try to explain why social policies may enhance social capital formation. They all base their argument on the idea that social policies in this way or another help to integrate the individual into society. As a consequence, these theories can be called 'integration arguments'. Szreter (2002), for instance, regards social capital as far from being an alternative to state and government activity, but as a symbiotic link to it. He argues that the context of a prestigious and vigorous state is vitally important for the development of social capital, and adds that high support from the state may result in high levels of trust. He further explains that if the government guarantees to keep an individual alive and in good health when he or she is in difficulty then individual does not feel abandoned but integrated and as a result his perception of failing substantially decreases. This forms the basis for high evaluations of the government and affects first and foremost an individual's trust in state institutions. High regard for the state and its activities in turn forms the essential cultural, symbolic, psychological and experiential preconditions for citizens to respect and trust each other and volunteer their time to trusting and cooperative activities. He concludes his discussion with the statement that the first task in building respectful social capital in a community is hence to restore collective faith in the idea of the state and local government as practically effective servants of the community and guarantor of personal security.

This idea was further developed by Patulny (2005). By using bonding and bridging distinctions of trust, the author tries to explain why welfare state activities may enforce social capital formation. According to his definitions, bonding is more exclusive and based upon rational familiarity, while bridging is more inclusive and based upon norms of civility. Using this idea as a framework, he suggests that any type of welfare regime may enhance social capital development: universal welfare regimes support bridging social capital, while rational familiarity-based trust (inherent to bonding social capital) must act as a substitute when social policies encourage individual and familial reliance.

A more pragmatic explanation of the positive influence of welfare state development on trust was proposed by Knack and Zak (2001). They suggest that one way to build trust in society is to reduce income inequality since it tends to ruin the common bonds among individuals that are necessary for the formation of generalized trust. Income redistribution through different social programs is an effective instrument to reduce inequality and hence can also be considered an instrument for raising trust.

Somewhat similar logic is used by Bjornskov (2005) who points out that the welfare state makes people's lives more certain by protecting them from severe income losses due to unemployment and by redistributing substantial sums from the rich to the poor, thereby artificially making income redistribution more even. This effect in his opinion would likely both reduce social fractionalization and perhaps increase individual's trust radius, as people might perceive the income distribution to be fair. However, he recognizes that it remains an open question as to whether the majority of the population in such states would perceive the intensive redistribution as 'fair', since most citizens would pay higher taxes to finance the welfare state.

Bonoli (2004) also argues that welfare state activities are associated with positive influences on social capital while using the backward induction mechanism. He demonstrates that the shrinking of welfare states leads to an increase of uncertainty among the population. He uses the German case of Rieste-Rente reform as an example to show that a shift from direct state old age provisions to an increased reliance on financial markets results in a general uncertainty among people about the future. Uncertainty may also develop as a result of imperfect legislation about private pension insurance, which is unavoidable at the early stages of shifting from state to private insurance. Consequently, people find it difficult to make calculations about their future pensions, which again results in a loss of confidence in the future, thus negatively affecting their trust levels.

These theoretical arguments have been broadly supported by the results of empirical analysis although there is little research that is focused on directly analyzing the effects of welfare state activities on social capital formation or which at least includes among their control variables the welfare efforts usually operationalized through percentage of GDP spent on social policies. Delhey and Newton (2003), for instance, suggest that good government is an essential structural basis for trust, but the size of the public sector may have a pervasive influence on society as a whole, including the private and market sectors. The results of their OLS on social trust conducted on the basis of 60 countries are nevertheless inconsistent with their expectations – the coefficient on this variable is positive but has a very small value.

Their analysis is however based on the assumption of homogeneity of public policies since the latter is operationalized through government social spending and represents a single indicator.

Van Oorschot and Arts (2005) obtain similar results. They find no evidence of crowding-out effects in European countries in their cross-sectional analysis from the EVS data from 1999/2000. At the individual level, explicit crowding-out effects appear only in the case of trustworthiness. With regard to other forms of social capital, the findings point out at best mixed evidence, but they mostly contradict the crowding-out hypothesis. This research partially accounts for the specificity of welfare state regimes by using the dummies outside of the level of social spending. But the study does not differentiate between the impacts of different social policies.

To some extent, the study of Knack and Zak (2001) elaborates on the relationship between social trust and social spending by checking how amenable trust levels are to policy interventions. Their empirical analysis shows that trust can be raised directly by improving transportation and telecommunication infrastructure and increasing education, as well as indirectly by strengthening formal institutions that enforce contracts and by reducing income inequality. This research however does not distinguish between types of re-distributive policies that can be considered efficient in their influence on trust since they are treated as a single group.

In the case of European countries, most of the research generally finds positive and strong correlations between social expenditures and social capital as a synthetic construct or between social spending and one of the social capital elements (Arts et al., 2003; Gaskin and Smith, 1995; Salamon and Sokolowski, 2003 in Van Oorschot and Arts, 2005; Van Oorschot, 2003). This provides a ground for many scholars to recognize the possibility of high levels of public obligations being associated with higher levels of social capital while using Scandinavian countries as an example (Kumlin and Rothstein, 2007; Rothstein, 2001; Rothstein and Stolle, 2003; Rothstein and Uslaner, 2006; Svallfors, 1997).

These findings are however limited since welfare state development is measured by the level of social spending while ignoring the fact that the level of spending does not reflect the actual level of benefits. Apart from that, none of the research specifies whether the effects of social spending are linear with respect to all social policies or if they can be policy specific.

3.4. The institutional argument

Macro-level institutional theory argues that the quality of public institutions may influence the level of social capital. Some of the scholars accept that this influence can be positive, although there are some arguments that say that their effects can be negative since the state substitutes social trust. Moreover, there is also disagreement with respect to the mechanisms underlying the relationship between the state's institutions and social trust.

The straightforward conclusion about the relationship between the state and trust rests on the premise that the quality of the public institutions predefines the level of trust towards these institutions. The role of the state is regarded as important for the process of trust formation in the study conducted by Khodyakov (2007). His analysis of trust in the Soviet Union emphasizes that state institutions may provide people with the resources necessary for achieving their goals. "Effective functioning of institutions and especially of the state, increases the level of institutional trust. As a result, citizens are more likely to rely on the government and its institutions in their everyday life" (Khodyakov, 2007: 123). Trust in institutions is dependent on the perceived legitimacy of the institutions, of their technical competence, and their ability to perform assigned duties efficiently. According to Khodyakov (2007), the inability of the state to provide its citizens with scarce consumer goods and services can explain the lack of institutional trust in the Soviet Union.

The quality of public institutions is thus recognized as essential in determining levels of institutional trust. The overview of the literature conducted by Edlund (2006) supports the above–mentioned idea as well. Edlund (2006) defines two variants for his idea. The first variant focuses exclusively on the role and functioning of political decision-making institutions for building political trust in government and welfare policies. In brief, the argument is as follows: "The structure of political decision-making institutions critically determines policy outcomes. These outcomes in turn shape public perceptions regarding the efficacy of the political decision-making institutions and the role of the state" (Edlund, 2006: 396). In other words, only if the state is affective and caring will it make sense to trust it and put people's welfare in the hands of officials armed with the power of law and vast fiscal resources.

The second variant emphasizes the specific institutions that constitute welfare. The legitimacy of the welfare state's implementing agencies (hospitals, elderly care, health insurance, and pensions) influences public welfare state support. Whether citizens support a welfare state depends on whether they trust the welfare state to be capable of delivering various public goods and services of sufficient quality. It is assumed here that popular support for a welfare state is dependent on its institutional performance. As an example Edlund (2006) emphasizes that one of the reasons the public distrusted state institutions in Sweden during the latter half of the 90s was because of cutbacks in social spending as well as public discontent with the quality of vital social services.

The role of the state in generating institutional trust is also successfully summarized in the institutional theory which is based on the idea that institutional trust is politically endogenous. More specifically, Mishler and Rose (2001) point out that institutional trust is the expected utility of institutions performing satisfactory, “it is a consequence, not a cause of institutional performance” (Mishler and Rose, 2001: 31). Being rationally based, institutional trust hinges on citizens’ evaluations of institutional performance. If institutions perform well, trust is generated. In the opposite case, the outcome of institutional functioning is ‘skepticism and distrust’. Next, they argue that macro-institutional theories rest on the idea that what matters in defining trust levels is the aggregate performance of institutions in such issues as promoting growth, governing effectively, and avoiding corruption. The output of institutions is assumed to determine individual responses. On the other hand, they assert that individual evaluations of institutional performance are conditioned by individual tastes and experiences, such as whether a person thinks that political integrity or economic growth is more important and whether the individual has personally experienced the effects of corruption or the benefits of economic growth (Mishler and Rose, 2001). They test these theories on the basis of data for 10 post-Communist societies in Eastern and Central Europe. Their analysis combines macro-level indicators of economic and political performance across the 10 countries with micro-level survey data on interpersonal and institutional trust, political socialization experience and individual performance evaluations. Their results strongly support the superiority of institutional explanations of trust. On the basis of their analysis, they make propositions on how government can generate public trust in old fashioned way. They can earn it by responding promptly and effectively to public priorities, by rooting out corrupt practices, and by protecting new freedoms. They can also earn trust through economic policies that promise and ultimately provide a better material future for the country as a whole.

The above mentioned studies thus support the institutional argument that assumes that the state and its institutions predefine the level of trust in these institutions. These studies are however limited to institutional trust without extending the analysis of the state’s effects on interpersonal trust which, according to some scholars, may take place.

Rothstein and Stolle (2002) for instance argue that the state can positively influence social capital levels. They use an institutional-centered approach to argue that social capital does not exist independently of politics or government in the realm of civil society. Instead, government policies and political institutions create, channel and influence the amount and type of social capital. According to them, the capacity of citizens to develop cooperative ties and establish social trust is heavily influenced by government institutions and policies. This point of view implies that institutional engineering might indeed be used to foster social capital. States enable the establishment of contracts in that they provide information, monitor legislation, enforce the rights and rules that sanction lawbreakers, protect minorities, and actively support the integration and participation of citizens. This discussion is very insightful because it specifies institutional characteristics such as the efficiency and trustworthiness of state institutions as influential for social capital creation.

A similar logic is used by Herreros and Criado (2008) in their discussion of the relationship between institutions and interpersonal trust. They demonstrate that institutions clearly matter for social trust. An efficient state promotes more trusting societies while the impact of institutions on social trust crucially depends on the degree of legitimacy of these institutions. Their analysis of the relationship between the state and social trust clearly illustrates that the state reduces the risk involved in the agreement. This happens due to the fact that the state may serve as a third party enforcer of agreements through administration or courts with the power to impose fines, other penalties, or sentences and in this way boosts social trust. Their empirical analysis is based on the European Social Survey (ESS) for 22 European countries and confirms this hypothesis. The results clearly show that the efficacy of the state as measured through the Public Institutions Index increases the probability of people trusting their fellow citizens.

Support for the macro-level role of the state in regulating micro-level relations between individuals is emphasized in the study conducted by Tillmar and Lindkvist. They demonstrate that the leap of faith in the mechanism of trust formation does not happen on empty ground. Individuals always do it in a specific context, and thus, their mental processes and actions should be seen as embedded. A different context may provide more or less fertile soil for the emergence of trust and for forming different reasoning and leap of faith processes. Here, formal institutions at a macro-level are highly consequential for trust formation between collaborators in micro settings. Government rules and regulations, a system of law and police-force, as well as their ability to enact rights and obligations and apply sanctions may provide strong grounds for trust formation processes. The authors recognize however that trust may also be promoted by less formal constitutional institutions, including general cultural features, local traditions, and contingencies.

Kumlin and Rothstein (2007) go even further in their analysis while still containing their argument in the frame of the institutional approach. They attempt to answer the question of why the trust in other people may be affected by the quality of public institutions and their employees. They believe that there must be three psychological mechanisms at work. First, people may draw inferences about others' trustworthiness from how they perceive public service bureaucrats. If social workers, local policemen, public health workers, and so on act in such a way that they cannot be trusted, why should people in general be trusted? Second, if citizens, to get what they themselves deem necessary from public services, have to engage in cheating, distorting vital information and other forms of dishonest behavior, why should people in general be trusted? Third, if you yourself, to get what you deem fair from public services, have an interest in engaging in questionable behavior, then not even people, such as yourself can be trusted, so why should 'other people in general' be trusted?

Apart from the quality of public institutions which may determine the level of social trust, the performance of public servants is recognized as essential in generating trust. An alternative study of the relationship between formal institutions and trust was conducted by Thomas (1998), who refers in his analysis of trust in government to two main groups of factors related to state. According to him, trust in government depends on the one hand on the performance of elected officials. On the other hand, the decline in trust is due to the general public dissatisfaction with government institutions.

In line with this study, Bouckaert and van de Walle (2003) successively summarize the role of the state, its institutions, and its officials in the formation of trust in government. According to them, management theories tend to explain the absence of trust in government by referring to the poor performance of government systems. In order for trust to be restored by improving service quality, public administrative approaches also relate performance and trust. The difference is that poor performance is caused by government overload: government is not able to meet rising demands or, in some cases, citizens' demands are simply contradictory. The proposed remedy is therefore to manage expectations: government can stimulate citizens to change their demands or it can point to the conflicting nature of certain demands.

The institutional theory also allows for negative effects of the state on social capital. The contribution of Herreros and Criado (2008) to the analysis of the relationship between the state and trust consists in a detailed overview of the opposite statement which asserts that the state does not generate trust but actually substitutes trusting relations. They refer to Uslaner who argues that trust is not encouraged by making people respect the law: courts may at most help to build some forms of 'strategic trust '. Ullman-Marhgalit (2005 in Herreros and Criado, 2008) continues this idea by demonstrating that the state's enforcement of legally binding contracts does not generate trust but in fact relieves society of the need to trust. Thomas (1998) supports this idea and argues that one way in which trust can be lost is through extensive use of contracts detailing the precise responsibilities of each party in the event of remote or unlikely contingencies. Not only is complete planning impossible and costly, extensive detailed contracts imply a lack of trust because their purpose is to specify obligations and future returns – and thus to align expectations when trust is low. The more contracts are used as a substitute for trust, the greater the signal of distrust or lack of trust will be.

Thus, the macro-level institutional theories provide strong theoretical and empirical foundation for understanding why and how welfare state institutions and their employees may influence not only institutional trust but also confidence in other people. These studies are exhaustive and provide well-built argumentation on the type of relationship between state institutions and social trust. There are however very few studies that employ an empirical analysis on the relationship in question since the discussion is dominated by the theoretically grounded reasoning with little use of statistical techniques which would confirm the theory.

The micro-level institutional theories emphasize the effects of the institutional design of welfare state programs on social capital. In other words, the particular design of welfare state programs may explain the kind of influence they conduct on social capital. Crowding-out is expected in the case of means-tested schemes while universal non means-tested schemes usually assign a positive influence on social capital levels. Rothstein and Uslaner (2006) for instance argue that unlike selective social schemes, universal ones may enhance trust. This happens first of all due to the fact that such programs are much better at reducing inequality than simple redistributive schemes that imply selective policies. Moreover, the authors insist that apart from economic equality, one should also take into account the equality of opportunities as a determinant of social trust. The universal programs again may ensure this since they possess a number of specific characteristics. First, they are delivered with less bureaucratic hassle and control. Second, they may create a feeling of social cohesion in society. And finally, high quality universal programs may increase the feeling of optimism and equal opportunity among large segments of population. This idea is further developed in Kumlin and Rothstein (2007). They suggest that welfare states exist along several dimensions: one is the level of social spending as proportion of GDP and another is a proportion of citizens that are covered by various social programs. A third dimension has to do with the many different situations and phases in life in which average citizens are in personal contact with public services and welfare state programs. According to them, contact with universal welfare state institutions tends to increase social trust, while experiences with needs-testing social programs undermine it. Their analysis explicitly shows the negative relationship between the number of needs-tested institutional contacts and the levels of social trust based on the Sweden SOM survey.

In their research the authors construct their argument, building on what social-psychological research calls procedural justice. This research shows that people are concerned not only with the final results of personal contacts with public institutions but whether or not the process that eventually leads to the final results is fair. Kumlin and Rothstein (2007) distinguish between several aspects of procedural justice. These may involve questions of whether the individual was received with respect and dignity, whether he or she was able to communicate opinions to civil servants, and whether there are signs of discrimination, corruption, and /or cheating. They also argue that needs-tested public services may more readily give rise to suspicions concerning procedural justice and arbitrary treatment than do universal agencies. In other words, programs based on needs-testing imply a greater scope for bureaucratic discretion. Citizens for their part have an incentive and opportunity in this situation to withhold relevant information from bureaucrats and to try in various ways to convince the latter that they should qualify for the service in question. This easily escalates to a vicious spiral of distrust from clients leading to increased control by bureaucrats. Because of this complex and controversial decision making process, needs testing and bureaucratic discretionary power are often more difficult to reconcile with principles of procedural justice compared to universal public services.

Micro-level institutional theories are also not perfect, although they do provide empirical evidence of the negative relationship between means-tested social programs and social trust. It however remains unclear whether all means-tested schemes can be detrimental to social trust or whether their effects can be policy specific. In other words, not enough research has been done to determine whether the effects of means-tested benefits can be equalized across social programs or if they can be different depending on the type of social benefits.

3.5. The synergetic argument

The synergy between the state and society in generating social capital is also recognized in the series of studies conducted by Fox (1996), Evans (1996), and Heller (1996). They do however confine the process of social capital accumulation to the breadth and density of representative societal organizations. But since they are seen as an important element in developing and reinforcing social trust levels, these studies represent a certain value in understanding the way the state influences civic mobilization.

Fox (1996) distinguishes between two approaches to civic society building: state-driven and society-driven. The soociety-oriented approach tends to adopt an 'historical' determinist explanation to social capital formation or stresses social structure, which takes political strategies, ideologies, values, and cultures as givens. The state-oriented approach emphasizes the centrality of rules and incentives that induce social responses, treating the social arena as a residual black box (Fox, 1996). Fox (1996) argues that relying on the state or society alone does not explain the origins of institutions and thus cannot resolve the reconstruction of social capital, especially in a society with low levels of trust and civic pride which are apt to non-democratic, authoritarian regimes. In such circumstances, what he calls 'political construction' may foster social capital creation. In order to overcome these limitations, Fox (1996) proposes accounting for the interaction between the state and society.

To describe patterns of state-society synergy he refers to the 'political construction' process, which is based on three conceptual building blocks. They include political opportunities, social energy and ideas, and the process of ‘scaling up’ local representation and bargaining power. The first conceptual block includes creating positive incentives for collective actions from below or buffering the negative sanctions against autonomous collective action. The second involves taking actors, their ideas, and motivations into account to explain how people respond to positive and negative incentives for collective actions. Finally, the third block in the political construction approach highlights the importance of organizations whose efforts create opportunities for others to engage in autonomous collective action.

Fox’s case study in rural Mexico shows that despite the poor stock of social capital, in some regions of Mexico the distinct patterns of state-society relations emerge, constituting distinct ‘subnational political regimes’ ranging from entrenched regional authoritarian redoubts to enclaves of pluralism. Fox (1996) distinguishes between three main causal pathways of societal capital accumulation: state-society convergence, local external societal groups, and independent emergence. The main pattern of collaborative production of social capital between state and societal actors took the form of successful initiatives by middle and lower level reformist government officials to recognize and encourage relatively autonomous grassroots organizations. It mainly took the form of cooperation between reformists and local social groups willing and able to take advantage of an opening from above, involving limited but substantive participation in the implementation of government development programs. In other words, state reformists created political opportunities, following pressure from local groups for securing political, civil, and social rights.

The second pathway involves external non-government actors that provide support to local and regional organizing efforts such as churches, development, and human rights groups. The third path is politically more oppositional. Fox (1996) emphasizes that both state and external societal allies provide resources for local collective action that can be grouped into positive and anti-negative incentives. Positive incentives range from direct individual and group material inducements, tangible and intangible rewards for the exercise of leadership, as well as an enabling institutional framework and ideological resources that reduce free-riding problems. Anti-negative resources in contrast reduce the costs that other external actors may threaten to impose on those engaged in constructing autonomous social capital – protection from retribution.

According to Peter Evans (1996), state-society synergy is also possible. Norms of cooperation and networks of civic engagement among ordinary citizens can be promoted by public agencies and used for developmental ends. The synergy may take the form of either complementarity or embeddedness. Complementarity is seen here as the conventional way of conceptualizing mutually supportive relations between public and private actors. It suggests a clear division of labor, based on the contrasting properties of public and private institutions. The idea of synergy can also be based on embeddedness, that is on ties that connect citizens and public officials across the public-private divide. In this framework, he considers it possible to create networks that surpass the boundary between public and private and which are seen as repositories of developmentally valuable social capital rather than instruments of corruption or rent-seeking.

An example of complementarity is when effective states enable a rule-governed environment, which strengthens and increases the efficiency of local organizations and institutions. But here he emphasizes that the state's contribution to social capital is general and distant. Productive informal ties, like market exchanges, require a basic ambience, but public agencies are not directly linked to societal actors. He further argues that complementarity based on the public provision of intangibles can also take forms quite independent of the provision and enforcement of rules. The latter may happen through the creation and diffusion of new knowledge and media publicity. In this case, one of the most important aspects of the complementarity input is that it enhances the extent to which government programs are able to combine social capital formation with the delivery of services. His example of Ceara's successful preventive health program illustrates that the government's blitz of positive media publicity bolstered the health agents' sense of 'calling' and made them more willing to engage in the kind of diffuse public service that helped generate new trust relations between them and the community. It also affected the way in which they were viewed by members of the community, again increasing the likelihood of trust relations. Positive impact on social trust formation is seen here as one of the most important byproducts of complementarity.

Embeddedness is based on the idea that the state can help best by providing inputs that local people cannot provide for themselves and then maintaining a 'hands-off' stance with regard to activities that are within the scope of local action. Social capital is formed by making those who are part of the state apparatus more thoroughly part of the communities in which they work. The networks of trust and collaboration that are created as a result span the public-private boundary and bind state and civil society together. As an example he refers to China's transition success story where they managed to create the dense networks of ties that connect state agencies and private capital. "From joint business-government deliberation councils to the maze of intermediate organizations and informal policy networks where much of the time consuming work of consensus formation takes place". In this example, social capital is formed in networks that are neither public nor private but fill the gap between the two spheres.

He continues by pointing out that embeddedness and complementarity are not competing concepts of synergetic relations but are themselves complementary. He argues based on the examples of the government programs in developing countries that if the government had limited its role to the provision of the complementary input and assumed that local citizens would provide the appropriate responses without the involvement of public sector workers in the construction of a set of reinforcing ties, the campaign would almost certainly have failed.

Heller (1996) goes even further in his discussions about state–society synergy, demonstrating that a strong state is usually associated with a strong society. His case study of Kerala, India shows that successfully pursued social and redistributive development strategies are tied to exceptionally high levels of social capital as measured through the density of civic organizations. Heller (1996) argues that the vigor and dynamism of civil society is matched only by the size and activism of the state. He concludes about the reciprocal link between state and social capital by showing that the state and society in Kerala have reinforced each other in a manner that supports the synergy hypothesis. State intervention aimed at providing public goods and welfare to individuals has been built directly on existing social capital resources and has in turn reinforced social capital. The expansion of public health and education services has had a crowding-in effect as the competition between public and private delivery services has increased overall efficiency. The comparatively corruption free and logistically successful provision of low-cost housing, school lunch programs, subsidized food and day care have been attributed to the active and informed participation of local groups. High civic participation in Kerala is associated with the most developed social welfare system in India, the most extensive network of fair price shops and rates of social expenditures that continue to be significantly higher than the national average.

Heller (1996) also discusses the process of welfare state development which fits into the power resource model. He argues that the organized militancy of lower class groups united under the leadership of the Communist Party eroded traditional structures of domination, which cleared the path for state intervention. The bureaucratic-legal capacities of the state were activated and extended by mobilization pressure from below. The resulting synergy underwrote the politically and administratively daunting tasks of implementing structural reforms and building an extensive network of welfare services in an impoverished society. The legal and social protections enforced by an activist state in turn heightened labor's capacity for militancy. The most concrete and tangible effect of this synergy was redistributive development. He concludes that the most visible product of the synergy between a society mobilized along class lines and a democratically accountable state is the efficient and comprehensive provision of social services and the development of human capital resources.

Thus, the different mechanisms of synergy between the state and society in generating social capital are widely analyzed in the literature. These discussions are however purely theoretical and are based on the case studies conducted in the third world countries. There is little empirical evidence that proves that this synergy really exists and that it works in the way it was discussed in the literature.

3.6. Defining the drawbacks in existing studies

Summing up the recent findings leads us to believe that the existing research (regardless of its outcomes) possesses a number of shortcomings that can be summarized in five main points.

The first drawback of the research consists in ignoring the possibility of ‘mixed’ effects of welfare state activity on social capital. As it was mentioned before, the concept of the welfare state includes a set of numerous social policies. Hence, it is plausible to assume that certain policies may lead social capital to decline while other policies may enhance the development of familial and social values. Therefore, when analyzing them as a whole, the total effect can be neutralized or biased by a prevailing policy. This logic is especially clear if welfare states are scored on spending. By doing so we assume that all spending counts equally. As a result, we ignore the fact that spending actually reflects a number of policies which have a specific structure. These policies are different in their impact, outputs, and outcomes and each of them affects social capital in its own way. Thus, when analyzing the effect of total spending, the changes in social capital are inevitably biased either by the policy absorbing a greater share of expenditures or by the policy with the strongest influence.

The second drawback is ignorance of the notion of targeting. In each welfare state, there are policies that are applied exclusively to a certain population group (for instance pensioners) and hence only the social capital of this specific group is subject to the direct pressure of change. Hence, when analyzing crowding out effects on the basis of the data for the whole population, we are not taking into consideration the fact that welfare state intervention consists of numerous policies developed to cover certain risks and thus the social capital of people experiencing those risks can primarily change. Ignoring this nuance and focusing the analysis to the whole population may result in the underestimation of the true impact of welfare state development on social capital formation.

The third drawback consists in ignoring the fact that social spending levels limited to the ‘how much’ dimension do not reflect the actual level of benefits received by individuals. High social spending may result from the fact that selective benefits are quite high while the coverage rate is quite small. A similar level of total social spending may be obtained in the situation of high coverage rates but low benefits level. Hence, when analyzing the 'how much' dimension we ignore, on the one hand, the coverage rate and, on the other hand, the actual decommodification level obtained as a result of state intervention in social arrangements. Besides that, intervention by the state in the form of social policies results in a certain type of stratification which is not completely reflected by social spending. As Forma and Kangas (2002) point out 'Social expenditures as such do not tell very much about the principles or social rights according to which money is actually distributed'. Thus one should take account of the decommodification and the nature of the stratification mechanism which forms an outcome spectrum in welfare state analysis.

The fourth drawback consists in ignoring the fact that each policy is designed and implemented in a variety of ways and hence each possesses certain characteristics. This reflects the historical, institutional, and structural conditions in which the development of social schemes takes place. In each country, social benefits are based on the specific features resulting in different levels of de-commodification, institutional design, financing source structure, and conditions of delivery. To some extent, these differences are accounted for by Esping-Andersen's welfare state regime typology based on a three-dimensional approach defined along de-familirization, de-commodification and stratification axes. But this typology has some disadvantages. On the one hand, this classification ignores the differences among countries by grouping them into a single welfare regime type. This results in the loss of information and possible underestimation of the effects de-familirization, de-commodification and stratification cause on social trust levels. On the other hand, Esping-Andersen's classification only partially accounts for some dimensions whose effects are often discussed. These characteristics are: (1) universal versus categorical welfare programs (non means-tested versus means-tested benefit schemes), (2) general tax financing versus contributory financing, (3) in-kind versus cash benefits, and (4) active versus passive policies.

The fifth drawback concerns the fact that the effects of social policies can differ across social groups. Social policies are designed in a way that their effects vary across different social groups since there are different situations and phases in life in which average citizens are in personal contact with public services and welfare state programs. It is difficult to contest that the need for social help is defined on the basis of each individual's situation and phase of life in which he or she is in need for public help. Social policy hence differs across age, education, minority, and gender groups. These are just several examples of the variation of social policies across social groups. The analysis conducted so far concentrates mainly on the effects of social spending on the whole population without taking into account the fact that the effects of social policy may be group specific. An example here is the study conducted by Herros and Criado (2008) who prove that the effects of the state will be different for members of the country's majority ethnic group than for members of minority ethnic group. More specifically, the state's efficacy has a larger effect on the level of trust in majority groups than in minority groups. They explain this difference by pointing out that minority ethnic groups are more sceptical about the role of the state: they usually show higher levels of distrust in public institutions. Their empirical analysis based on the European Social Survey for 22 European countries confirms this hypothesis.

For the purpose of our analysis, a distinction should be made across the gender axis. It is widely accepted that there is no gender dimension in welfare state classification, while it is possible to argue theoretically that there is a gender gap in the effects social policy has on social trust.

3.7. Overview and concluding remarks

Based on the known mechanisms of trust formation, we analyze the relationship between the welfare state and social trust. Theoretical explanations show that, on the one hand, the state can destroy social trust through its negative impact on volunteering, individuals' ability to cooperate, and a collective sense of responsibility. On the other hand, there are theories that argue the possibility of synergy between the state and society, which are based on the idea that the state can keep the individual integrated when he or she is having difficulties, can provide a strong institutional framework within which trust deals can take place , and can foster voluntary associations from below.

Empirical research can also provide controversial results which demonstrate that the degree of welfare state development may positively as well as negatively affect trust levels. The main feature of the research conducted so far is the fact that most of the studies tend to speculate about the possible effects of social policies on social capital without employing statistical techniques to check the plausibility of these mechanisms. Furthermore, the few empirical studies that exist mostly rely on the use of social spending as a measure of welfare state development. This in turn may ignore (1) the possibility of 'mixed' effects, (2) the notion of targeting; (3) the actual level of decommodification and the nature of stratification mechanisms, (4) the fact that each policy is designed and implemented in a variety of ways and hence possesses certain characteristics, and (5) the fact that the effects of social policies can be group specific.

This hence gives rise to the need for finding a new operationalization for welfare state development which allows us to conduct a cross-sectional analysis to estimate the effects of social policy on social trust. We will try to take account of the above-mentioned drawbacks by proposing a new research design based on the idea of the multidimensionality of welfare state effects on social trust. This will shift the attention from discussing the multidimensionality in social capital to allowing for multidimensionality in operationalizing the degree of welfare state development. The dimensions are derived first from the functions social policies perform. Second, the outcomes of welfare state activities are taken into account. Finally, we will specify social policy characteristics while estimating their effects on social trust. A detailed description of the research design is provided in the next section along with the hypotheses formulation.

Chapter 4: RESEARCH DESIGN, DATA, AND METHODS DESCRIPTION

4.1. Research design and hypothesis formulation

Our research is based on the assumption that each social program is intended to cover certain risks or contingencies and is designed for a certain group of people, namely those experiencing these contingencies. Apart from that, we will take into account the fact that state intervention in the form of social policies results in a certain level of decommodification, as well as a certain form of social stratification. Finally, we assume that each policy possesses a number of characteristics which reflect the features of the program's design and implementation, as well as their financing conditions.

This logic is visualized below (Figure 4.1.) while suggesting a three-fold analysis. First, one should analyze the effects of the level of social spending on certain social programs on trust indicators among their direct recipients. Second, one should investigate how the level of out-sourcing of the individual from the market and the form of social stratification influences his or her social trust levels. And third, one can account for how the specific conditions of benefits provisions, design, and financing affect their trust indicators. In other words, one can derive three axes around which the multidimensionality of social policies is formed.

The first is a functional axis, which takes into account the different functions performed by social policies, and forms the functional dimension. The functions are derived on the basis of the risk or contingencies which social policies are designed to cover. The distinction here applies to the existence of policy specific effects on social trust levels. In other words, one should deconstruct social spending on a functional basis to assess the policy effects of each specific social benefit scheme.

The second axis refers to the final outcomes of social policies, namely the level of de-commodification, stratification, and de-familiarization. It can be called the outcome axis around which the outcome dimension is formed. The latter focuses on the effects of welfare state outcomes on social trust indicators. The overall approach consists here in deconstructing Esping-Andersen's welfare regime typology (1990) and evaluating the effects of decommodification and stratification on social trust levels.[8]

The third axis can be called qualitative. It takes account of the different policy characteristics in order to study their separate effects on social trust levels. The dimension formed around this axis can also be called qualitative and it focuses on the specificity of a

[8] De-familiarization will be omitted from the analysis due to a lack of data.

benefit's design, delivery, and financing. The analysis here is aimed at isolating social characteristics and assessing design specific effects on social trust levels.

These three axes form the basis of the multidimensionality of a social policy's effects on social trust formation. The latter constitutes a clear breakthrough in the analysis of social policies on interpersonal and institutional trust levels, which usually consists in relating the level of social spending to trust indexes. This new approach allows us to grasp all possible effects the welfare state conducts on trust perception from a different prospective and go beyond the usual spending level. The latter permits, on the one hand, for describing welfare state development in better detail. But this approach also provides ground for a better understanding of the mechanisms underlying the relationship between the level of welfare state development and social trust formation.

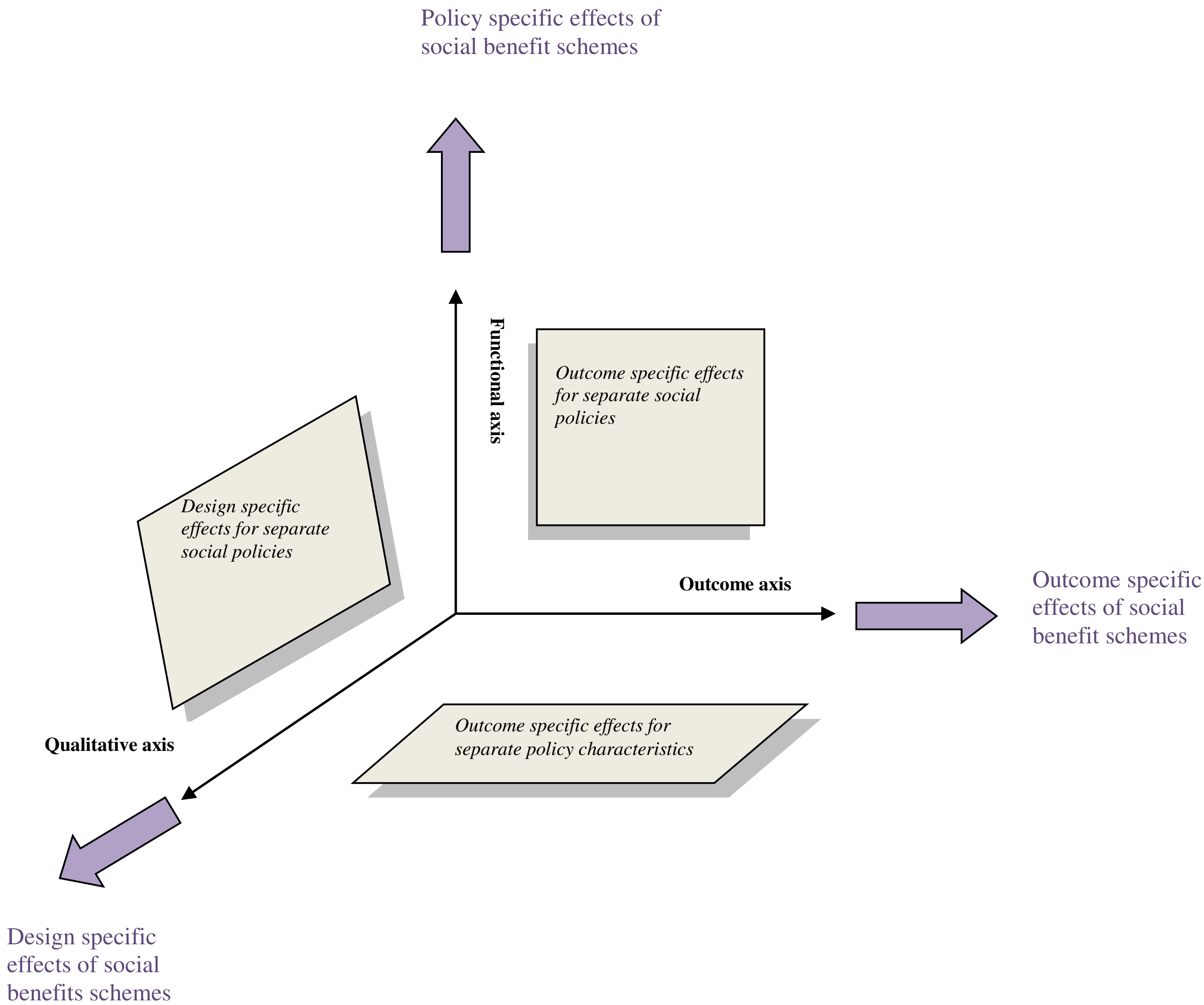

Figure 4.1.: Visualizing the functional, outcome, and qualitative dimensions and their two-dimensional interactions

Apart from that, the interaction between the defined three dimensions should be taken into account. When combining the functional dimension with the outcome dimension, it becomes possible to asses the effects of decommodification and the stratification of separate social policies on social trust levels among their direct recipients. In other words, the interaction between these two dimensions provides outcome specific effects on social trust for separate social policies. For instance, one may be interested in assessing how the level of decommodification and stratification of pension policy affects interpersonal and institutional trust among pensioners.

Similarly, the interaction between functional and qualitative dimensions can be defined. In this case, one can evaluate how the characteristics of distinct social schemes affect social trust levels among their direct recipients. In other words, we can assess the design specific effects of separate social benefits on interpersonal and institutional trust. As an example, one can think about the relationship of means-tested and non means-tested pension spending on social trust among pensioners.

The third interaction provides the most complicated insight into the overlap of welfare state dimensions. By projecting the outcome dimension on the qualitative dimension, one can assess the outcome specific effects of different social policy characteristics. If the outcome dimension is related to the level of decommodification and stratification of social policies and the qualitative dimension describes the institutional design of benefit schemes, their interaction allows for an assessment on how the level of decommodification and stratification of means-tested and non means-tested schemes influences social trust levels.

Specification of the functional dimension

The first two drawbacks can thus be corrected by relating the spending level of certain social policies to the trust level of their direct recipients. For the purpose of the analysis, two main social provisions will be chosen: pensions and unemployment benefits. The choice of these two welfare programs is based on the fact that they are convenient in terms of defining their target groups and forming a sub-sample of pensioners and a sub-sample of unemployed people for conducting the analysis on the basis of the WVS data. In order to see whether the specification of the crowding-out hypothesis through the isolation of the effects of these two social policies is reasonable or not, we include total social spending in our analysis. Their effect on social trust indicators among the whole population will be used as a benchmark for comparison with policy specific effects of unemployment and pension spending on social trust levels among their direct recipients. We will thus correct the first and second drawbacks deduced from recent studies by separately analyzing the variations in the trust indicators of unemployed people, and pensioners in relation to the level of spending on these relevant policies.

In addition, this approach will allow us to deduce whether the effects of social spending on trust levels are policy specific. The latter can be deduced by comparing the effects of total social spending on trust levels among the whole population to the effects of relevant social spending on trust levels among their direct recipients.

The logic of the analyses can be depicted as follows:

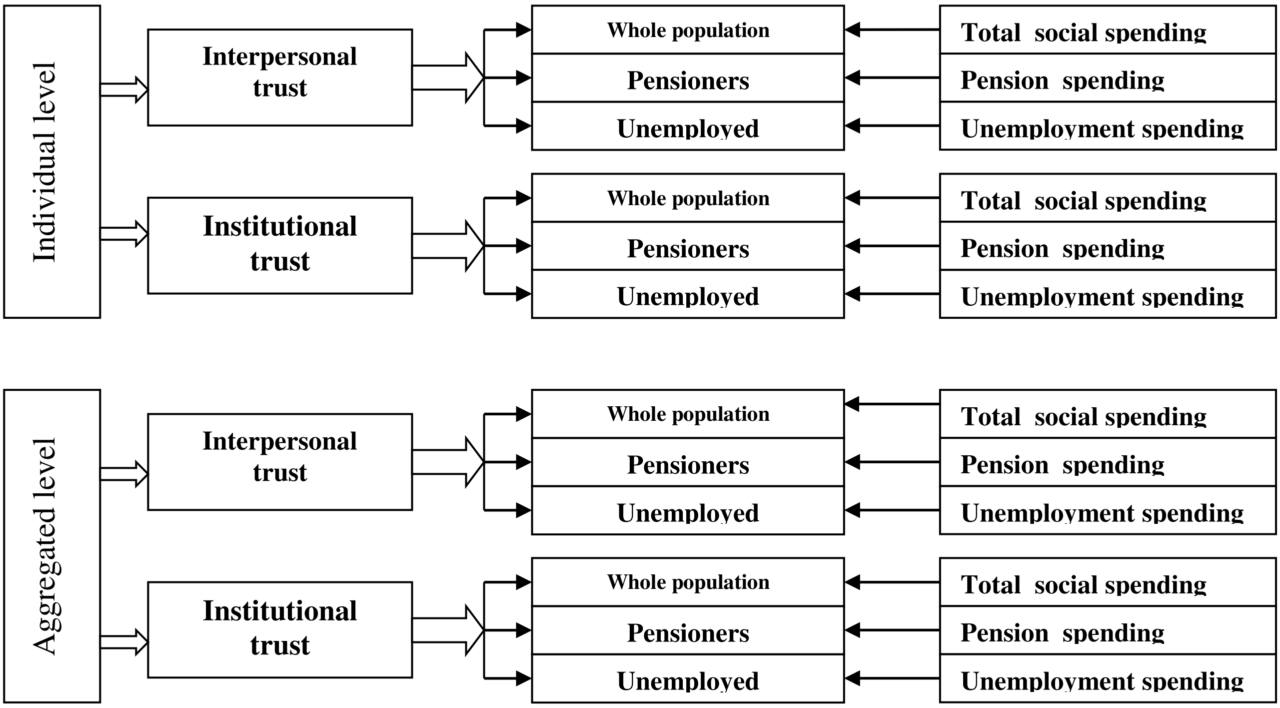

Figure 4.2. The logic of the analysis of the functional dimension

The hypothesis for this part of the analysis can be formulated as follows:

HYPOTHESIS 1. If the crowding-out hypothesis holds at the aggregated level, then countries with higher social spending will have lower indicators of social trust among their population. The same should be true for both forms of trust: interpersonal and institutional, and for all sub-samples: the whole population, pensioners, and the unemployed.

HYPOTHESIS 2: If the crowding-out hypothesis holds at the individual level, then higher levels of social spending will be associated with lower levels of interpersonal and institutional trust among the whole population, pensioners, and the unemployed.

Specification of the outcome dimension

Apart from defining the functional dimension, one should take account of the level of an individual's outsourcing from the market and the form of the social stratification that results from social policy implementation. In other words, one should consider the third drawback. The correction of this drawback is done by separately analyzing the effects of each dimension of Esping-Andersen's welfare regime typology (1990) on social trust levels. The structure of our analysis can be depicted as follows:

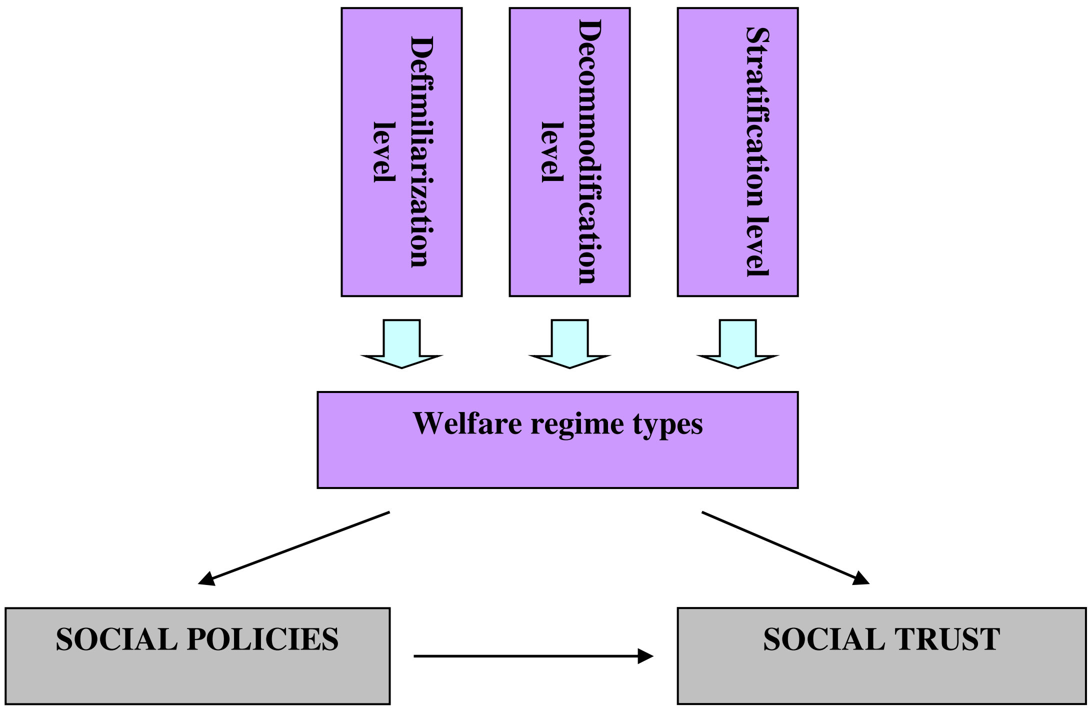

Figure 4.3. The logic of the analysis of the outcome dimension

One should relate the welfare regime types to the level of social trust among individuals living in them. It is plausible to assume that welfare regimes that are characterized by universal entitlements based on citizenship, decent replacement rates, a broad supply of social services, active family policy, and the promotion of gender equity will outperform welfare regimes characterized by means-tested targeted and needs-based entitlements as well as those predominantly based on employment-related social insurance. Hence we assume that:

HYPOTHESIS 3: Higher levels of trust are expected to be found in the social democratic welfare regime inherent to Scandinavian countries while lowest in the liberal welfare regime type. Continental countries are anticipated to be in-between relative to their social trust levels.

On the other hand, in order to avoid the loss of information resulted in grouping countries to welfare regime types, we will analyze the effects of decommodification and stratification coefficients on trust indicators directly. The dimension of de-familiarization is omitted from the analysis due to the fact that there are no available data measuring the de-familiarization level. We anticipate that:

HYPOTHESIS 4: Lower levels of trust will be found in countries with higher levels of decommodification if the crowding-out hypothesis is true. This must hold for both levels of analysis: aggregated and individual, and for both forms of trust: interpersonal and institutional.

We also expect that:

HYPOTHESIS 5: Highly stratified societies must be associated with lower levels of social trust indicators for both levels of analysis: aggregated and individual, and for both forms of trust: interpersonal and institutional.

Specification of the qualitative dimension

In addition, we will relate the above-mentioned four characteristics of social policies to trust levels in order to see how the specific features of design and provisions of social benefits affect trust indicators in order to correct the fourth drawback.

The logic of the analysis can be visualized as follows:

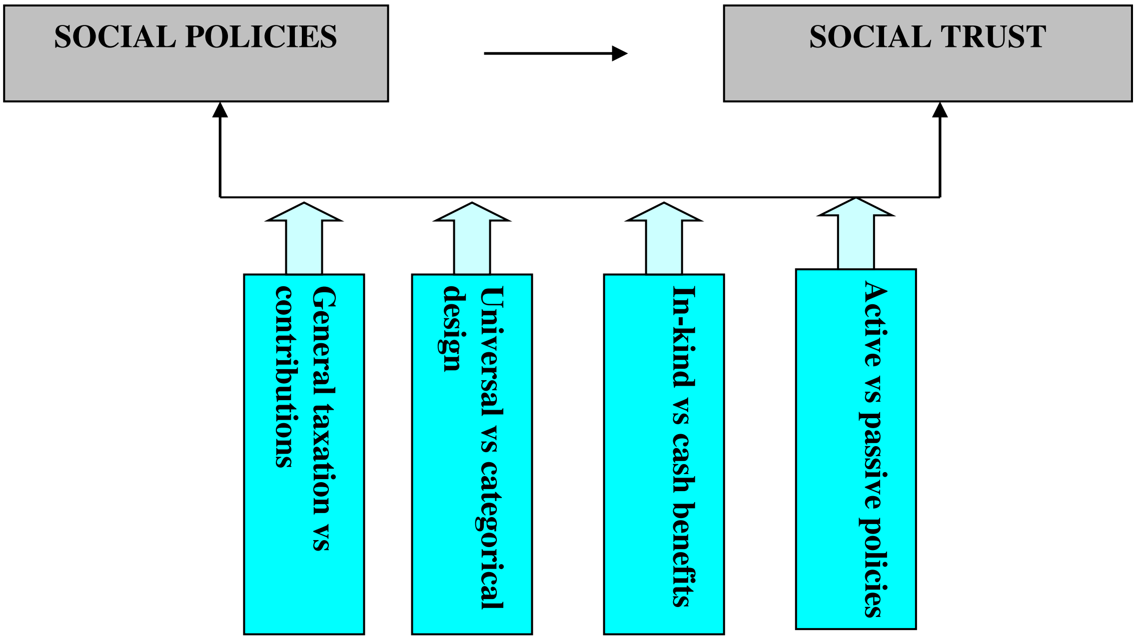

Figure 4.4. The logic of the analysis of the qualitative dimension

There is not literature in all cases that explains how the specific characteristics of the welfare state mentioned above affects trust indicators. The only exception is the distinction between universal and selective (categorical) welfare states, which emphasize that universal welfare states promote equality of opportunities and equal treatment of all citizens, from which we can deduce that their effects on social trust must be positive (Rothstein, 1998; Rothstein, 2001). For the purpose of this analysis, this characteristic of social policy will be taken. The selection of this characteristic is due to the fact that the effects of institutional design on social trust is fully theoretically elaborated in the literature, which allows one to formulate expectations and a hypothesis, which can be done as follows:

HYPOTHESIS 6: Spending on non means-tested benefit schemes should be positively associated with social trust indexes while spending on means-tested benefit schemes should be negatively associated with social trust scores.

Specification of the gender gap in social policy effects

Finally, we will account for the fifth drawback by separately analyzing the effects of social spending on social trust by gender. We will first elaborate on the theory to form expectations about how social policies may differ in their impact on social trust among the two sexes. Even at the intuitive level, it can be expected that a welfare state's effects are more positive for men than for women. The hypothesis for group specific effects can be formulated as follows:

HYPOTHESIS 7: Social trust indexes among men will be more positively associated with social spending than those among women.

4.2. Data source

The main data source is the World Values Survey (WVS) that contains measures reflecting people's attitudes and beliefs in a wide range of social domains. The World Values Survey is a unique resource in the social sciences. The first survey was coordinated from twenty-one nations and conducted in the early 1980s by the European Values group. The second wave of surveys, done in the early 1990s, expanded the pool to forty-two nations, including many of the post communist states in Eastern Europe. The third wave, in the mid-90s, included fifty-four nations and expanded the data to several nations in the developing world. The fourth wave of the WVS included representative national surveys examining the basic values and beliefs of people in more than sixty-five societies on all six inhabited continents, containing almost 80 percent of the world's population.

An international network of social scientists, coordinated by an international directorate, carried out the project. Most surveys are funded from national sources and are conducted by leading survey research firms. An international board develops the survey questions, which are translated into the national language by each research institute. The data are then assembled into a single data set and made available to the international research community.

We will use the data from the most recent wave[9]. An exceptional feature of the 1999-2002 WVS is the range of nations included in the survey. Our sample will include the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, the UK, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United States.[10] The choice of countries was based on data availability pertaining to country-level characteristics. On the basis of this data set, two additional sub-samples are formed:[11] the first for pensioners and the second for the unemployed. Each of them contains only retired people or people that were unemployed at the moment the survey was conducted[12] respectively.

4.3. Methods description

The analysis of the welfare state's effects on social trust is conducted at two levels - individual and aggregated – for the original sample containing all respondents regardless of their activity status, as well as for each of the sub-samples: pensioners and the unemployed.

At the aggregated level we will assess the relationship between the countries' average levels of interpersonal trust and trust in institutions and the level of their relevant social spending while controlling for the countries' characteristics. The analysis is conducted separately for the whole population, pensioners, and the unemployed. Since the number of cases at the country level is limited to 18, we are restricted to using the correlation between relevant social spending and trust, while sequentially controlling for only one of the country-level variables.

The individual level analysis attempts to assess the effects of relevant social spending on the level of social trust of individuals while controlling for the personal characteristics of

[9] The most recent wave of surveys at the time of this project was in 1999-2002. The other reason for choosing this wave is an attempt to use more recent data for the decommodification and stratification scores to trust indexes.
[10] It should be noted that the data for some countries included in the survey stem from the previous wave in 1994-1998 due to a lack of data for the last wave. These countries are: Australia, New Zealand, Norway, and Switzerland.
[11] The formation of sub-samples for pensioners and the unemployed is conducted on the basis of the WVS question about the current activity status of the respondent (employed, unemployed, pensioner, etc).
[12] The pooled sample contains 25,257 cases whereas the sub-samples of retired and unemployed people have 5,013 and 1,162 cases respectively.

the respondents. A multilevel analysis is used to account for observed and unobserved heterogeneity at the country level. The main arguments for using multilevel modelling rest on the idea that the data represent a clear hierarchy nested within countries. Hence, if utilizing traditional individual-level statistical tools for hierarchical data, one encounters at least two statistical problems (Luke, 2004). First, all of the un-modeled country information ends up being pooled into the single individual error term of the model and hence individuals belonging to the same country will presumably have correlated errors, which violates one of the basic assumptions of multiple regression. Second, by ignoring the existence of the upper level, one assumes that the regression coefficients apply equally to all countries, thus propagating the notion that processes work in the same way in different countries which is not always true.

This study is based on a cross-national analysis of the relationship between different indicators of welfare state development and social trust levels. We use a multi-level logistic regression to check for policy specific effects between relevant types of social spending and interpersonal trust.[13] A multi-level linear regression analysis is applied to detect the direct influence of social spending on respondents' indicators of institutional trust.[14]

The multi-level analysis will be defined on the basis of the following standard equation: logit [π (x)] = log (π (x) / (1 - π (x)) = $\beta_0 + \beta_i X_i + \varepsilon_i$ (Agresti, 1996) while taking into account both variations at the individual and country levels. The final model will take the below-given form and will be used for each of the target groups (pensioners and the unemployed) as well as for the whole population:

$$Log\ (\pi\ (more\ trusting)/\ \pi\ (less\ trusting))_{ij} = \beta_0 + \beta_1\ R\_S\_Spending_j + \beta_2\ X_{ij} + m_{oj} + \varepsilon_{ij},$$

R_S_Spending$_j$ – is relevant social expenditures, X_{ij} – is a set of individual-level control variables, m_{oj} –is variance at the second (country) level, ε_{ij} –is variance at the first (individual) level. We are interested in the estimate of the coefficient on the R_S_Spending$_j$ variable, which will measure an average change in log of odds of having high rather than low interpersonal trust when relevant social expenditures increase by 1% while controlling for

[13] The choice of the logit was based on the fact that interpersonal trust is a dichotomous variable.
[14] The choice of this method was based on the fact, that institutional trust can be considered a continuous variable.

individuals' characteristics. The countries' characteristics are not controlled for due to the small number of cases at the second level. We limit our analysis to fixed effects and do not study random effects since studying random effects goes beyond the scope of our analysis.

Our expectations can be defined in technical terms as follows: if the crowding-out hypothesis holds, then we will obtain a negative sign on this coefficient. Moreover, if our assumption about the existence of policy specific effects is plausible, then we will have a different sign or at least different values on the coefficients of spending in the equations for pensioners and the unemployed compared to the equation for the whole population.

The same logic is used to analyze the outcome and qualitative dimensions. More specifically, we substitute the relevant social spending with the measure of the level of decommodification and stratification. Support for the crowding-out hypothesis is obtained when the coefficients on these variables have a negative sign.

For the qualitative dimension, we will substitute relevant social spending with the measure of universal versus categorical welfare programs (non means-tested versus means-tested benefit schemes). Support for the crowding-out is obtained in the case of having a negative sign for the relevant variables.

To assess the effects on institutional trust, the following linear model will be used:

$$Institutional\_Trust_{ij} = \beta_0 + \beta_1\, R\_S\_Spending_j + \beta_2\, X_{ij} + m_{oj} + \varepsilon_{ij}$$

$R\_S\_Spending_j$ – is relevant social expenditures, X_{ij} – is a set of individual-level control variables, m_{oj} – is variance at the second (country) level, ε_{ij} – is variance at the first (individual) level. Again, we model only fixed effects while random effects are not included in the model. As in the previous case, this can be explained by the fact that we are not interested in studying how the effects of individual level variables differ across countries but rather on the effects of country level variables, namely welfare state development, which can be done through fixed effects. Moreover, we do not include other country level covariates due to the fact that the number of cases at the second level is too small.

The coefficient on R_S_Spending will measure an average change in the institutional trust score which is associated with a 1% change in relevant social expenditures when individuals' characteristics are held constant. Our expectations can be formed as follows: crowding-out in institutional trust occurs if the sign on the coefficient of relevant social spending is negative. Moreover, the difference in the value and/or sign on this coefficient for the sub-samples will indicate the presence of policy specific effects.

The same logic is used in order to assess the effects of the outcome and qualitative dimensions.

The operationalization of the models will be done as follows:

Dependent variables

As it usually appears in the literature we distinguish between two types of social trust: interpersonal trust and trust in institutions. Interpersonal trust is defined on the basis of the following question: 'Generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?' A positive answer to the first part of question is interpreted as a high level of trust, and is assigned a value of 1. The opposite answer is treated as a low level of trust, and has a value of 0.

Trust in institutions is a synthetic variable constructed on the basis of a range of questions concerning people's confidence in various institutions. The answer to each question is measured on a four-scale basis varying from 'a great deal' to 'none at all.' For our dependent variable, we have selected the following institutions: the police, parliament, civil services, the social security system, the health care system, and the justice system. Van Oorschot (2006) shows through a factor analysis that all of them load on the same construct and the new scale has a quite high reliability level (0.80). We came to the same conclusion while repeating the factor and reliability analyses. The new variable 'institutional trust' was calculated by summing-up scores of construct parts so that the new scale had values varying from 6 to 24. However, for the ease of interpretation the values are recorded in a range from 1 to 19 reflecting 'no confidence' to 'high confidence' in the selected institutions respectively.

Independent variables

The main independent variable is social spending, which explicitly reflects the level of welfare state intervention in societal arrangements. We distinguish between total social spending,[15] social spending on public pensions,[16] and social spending on unemployment

[15]According to the definition of Eurostat (source of data), total expenditures on social protection include: social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; administration costs, which represent the costs charged to the scheme for its management and administration; other expenditures, which consist of miscellaneous expenditure by social protection schemes (payment of property income and other). The functions (or risks) are: sickness/healthcare,

schemes, with each being measured as a percentage of GDP. In order to avoid the impact of cyclical fluctuations in GDP over the past years and the difference in economic performance across countries, we will calculate the average indicators of relevant social spending for the period starting from 1990 to 1998 which was the year preceding the survey. The main source of data for the European countries is the Eurostat website (http://epp.eurostat.ec.europa.eu, European System of Integrated Social Protection Statistics). This data source provides information on total social spending and social spending by functions. For non-European countries the additional information source is http://www.oecd.org/dataoecd/7/54/35385805.xls for pension expenditures and http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_AGG for spending on unemployment benefits.

In addition, welfare state development is operationalized through welfare regime types. The grouping of countries is based on Esping-Andersen's typology (1990): Scandinavian countries (Denmark, Finland, Norway and Sweden) form social democratic welfare regimes. English-speaking countries (Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States) represent liberal regimes. Continental European and Mediterranean countries (Austria, Belgium, France, Germany, Italy, the Netherlands and Switzerland) as well as Japan are grouped into a distinct type of conservative welfare regimes.

The decommodification level is operationalized through both the decommodification index and the benefit generosity index. The former is a replication of the analysis of decommodification scores represented in the "three worlds of capitalism." The latter takes into account the drawbacks of Esping-Anderson's methodology and represents the level of generosity of social benefits. Both indicators were calculated by Scruggs and Allan (2006b) and made available to the public in their publications. We also use their stratification indexes for operationalizing stratification levels in the countries of interest. The indexes were again obtained by replicating Esping-Andersen's analysis of stratification levels (Scruggs and Allan, 2006a).

The operationalization of the interaction between decommodification and the functional dimension is done by distinguishing between the decommodification levels of pension and unemployment policies. The main source for these decommodification scores is Bambra (2006).

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disability, old age, survivors, family/children, unemployment, housing, and social exclusion not elsewhere classified.

[16] Pensions include old age, disability and survivor pensions as well as early retirement benefits. In addition, the data are split between means-tested and non means-tested pension schemes measured as a percentage of GDP.

The division of welfare expenditures between means-tested and non means-tested expenditures is operationalized through the relevant social spending on means-tested schemes and non means-tested schemes measured as a percentage of GDP. The main source of information is the Eurostat web-site (http://epp.eurostat.ec.europa.eu, European System of Integrated Social Protection Statistics). A division is also made between pension and unemployment non means-tested and means-tested schemes while using the same source of information.

Control variables

Country wealth is measured through GDP in purchasing power standards per capita calculated as an average for 1995-1999 (source: Eurostat website: http://epp.eurostat.ec.europa.eu, Eurostat Structural Indicators, 19-05-2007, and http://swivel.com/data_sets/show/1004852, 19-05-2007). Income inequality is operationalized through the ratio between the total income of those in the top 20% income group and those of the bottom 20%. The ratio is averaged out through the period from 1995 – 1999 (source: Eurostat website, http://epp.eurostat.ec.europa.eu, Eurostat Structural Indicators, 19-05-2007). We measure the level of economic 'confidence' in a country by averaging its unemployment rate over the period 1996-1999 (source: Eurostat website, http://epp.eurostat.ec.europa.eu, European Labour Force Survey, 19-05-2007). We operationalize corruption through the perceived index of corruption annually published by Transparency International (www.transparency.org, 19-05-2007).[17] The percentage of Protestants living in each country is calculated from the World Values Survey. The fractionalization level is operationalized through the fractionalization index calculated by Alesina et al. (2003) (http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls).

The effects of volunteering are calculated by constructing a dummy that has a value of 1 if an individual volunteers for at least one of the social welfare services (for the elderly, handicapped, or deprived people) or is involved in local community actions on issues like poverty, employment, housing, racial equality, third world development and human rights, the environment, ecology, and animal rights, or participates in voluntary organizations concerned with health, women's movements, peace movements, or youth work. In the opposite case, the variable takes a value of 0, which means no volunteering and is used as a reference category.

[17] The index taken for 1999 has higher values for the countries with less corrupt behavior and low values for those with higher corruption levels.

We have also constructed a dummy to describe the individual's propensity for socializing by using the WVS question about personal habits in meeting friends or colleagues. Those who spend time with friends or colleagues outside the workplace at least once or twice per month are considered more sociable. If the frequency of socialization is less than that we see those individuals as less sociable and take this group as a reference category. Household income is measured on the basis of the ten-point scale used by survey participants in the WVS to rate their income status and is divided into five groups forming five quintiles. Unemployment is controlled in our analysis by a dummy with other employment status as a reference category (1=unemployed, 0=other). We also include dummies for Catholics and Protestants with all other religions labelled as 'other'. As a reference category, we use a group of non-religious people. Religiousness in our analysis is an ordinal variable constructed on the basis of the frequency of church attendance. Education is measured by the highest degree reached by the individual and described on the basis of an 8-degree scale and categorized in three groups: the first comprises those with the lowest education levels, the second is for those with moderate education levels, and the third is for those with the highest education levels. We operationalize the age variable by calculating the actual age of the respondents (in years) at the moment the survey was conducted and by creating three groups: the first one comprising those between 15 and 29, the second of those between 30 and 44, and the third of those aged 45 and older. To control for the gender of respondents, we have constructed a dummy with the following values: 1 for males and 0 for females.

Chapter 5: THE WELFARE STATE AND SOCIAL TRUST: A DESCRIPTIVE ANALYSIS

5.1. Levels of interpersonal and institutional trust in OECD countries

Before proceeding to the analysis of the effects welfare state development has on social trust formation, it is plausible to discuss trust level variation in the selected countries. The analysis reveals that the average level of interpersonal trust in 18 OECD countries represents a satisfactory value, equal to 0.41 out of 1, while the fluctuation among countries slightly exceeds 50% of the average score. When looking at the country case analysis, it becomes visible how different interpersonal trust indexes are among the chosen countries. The figure given below illustrates that out of 18 countries, Scandinavian countries can be considered highly trusting nations: the percentage of trusting people in Denmark, Sweden, Norway and Finland is around 60. These findings confirm the vast literature on the corporatist and participatory nature of the economic and political system of Northern Europe. At the same time, it also confirms a general opinion about the outstanding level of trust in the Scandinavian countries, which suggests that Scandinavian nations are outliers in all types of social capital discussions.

The Netherlands is also highly trusting. New Zealand follows Finland with about 50% of people who give a positive answer to the trust question. The rest of the countries show little variation in the percentage of trusting people, which fluctuates on average between 30 and 35 percent, being almost twice as less as the Scandinavian nations.

France was found to be the least trusting nation with slightly more than 20 percent of the population believing that other people can be trusted. The latter is difficult to explain. There is no economic and political instability in France, which is marked by foreign interventions, waves of refugees and immigrants, or periods of civil war and dictatorships. However, it is possible to assume that the development of civil society in France as well as in other countries with low trust levels is a slow process, which may explain the low trust levels there. In France, for instance, only 19.1 percent of people are members of different organizations. The same is also true for Italy and the United Kingdom where membership in organizations hardly exceeds 20 percent, compared to social democratic countries where the figure is around 80 percent.

The findings are generally consistent with the results provided by other studies, which usually emphasize that the lowest levels of social capital can be found in the Mediterranean countries while the highest can be found in the Scandinavian nations (Frane, 2008; Van Oorschot and Arts, 2005).

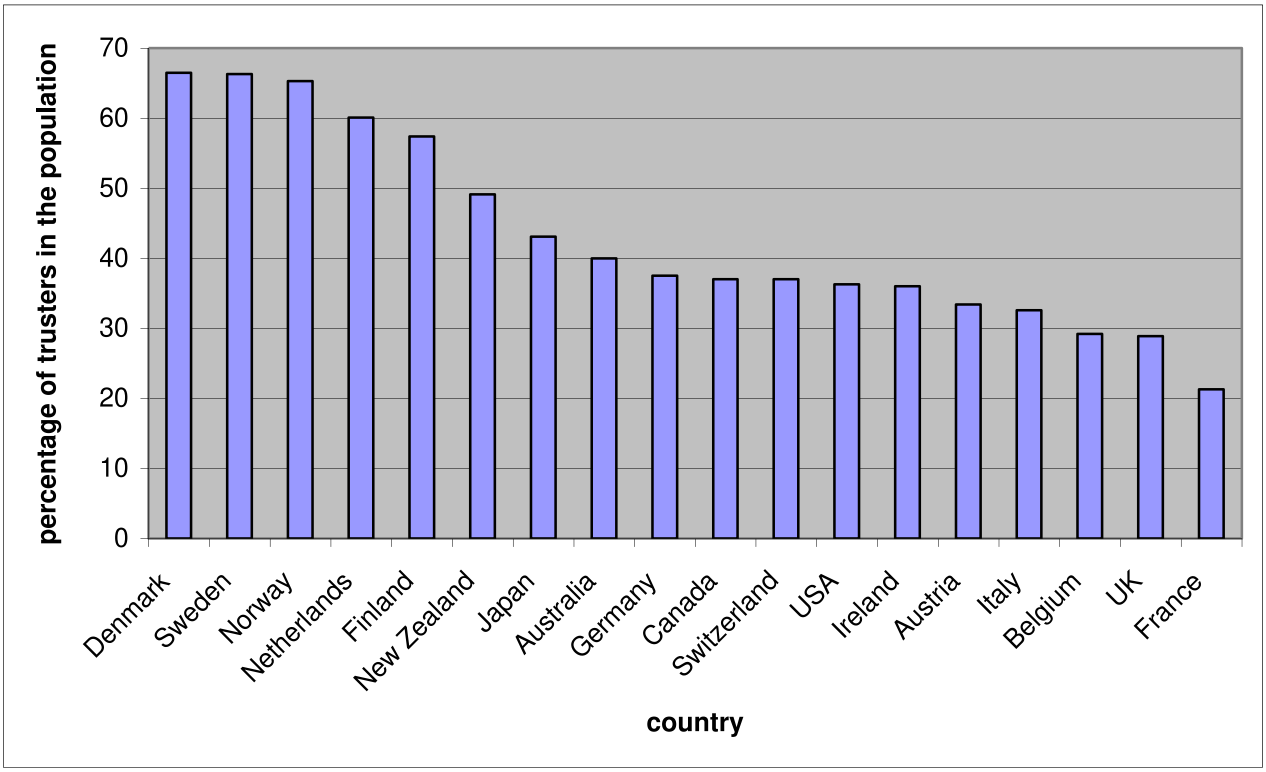

Figure 5.1.: Variation of interpersonal trust in OECD countries

(Source: World Values Survey)

The analysis of the share of trusting populations by welfare regime type confirms the results obtained in the country case study. In social democratic regime types, about 63 percent of respondents believe that other people can be trusted. Surprisingly, liberal welfare regime types precede conservative types in the ranking, showing that on average the share of trusting people is slightly higher in the former than in the latter. The difference is however negligible: 38.3 percent of the population is trusting in liberal regimes while the latter score equals 35.3 percent in continental regimes.

The analysis of the average level of institutional trust scores does not provide a clear distribution. In total, the average value of institutional trust among selected countries equals 10 while the variation across nations constitutes about 30 percent of the average value. In Denmark, Austria, and Finland the institutional trust level reaches almost 12. In Italy, the confidence in institutions slightly exceeds 8 (out of 19), while the rest of the nations are situated somewhere in between: trust in the rest of the countries varies between 10 and 11.

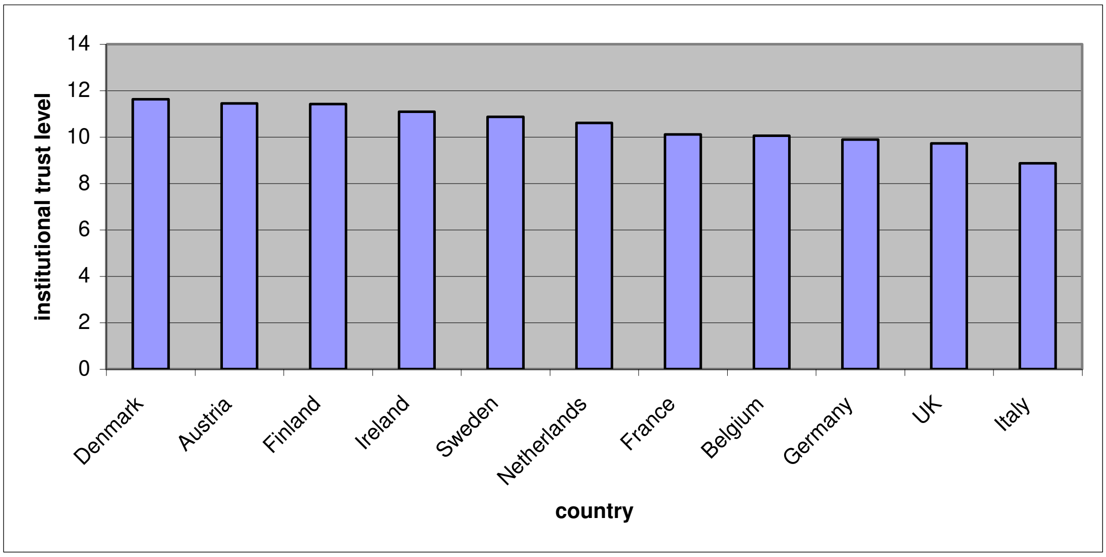

Figure 5.2.: Variation of institutional trust in OECD countries

Source: World Values Survey

If we move to the welfare regime typology, we see less fluctuation in trust levels compared to the case of interpersonal trust. Social democratic regimes are at the top of the ranking with average institutional trust levels equal to 11.31. Liberal welfare regime types are in the middle with a value of 10.44 (out of 19). It is followed by conservative welfare regime types where the average institutional trust score equals 10.05.

One should note that liberal countries reveal high levels of institutional and interpersonal trust. This result is observed despite the market liberalism that prevails in those countries. Christoforou (2004) explains this paradox by the fact that social groups and organizations within the economy's sphere of voluntary activities work to supplement state welfare services, which creates an environment she calls 'mixed economy welfare' or 'welfare pluralism'.

Special attention should be given to the analysis of the confidence people have towards the social security system. Although the general tendency coincides with that of trust in institutions, there are some specificities in the distribution of trust and mistrust among the selected nations. Scandinavian countries, along with Austria, Belgium, France, and the Netherlands, show a great deal of trust in their social security systems. Germany and Ireland are a bit behind but still have high amounts of confidence in welfare institutions. The United Kingdom and Italy close the ranking as the least trusting of their respective social security systems.

Table 5.1.: Distribution of trust and mistrust towards social security systems in 18 OECD countries

Country	*Confidence in social security system*			
	High	**Moderate**	**Little**	**None**
Australia	-	-	-	-
Austria	17	50	29	4.0
Belgium	14	55	24	7
Canada	-	-	-	-
Denmark	9	58	30	3
Finland	8	62	26	4
France	13	53	24	10
Germany	3	43	45	9
United Kingdom	4	30	50	16
Ireland	12	46	36	6
Italy	6	28	47	19
Japan	-	-	-	-
Netherlands	9	55	32	4
New Zealand	-	-	-	-
Norway	-	-	-	-
Sweden	4	46	45	5
Switzerland	-	-	-	-
United States	-	-	-	-

Source: World Values Survey

The descriptive analysis of trust distribution in the selected 18 countries provides results which are in line with the existing findings. Social democratic countries come first in the level of both forms of social trust: interpersonal and institutional. They are followed by the liberal and continental welfare regime types which vary quite a bit in the case of interpersonal trust and negligibly in the case of institutional trust. It should be also noticed that the gap between continental and liberal countries is not as big as was expected.

5.2. Changes in social trust levels over time

As can be easily deduced from the research overview presented above, the theory explaining causal mechanism in the relationship between welfare state development and social capital formation is quite controversial. The empirical studies seeking to prove a positive or negative direction are however more contradictory and ambiguous. The problem stems from the fact that there is no agreement among scholars in not only the direction of the relationship between these two variables of interest but also in the direction of social capital change over the last few decades. Putnam (1995, 2000) claims for instance that there is a decline in social capital levels over the period from 1930 to 1998 in the United States. He distinguishes four socio-economic/demographic factors explaining this trend[18] without taking account of the effects of the welfare state.[19] However, Putnam emphasizes the need to explore creatively how social policies infringe on social capital formation. Moreover, he recognizes their potential dubious impact: on the one hand, public policy may destroy highly effective social networks and norms while, on the other hand, some social policy, like the agricultural-agent system, community colleges, and tax deductions for charitable contributions, may encourage social capital formation.

Paxton goes further in his analysis than his predecessors by distinguishing between two components of social capital: trust and associations (Paxton, 1999) with trust being further divided into trust in institutions and trust in individuals. His analysis shows some decline in trust in individuals over the period from 1975 to 94 (about 0.5% drop per year), but no general decline in trust in institutions and no decline in associations. He does not analyze the effects of public policies either, but his contribution consists in attempting to explain the lack of agreement among scholars about the possible trends of social capital by the presence of a gap between the concept of social capital and its measurement. The research conducted later settled this problem by presenting social capital as a multidimensional concept and analyzing the dynamics of each component separately.

Uslaner (2000-2001) comes to the same conclusion concerning the dynamics of interpersonal (generalized) trust found by Paxton. According to his calculations, over the past four decades the share of Americans who believe that most people can be trusted plummeted from 58% in 1960 to 36%. He demonstrates that this negative dynamics can be explained to some extent by the rise of Christian fundamentalism among believers accompanied by a simultaneous growth of the 'unchurched' in American society. But the main negative effect on social capital should have stemmed, in his opinion, from the increased pessimism among Americans about their future produced by the rise of income inequality.

The same tendency of social capital over the last two decades was found by You Jong-sung (2005) in Korea. But again, he explains this negative trend only with political and

[18] Among the key factors explaining this decline, he distinguishes between the movement of women into the labor market, increased mobility of the people, other demographic transformations (fewer marriages, more divorces, fewer children, lower real wages and so on), and the technological transformation of leisure.
[19] There are several studies that either contest this tendency (Ladd, 1996) or try to explain it with other factors (Costa and Kahn, 2003)

economic factors without considering social policies as a potential threat to social capital formation.

In European countries, the dynamics of social capital usually appears to be more favorable. Hall (1999) find no erosion in social participation in Britain, but in line with Uslaner, he suggests that overall levels of social trust declined between 1956 and 1990. He cites three main factors[20] that positively affect social capital in Britain, among which he mentions government actions, especially those having to do with the delivery of social services. The impact of government policies is however restricted to encouraging and sustaining voluntary community involvement by directly funding these activities through local or central authorities. Welfare state activities are hence largely ignored in his research.

No decline in social capital was found in the other three European countries: Switzerland (Freitag, 2001), Finland (Siisiainen, 1999) and the Netherlands (De Hart and Dekker, 1999). But linking these trends in social capital to the social policies existing in their countries was not the subject of the analysis in those studies.

Others argue that it is impossible to track changes in social capital at all. They ask the following question: if as Putnam argues, social capital is a phenomenon of long duration, how can it be quickly eroded? Schuller, Baron, and Field (2000) explain for instance that there is no logical requirement for temporal symmetry. In other words, it is not impossible for something which has developed incrementally over a long period of time to be summarily destroyed. But inherent to the analysis of factors such as trust is the difficulty of discerning movement over time and isolating it from the range of other factors which in a long timescale is bound to present.

Hardin (2006) also supports this idea. He asserts that the decline of trust in the United States and elsewhere is of too short a duration (a little more than four decades) to yield strong secular conclusions. The data on European nations other than Sweden and the United Kingdom are of a much shorter duration. There are other data, often much less focused, that tell us something about the long term trend, but making sense of these is sufficiently difficult and has spawned a large industry and many conflicting views.

The World Values Survey provides data over the last two decades which to some extent represent too short a period to draw robust conclusions. Nevertheless, we use these data to describe at least a short term trend of interpersonal and institutional trust among the selected 18 nations. The results obtained give mixed evidence about the fluctuation of trust levels over the last two (or in some cases even fewer) decades. In Australia, for instance, the

[20] Two other factors which may explain the absence of decline over the last decades are educational policy (a radical transformation in the educational system marked by a massive expansion of both secondary and postsecondary education) and changes in class structure of British society (driven by economic and political developments that have altered the distribution of occupations and life situations among the population).

share of people who positively answered the trust question slightly declined over the period from 1981 to 1998. The same tendency was found in France, the United Kingdom, and Switzerland. An especially sharp decline appeared in the United Kingdom, where the share of trusting people in the population dropped from 43.1 percent in 1981 to 28.9 percent in 1999.

In Austria, Denmark, Japan, the Netherlands, Norway, and Sweden, the percentage of the trusting population increased over the analyzed period. A particularly strong tendency of positive change was registered in the Netherlands: from 44.8 percent in 1981 to 60.1 percent in 1999. An almost equal increase was also found in Denmark: from 52.7 percent in 1981 to 66.5 percent in 1999.

Mixed results were found in the remaining countries: Belgium, Canada, Germany Ireland, and Italy. In these countries, the change in trust levels show some fluctuation: first, it increases over a short period, which is followed by the sudden drop in trust levels. In Canada for instance, trust increased from 1981 – 1993, when the share of the trusting population rose from 48.5 to 53.1 percent. But over the next decade it dropped to 37.0 percent. In Finland, the trend of trust indexes indicate a completely different trend. It shows a sharp drop in the percentage of the trusting population from 62.7 to 48.8 percent, but over the next 5 years it increased to 57.4 percent.

Table 5.2.: Changes in interpersonal trust levels from 1981 – 2004

Country	***Most people can be trusted, %***			
	(1) 1981 - 1984	**(2) 1989 - 1993**	**(3) 1994 - 1998**	**(4) 1999 - 2004**
Australia	**48.2**	**-**	**40.0**	**-**
Austria	**-**	**31.8**	**-**	**33.4**
Belgium	**29.2**	**33.5**	**-**	**29.2**
Canada	**48.5**	**53.1**	**-**	**37.0**
Denmark	**52.7**	**57.7**	**-**	**66.5**
Finland	**-**	**62.7**	**48.8**	**57.4**
France	**24.8**	**22.8**	**-**	**21.3**
Germany	**32,3**	**37.9**	**41.8**	**31.9**
United Kingdom	**43.1**	**43.7**	**29.6**	**28.9**
Ireland	**41.1**	**47.4**	**-**	**36.0**
Italy	**26.8**	**35.3**	**-**	**32.6**
Japan	**41.5**	**41.7**	**42.3**	**43.1**
Netherlands	**44.8**	**53.5**	**-**	**60.1**

New Zealand	**-**	**-**	**49.1**	**-**
Norway	**60.9**	**65.1**	**65.3**	**-**
Sweden	**56.7**	**66.1**	**59.7**	**66.3**
Switzerland		**42.6**	**37.0**	**-**
United States	**40.5**	**51.1**	**35.9**	**36.3**

Source: World Values Survey

A similar analysis of this trend is impossible for trust in institutions since the question about confidence in the healthcare system was only asked in the last wave. Instead of analyzing the synthetic indicator, the analysis of its elements will be done to observe the change in their levels. The first element, the confidence in social security system, represents a special interest for us. Again, this analysis is not possible for all countries since the data for some of them are either not available at all or available only for one wave. For those countries where the question about confidence was asked in both waves, one can derive two groups: the fist comprises those where a drop in the confidence level was found, the second includes those where a slight increase in the share of trustors in social security systems was observed. The former includes Austria, Denmark, Finland, France, Germany, Ireland, Italy, and the Netherlands. One should mention here that Germany represents an exceptional case in these groups of countries since the share of trustors decreased over the decades from 65.2 to 46.2 percent. The second group includes three countries: Belgium, Sweden, and the United Kingdom, where a slight increase in the share of trustors in social security was observed. The increase was however so small that the change is almost irrelevant: in Sweden from 46.0 to 49.9 percent, in the United Kingdom from 32.5 to 34.7 percent, and in Belgium from 66.0 to 68.9 percent.

Table 5.3.: Changes in confidence in social security systems from 1989 - 2004

Country	***Share of people having 'a great deal' or 'quite a lot' of confidence in the social security systems.***	
	(2) 1989 - 1993	**(4) 1999 - 2004**
Australia	**-**	**-**
Austria	**67**	**66**
Belgium	**66**	**68**
Canada	**61**	**-**
Denmark	**69**	**67**

Finland	**74**	**70**
France	**69**	**66**
Germany	**65**	**46**
United Kingdom	**32**	**34**
Ireland	**59**	**58**
Italy	**37**	**34**
Japan	**43**	**-**
Netherlands	**68**	**64**
New Zealand	**-**	**-**
Norway	**48**	**-**
Sweden	**46**	**49**
Switzerland	**-**	**-**
United States	**52**	**-**

Source: Own calculations based on the World Values Survey

The change in the confidence in civic services, the police, parliament, and the juridical system shows different trends. The common trend in all of them is however the fact that in different countries the fluctuation of trust elements happened in a different way: in some of them, there was a decline in confidence indicators, in others – an increase. In other words, there is no single pattern that explains the change in confidence levels over time for the selected countries.

An analysis of the confidence in civil services reveals three main groups of countries (see Appendix 1). The first group consists of Australia and France, where there was a clear decline in trust indicators over the analyzed period. The second group includes Denmark, Finland, Ireland, Italy, Japan, and Sweden, where confidence levels increased somewhat, although in some of the countries, this increase was too small to suggest a rise in indicators of institutional trust elements. Austria, Belgium, Canada, and the UK constitute the third group of countries, which can be characterized by no change in confidence in civil services. Their indicators remain almost unchanged during the analyzed period. Apart from these distinct groups, there are some countries, where the trend of change had a non-linear shape. Germany and the Netherlands are good examples: confidence levels in civil services tend to first increase but later decrease. In Norway, the fluctuation of confidence levels showed the opposite trend: it first increased and then declined.

The confidence of people in parliament reveals similar trends (see Appendix 2). Again, there is no clear pattern of change that can adequately apply to all countries. Australia, Austria, France, Ireland and Japan are all characterized by a decrease in the share of the population who have a lot of confidence in the parliament. Contrary to the countries mentioned above, there are also those where a clear increase in confidence occurred. Among the latter, Denmark, Italy, the Netherlands, and Sweden should be mentioned. Belgium and the United Kibgdom belong to those countries where some increase in confidence in parliament was immediately followed by a decrease and thus no clear trend was obvious. The opposite fluctuation, characterized by an initial decrease in the trusting population followed by an increase, was found in Canada, Finland, Germany, and Norway. In some of them, particularly in Canada, Germany, and Norway, the rise in the share of trusting people was not enough to off-set the initial decrease.

Newton (2001) analyzes the reasons for the decline of trust in institutions in Finland where trust in parliament fell from 65 percent in 1980 to 34 percent in 1991. He specifies that the main reason for this loss in institutional trust was of declining economic and political situation in the country. In 1990 Finland fell into a deep economic recession in which unemployment grew, government deficits tripled, taxes increased, and services and wages were cut. In the same period, huge amounts of money fled the country and interest rates soared. Business bankruptcies multiplied while open conflict developed between the government and the central bank. A cabinet minister resigned and another minister was found guilty of corruption and expelled from parliament. Although social trust remained high, confidence in parliament and other public institutions collapsed. This led him to conclude that the problems of decline of institutional trust lay in political events.

Change in confidence levels towards the police show more or less clear fluctuations (see Appendix 3). There are two distinct groups of counties, which combine those nations where there is a clear decline in trust and those where there is a clear increase in confidence in the police. More specifically, a decline in confidence was found in Australia, Canada, the United Kingdom, the Netherlands, and Norway. A rise trust towards the police was found in Austria, Denmark, Finland, France, Germany, Ireland, and Italy. Belgium, Japan, and Sweden cannot be assigned to either of these groups since their indicators tend to fall and then rise with the final indicators being less than the initial ones.

Confidence in the Justice system follows the trends described above (see Appendix 4): on the one hand, there is again no single pattern of change inherent to all countries; on the other hand, the change in many of the selected counties is too small to infer about a decline or rise in confidence levels. In Australia, Belgium, Canada, Denmark, France, the United Kingdom, Italy, the Netherlands, and Norway, the data provide evidence of some decline trust in justice system. An especially sharp drop was found in Australia, where the share of trustors declined from 60.5 percent in 1981 to 34.7 percent in 1994. Austria represents a case with a slight increase in the share of trust: the percentage of people who answered positively to the question increased from 58.4 percent in 1989 to 68.1 percent in 1999. The data for other counties show some fluctuation in the confidence level over the selected periods. In Finland for instance, a slight increase in the share of trustors was followed by an equally slight decrease so that the overall share of trustors remained almost unchanged. In Germany, Ireland, Japan, and Sweden, the trend was the opposite: some drop in the share of trustors was followed by an increase, however in some countries (Sweden) the initial level of confidence was not attained in the end.

The analysis thus provides some evidence of fluctuation for both forms of trust: interpersonal and institutional. The common aspect for all of them is the fact that there is no single pattern that describes trust changes from 1981 – 2004 in all 18 selected countries. In some of them, the decline in the share of trusting populations was found, in others some increase was present. There are also countries which are characterized by a sharp fluctuation of trust levels within the period pointing out either the fact that trust may change within short periods as a result of economic, political, or social changes, or the problems of representation in the data for the selected countries.

The interesting aspect here is the relationship between interpersonal and institutional trust. Newton (2001) suggests that the relationship between these two types of trust is rather asymmetrical: healthy stocks of political capital cannot be built up in nations lacking social capital, but it also cannot dwindle rapidly in countries with well developed interpersonal trust. In the long run, the two are likely to adjust to one another in the sense that higher levels of social capital tend to be associated with higher levels of political (institutional) trust.

The results thus indicate that interpersonal trust is stable over the analyzed period, while institutional trust may vary substantially within a short period of time. There is however no single pattern that the change of institutional trust follows. Both increases and decreases of trust levels were detected in the analysis.

5.3.Social trust and social expenditures: a descriptive analysis

Before proceeding to the preliminary analysis of the relationship between social trust and social expenditures, it is worth investigating the level of social spending and its fluctuation over the last two decades. The figure given below illustrates social spending on average from 1990 – 2000 in 18 OECD countries. There is no clear trend in the level of social expenditures distribution. Scandinavian and continental countries are among those with the highest social spending. English speaking countries represent the least generous in terms of social expenditures. Japan closes the ranking with total social spending almost half in the countries situated at the top of ranking.

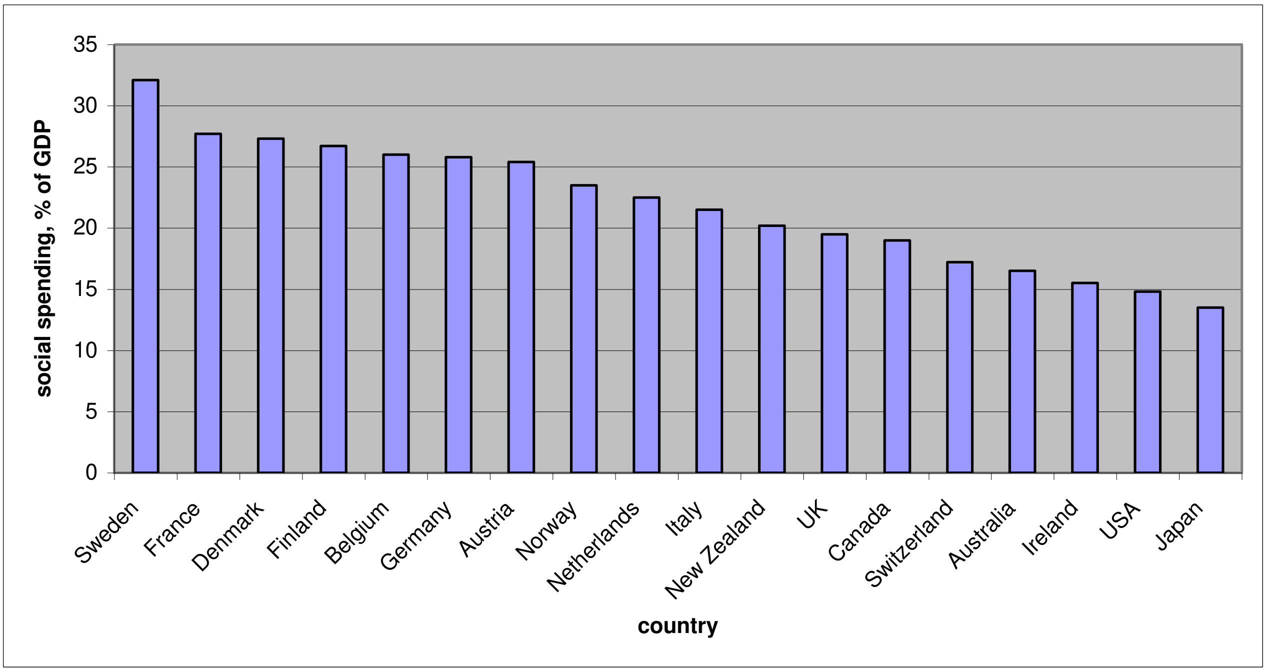

Figure 5.3.: Social expenditures averaged from 1990-2000.

Source: own calculations based on OECD data (http://www.oecd.org/statisticsdata/ 20-04-2007)

When analyzing social expenditure levels by welfare regime type (Appendix 5), the data provide evidence that support the expectations. Social democratic regimes are characterized by the highest level of social expenditures – around 27.4 percent of GDP from 1990 – 2000. In the countries belonging to the liberal welfare regime type, the level of social spending is substantially lower, slightly exceeding 17 percent of GDP. Conservative welfare regimes are situated in between with social expenditures from 1990 -2000 equal to 22 percent.

When tracking the change in the level of social spending in the selected countries (Appendix 6), one should mention that the general logic of the trend is similar to what one expects. From 1980 – 1990, there was an expansion of social expenditures in all countries which continued in some of them up to the mid 1990s. This expansion was followed by a curtailment of social spending throughout the 1990s and resulted in a decrease in public expenditures on social policy. It is however impossible to analyze how this affected social trust levels due to the lack of longitudinal data for social trust.

One can nevertheless link social trust indexes to social expenditure levels in a static point of time. In doing this, one obtains results that point to the existence of a certain relationship between the two variables of interest. In the case of interpersonal trust, there are three distinct groups of countries which almost correspond to Esping-Andersen's welfare regime typology. The first group combines Scandinavian nations and the Netherlands where a high level of social spending is associated with a high level of interpersonal trust. The second group of countries represents those belonging to conservative regime types and where a relatively high level of spending is associated with relatively moderate trust levels. The exceptional case here is France where, in spite of relatively high social expenditures, the level of social trust remains low. The third group comprises countries with liberal welfare regimes as well as Japan that have low social spending and moderate interpersonal trust levels.

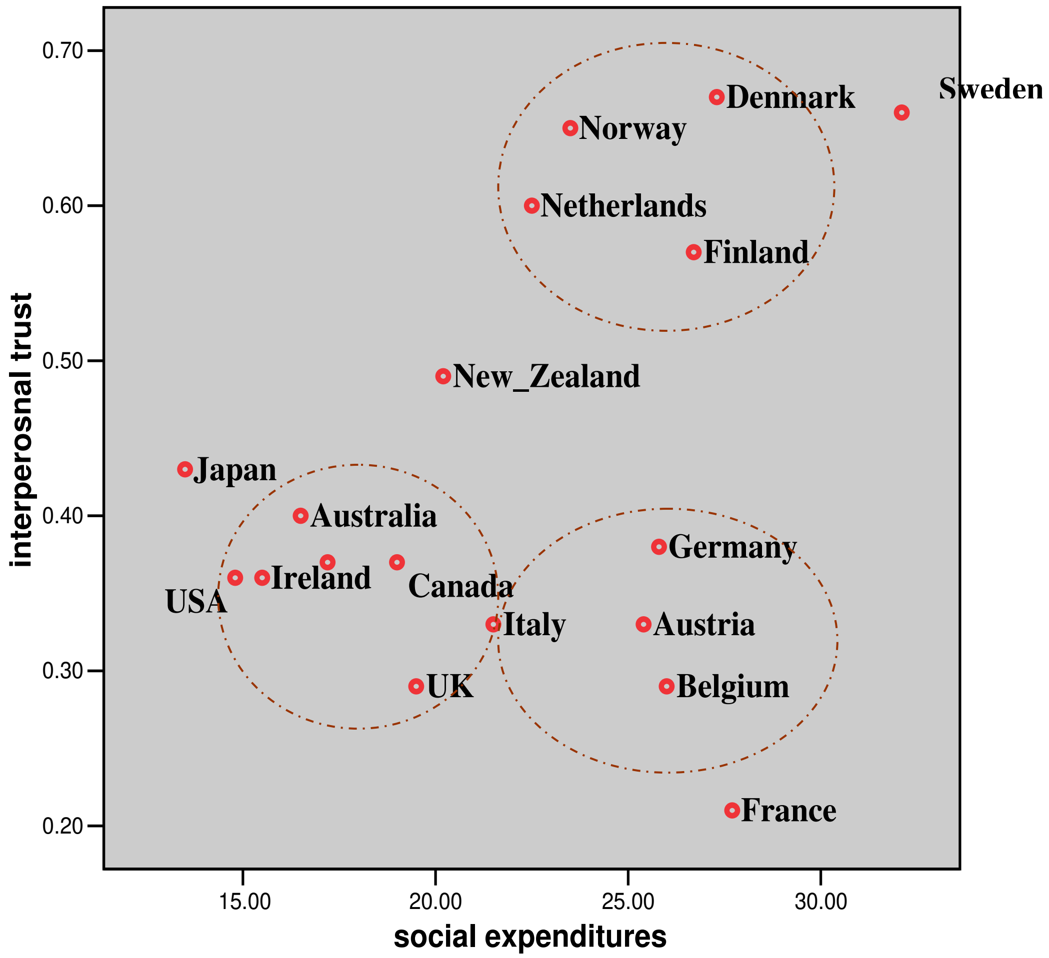

Figure 5.4.: Relating interpersonal trust to social expenditures

Source: own calculations based on OECD (http://www.oecd.org/statisticsdata/ 20-04-2007) and the World Values Survey

A similar relationship is seen in the case of institutional trust. Figure 5.5. points to the existence of three distinct groups of countries with social spending levels corresponding to certain institutional trust levels. The first group combines Scandinavian countries and Austria, where high levels of social spending are associated with high levels of institutional trusts. The second group of countries includes those belonging to continental welfare regime types that have relatively high levels of social spending as well as relatively moderate levels of institutional trust. The third group of countries represents liberal welfare regime types, where low levels of social spending are associated with the lowest levels of confidence towards institutions. The exception here is Italy and Ireland, which show the opposite trend. In Italy, high levels of social expenditures are found to be associated with very low institutional trust levels. In Ireland, on the contrary, low levels of public spending are linked to high levels of institutional trust almost equal to those in Scandinavian countries.

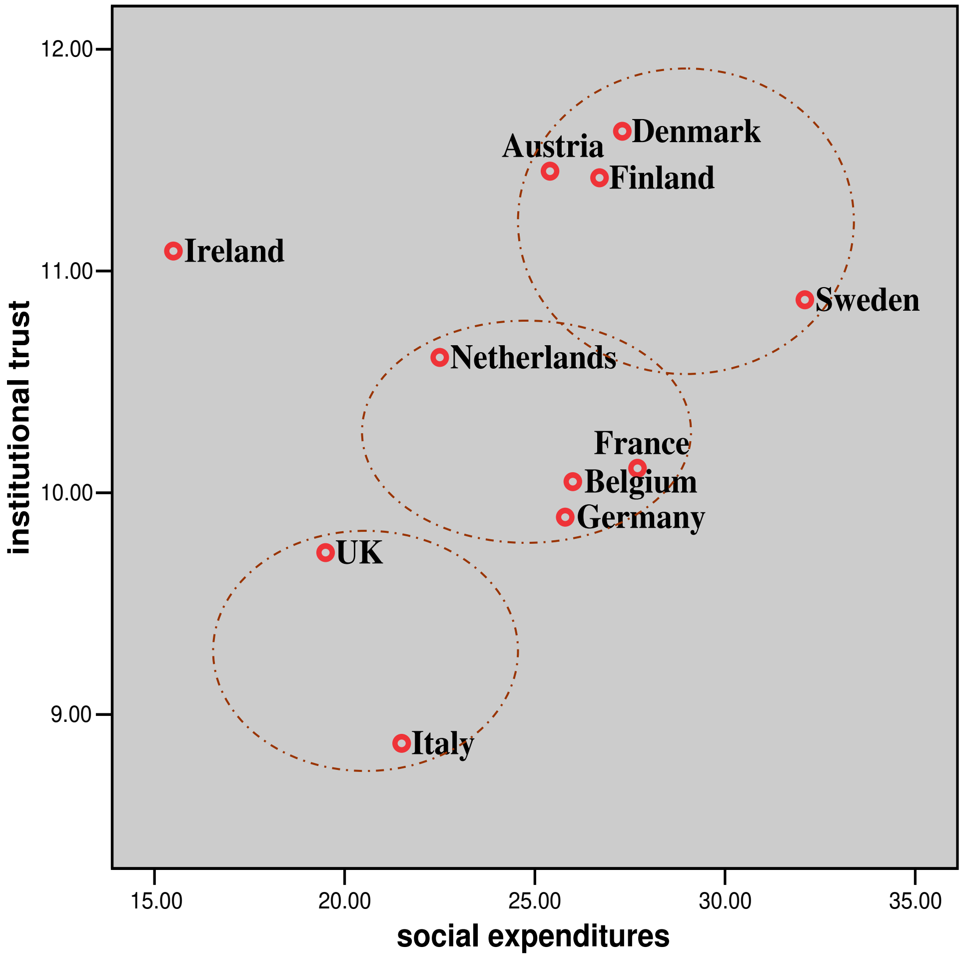

Figure 5.5.: Relating institutional trust to social expenditures

Source: own calculations based on OECD (http://www.oecd.org/statisticsdata/ 20-04-2007) and the World Values Survey

Similar results can be obtained when clustering countries according to their levels of social trust. The hierarchical cluster analysis based on the method aimed at detecting the nearest neighbor provides results which to some extent reflect Esping-Andersen's typology. Conservative countries including Belgium, France, and Germany together with the United Kingdom form a distinct group which differs in trust levels from the rest of Europe. Scandinavian nations, together with the Netherlands and Austria, can also be combined in a separate cluster which does show some in-group variation of social trust levels. These two groups are quite distant from each other, but are located as nearest neighborhood families. Italy is situated relatively far from them, forming a distinct group with its own variations in trust levels. The latter supports the need to isolate South-European countries from the rest of Europe in analyzing the trust levels. The absence of the liberal group can be explained by the fact that only the United Kingdom and Ireland were included in the analysis due to a lack of data on institutional trust in other countries with liberal welfare regimes.

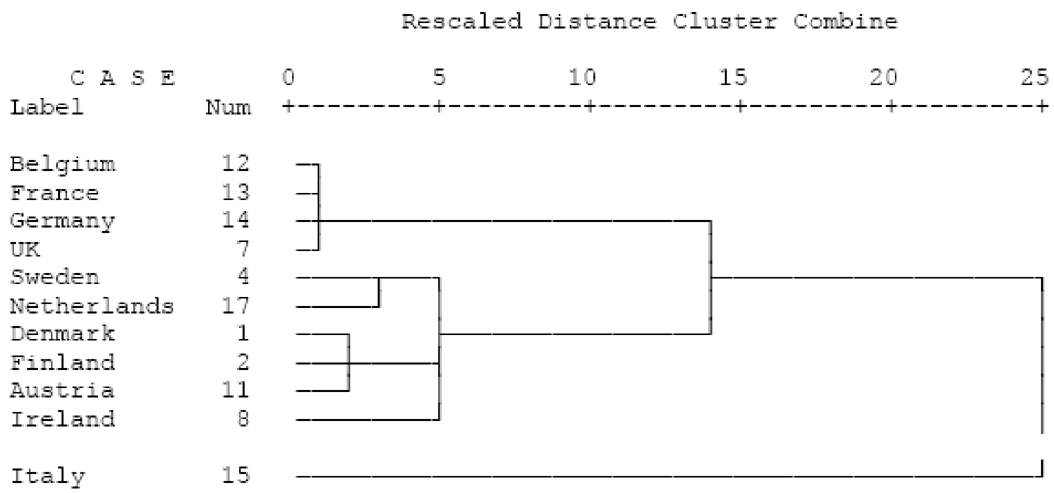

Figure 5.6.: Hierarchical cluster analysis of social trust

Source: Own calculations based on the WVS

Thus, the cluster analysis reveals that there is a certain grouping of countries on the basis of their social trust levels that coincides to some extent with Esping-Andersen's welfare regime typology. Hence, there must be some association between the level of welfare state intervention in social arrangements and the trust behavior of individuals. The descriptive analysis thus confirms this hypothesis but, in order to draw decent conclusions about the dependence of social trust scores on the level of welfare state development, one should move to an exploratory analysis which would allow one to control for possible spurious and interpretation effects of individuals' and countries' characteristics.

When empirically relating the level of interpersonal and institutional trust to total social spending, we obtain results which again advocate for the presence of a certain relationship. A multilevel analysis that includes only one variable at the second level, namely total social spending, provides the following results:

Table 5.4.: A multi-level analysis of the effects of social spending on social trust

	Institutional trust	Interpersonal trust
Total social spending	0.057***	0.043***
Variance at level 1 (individual level)	9.522	-
Variance at level 2 (country level)	0.339	0.333

Source: Own calculations based on the WVS

The results lead one to believe that social spending has positive effects on both forms of social trust if not controlling for the country- or individual level characteristics are not controlled for. An increase in total social spending by one percent increases institutional trust by 0.057 units and increases the odds of trust by 4.4 percent. The values are not that high but still assume a positive relationship between social trust and social spending, which requires a further investigation of these effects. Moreover, controlling for the level of social spending reduces variance at the country level from 0.672 to 0.339 for institutional trust. For interpersonal trust, this decrease in variance is less substantial: from 0.335 to 0.333, pointing out that in the case of interpersonal trust, macro-level characteristics play a weaker role in defining its levels.

The lack of longitudinal data poses a problem for analyzing the relationship between welfare state development and social trust formation. The static view in this case gives us a limited understanding about the dependence of trust levels on the intervention of the state in social interactions. But even a static analysis points to the existence of a certain relationship between social spending and the level of both types of social trust: interpersonal and institutional. To conduct more inquiry into the nature and strength of this relationship, one should proceed to an exploratory analysis, which will allow us to draw conclusions about the kind of effects social policy conducts on social trust.

5.4.Overview and concluding remarks

This chapter analyzes the level of interpersonal and institutional trust among the selected countries as well as its change over time. The analysis shows that the average value of both interpersonal as well as institutional trust is highest in social democratic welfare regimes and is followed by liberal welfare regimes, with conservative welfare regime sclosing the ranking. However, when analyzing institutional trust, one reveals less fluctuation compared to the case of interpersonal trust. The analysis of the changes in interpersonal trust from 1981-2004 provides evidence that points to fact that there is no single pattern followed by all selected countries. In Australia, France, the United Kingdom, and Switzerland, the share of people who positively answered the trust question slightly declined over the period from 1981 – 1998. In Austria, Denmark, Japan, the Netherlands, Norway, and Sweden, the share of the trusting population increased over the analyzed period. Mixed results were found in the remaining countries: Belgium, Canada, Germany, Ireland, and Italy, where the trend of trust change shows some fluctuation. First, it increases over a short period followed by a sudden drop in trust levels. The same pattern was found when analyzing the fluctuation of institutional trust over the selected period. For those countries, where the question of confidence in public welfare institutions was asked in all waves of the survey, one can derive two groups: the first comprises those where a drop in confidence levels was found (Austria, Denmark, Finland, France, Germany, Ireland, Italy, and the Netherlands), the second includes those where a slight increase in the share of trustors was present (Belgium, Sweden and the UK).

When linking social trust indexes to social expenditure levels in a static point of time, the results point to the existence of a certain relationship between the two variables of interest. Scatter plots allow us to visualize three distinct groups of countries which almost correspond to Esping-Andersen's welfare regime typology. The analogous results were obtained when using a hierarchical cluster analysis, which provided a grouping of countries similar to welfare regime typology. When relating social spending to social trust levels, we discovered a certain correlation between these variables. Moreover, inclusion in the multilevel model of social spending explains large share of variation in social trust, especially at the country level.

The descriptive analysis is not however based on the idea about the multidimensionality in operationalizing welfare state development. The analysis of the effects of each dimension on social trust should thus be undertaken to estimate possible effects welfare states can have on social trust levels. This analysis will be provided in the next three chapters, which will relate different measures of welfare states development to social trust indexes. The first step in performing this analysis will consist in disaggregating total social spending on a functional basis, which will allow us to see whether or not the effects of social policies can be policy specific.

Chapter 6: POLICY SPECIFIC EFFECTS OF WELFARE STATES' IMPACT ON SOCIAL TRUST: THE FUNCTIONAL DIMENSION

6.1. Introducing a functional spectrum in social trust analysis

Welfare states differ in many characteristics and are all based on certain principles within which social policies are conducted. Their policy preferences were developed in the countries' specific institutional, political, historical, cultural, and economic conditions, resulting in different levels and structures of benefit packages (Flora, 1986; Bonoli, 2004). Generally speaking, each country has its own specific preferences in choosing from the standard range of policies that would insure not only individual well-being but also societal prosperity. Hence, when measuring the welfare state as a single indicator, one blurs the difference in the structure of social policies and automatically assumes their 'linearity' or equivalence in their impact on social capital. Certainly, one may distinguish the difference in the impact on social trust produced by child-care provisions or training programs for the unemployed or passive provisions of unemployment benefits. They all affect social capital in different ways through different indirect mechanisms leading to different directions of change. Child-care provisions for instance allow women to combine employment and motherhood and hence work even when they have small children (Esping-Andersen, 2001). Employment means additional income in the household which is usually associated with high levels of social capital (Knack and Keefer, 1997; Putnam, 2000; Uslaner, 2002a,b) as well as with a broader personal network, which also enhances social capital development (Lin, 2000a,b). Obligatory training programs for unemployed people allow them to directly increase their social capital through gaining knowledge (an important determinant of social capital according to Fukuyama (2000), Knack and Zak (2001)), as well as indirectly through helping them feel integrated and less pessimistic about their future. Passive unemployment benefits replace the lost source of income, affecting to some extent the individual's perception of his current situation and his expectations concerning the future that again can influence his trust level. It is difficult to find theoretical research that explicitly supports our argument, but even at the intuitive level, one can deduce the conclusion that each social policy affects social capital through specific direct or indirect mechanisms, which differ in strength, direction, and duration. Therefore, if not distinguishing the possible diversity of effects welfare state activity may produce on social capital, one may face several problems which were outlined earlier.

However, some explanations should be delivered, in order to understand the mechanisms underlying crowding-out effects in two selected social provisions (pensions and unemployment benefits). In the case of the whole population, crowding-out is expected due to the erosion of volunteering, which is a basic explanation for crowding-out effects. In the case of pensioners and the unemployed, the mechanism is quite different. The explanation of these mechanisms is based on the idea that social trust can be considered an attitudinal variable and, hence, the theory of attitude formation and change can be employed for describing the mechanism that underlies the crowding-out effects in trust among unemployed and retired people.

Attitude is usually defined as the view of an individual on a specific phenomenon, a state of things or an object in real life (Blomberg and Kroll, 2002). There are several factors that affect an individual's attitude. First of all, the attitude arises as a consequence of the ideas of the desirable – the values internalized by the individual. Or in other words, attitudes can be seen as expressions of underlying values. Values are seen here as fundamental and constant ideas about what is desirable in principle, and are not connected to any specific phenomena in real life.

Another factor that influences attitudes towards welfare state systems is self-interest. Attitudes are interpreted here as expressions of the aspiration of individuals and groups to maximize their self-interests. These two approaches – values and self-interests - seem to complement each other. One can easily assume that the individual, when taking up a position on a certain issue in real life, takes into consideration his or her values as well as his or her self-interests. Moreover, both theories presume that attitudes may change over time.

Finally, Blomberg and Kroll (2002) define the third group of factors which might claim responsibility for changes in attitudes. They refer to Sihvo and Uusitalo (2000), who discuss different theoretical approaches that stress the impact of an economic crisis on the attitudes of the population. This group comprises three different approaches, each of which is related to an individual's perception of recent changes in welfare states.

A first approach stresses the consequences of people's perception of economic decline; if a person feels that his or her personal economic situation is being threatened (directly or through increase taxation) his or her willingness to take the common good into consideration through contributing to the welfare system will be negatively affected. A second theoretical approach is concerned with the impact on attitudes of the population of influential groups such as politicians, political parties, and other organizations, and their interpretation of the state of the economy and their views on the interplay between social policy and the economy. A third approach deals with the impact on attitudes of actual changes in the welfare system. Sihvo and Uusitalo (2000 in Blomberg and Kroll, 2002) assume that the synchronous effects of more people using the system and a lowering of the level of social security that can result from an economic crisis might lead to changes in attitudes towards the system. Blomberg and

Kroll (2002) present other assumption based on different reasoning. They assert that cuts in services are thought to result in a vicious circle of cutback policies: the lowered standard of public services results in growing dissatisfaction, which in turn leads to more positive attitudes towards alternative service—providers and a growing pressure to privatize, which results in a further lowering of the standard of public services and thus to even greater dissatisfaction and negative attitudes towards public services.

We will try to explain the mechanism of trust formation using the attitudinal theory presented above. In the case of unemployed people, the effects of the welfare state on trust levels provide the possibility of crowding-out effects. This may happen despite the fact that the values of individuals with respect to providing support for the unemployed show support for state intervention. It is possible to claim that most people base their considerations on the view that the unemployed must be in one way or another supported by the state. For instance, Matheson and Wearing (2002) look to ISSP data to illustrate the fact that about 52.6 percent of Australians, 74.3 percent of Germans, 87.5 percent of Norwegians, and 48.0 percent of Americans declare that the state should assume the responsibility to look after the unemployed. This reflects the common view that the risk of becoming unemployed is quite high for any individual. Moreover, as Rothstein (1998) shows, individuals tend to overestimate the risk of entering unemployment, which results in the vast support of unemployment programs even if they are based on means-testing.

An analysis of the value component does not however reveal the mechanism of crowding-out effects. What is responsible for crowding-out here is precisely the self-interest of individuals. Higher unemployment benefits can encourage people to stay unemployed longer, while being unemployed is negatively associated with social capital. Unemployment brings relative poverty and creates sentiments of discrimination and injustice, which lead to distrust towards people, collective action and society as a whole. Goul Andersen (2002) shows that labour market marginalization is related to low political trust levels, which can easily be extrapolated to interpersonal trust. Moreover, he illustrates that under the conditions of unemployment, there is a polarization between insiders and outsiders in the labor market, which also leads to problems with collective action. Christoforou (2004) also demonstrates that unemployment is an important factor in deciding the level of social capital, pointing out that unemployment creates a strong disincentive for group membership. She argues that the unemployed lack the income to afford group membership or they spend their plentiful leisure time seeking jobs and securing a source of minimum income rather than participating in groups. Additional factors affecting the individual's incentive to participate when facing unemployment might lie in sentiments of distrust he or she develops towards other social groups and society as a whole, which are considered to have deprived him or her of opportunities for employment and self-development. She refers also to Brehm and Rahn who confirm the negative impact of being unemployed on an individual's sentiments of interpersonal trusts.

As far as the third factor group is concerned, one can hardly apply it to the case of the unemployed, since the alternatives to state support of individual welfare during unemployment hardly exist. To sum up, the attitudinal theory may provide the mechanisms of crowding-out effects for unemployed people. The latter consists in the desire of unemployed people to stay in unemployment and get unemployment benefits as long as possible when these allow one to secure decent living standards without entering the labor market. The latter will lead to the erosion of both forms of social trust due to the fact that unemployment negatively affects trust levels.

As far as pensioners are concerned, the mechanism of crowding-out effects takes a different form which is not easy to describe. Both values and self-interests point out rather the existence of a positive relationship between pensions and interpersonal trust. The value of people towards pension systems can be articulated as follows: retired people should be supported by the state. Matheson's and Wearing's (2002) calculations based on ISSP data clearly illustrate this opinion. More precisely, they show that the vast majority of the population consider that securing the well-being of retired people must be the task of the state. In particular, 93.2percent of Australians, 92.6 percent of Germans, 97.8 percent of Norwegians and 82.5 percent of Americans declare that it is the government's responsibility to look after retired people.

The positive effects of pensions on trust towards public institutions might be supported by the fact that for a great number of retired poeple, pensions constitute their main source of income. Empirics for instance show that the share of public pensions in total gross household income of all pensioner households amounts to about 80 percent. More precisely, this share amounts to 80.9 percent in France, 83.3 percent in Germany, and 75.2 percent in Spain (Bönker, 2005).

Self-interests might affect attitudes towards public institutions in the same way as values. This seems to be a result of the fact that everybody is at risk of retirement to the same degree. In other words, retirement is unavoidable and, hence, people must form positive attitudes towards the public pension system forming the ground for positive effects of pensions on institutional trust , which in turn affects interpersonal trust among individuals.

Up to now the question about the mechanism of crowding-out in trust levels remains open. Values interpretation and self-interests articulation leave no room for the negative impact of pensions on trust levels. Here, this is the effect of the third factor of attitudes change that can be responsible for the negative influence on trust levels, namely that of economic crises factors.

The data used stem from the survey conducted in 1999-2000 – the years of the constant debates about the need to transform the institutional settings underlying pension systems in almost all countries included in the analysis. They were also years of rapid and sometimes drastic reforms in pension systems that resulted in the reduction of pension levels or the tightening of entitlement conditions. Moreover, it should be noticed that the changes in pension systems and the debates that accompanied them were larger in countries where pension expenditures were higher. Furthermore, Adelantado and Cuevas (2006) demonstrate that countries that used to allocate the most resources to public expenditures and social protection expenditures are those that have cut back the most and where income inequality and the risk of poverty have increased the most. This logic can be easily applied to pension spending. This can be grounds for negative attitudes by the pensioners towards the welfare state in general, and the pension system in particular. To adjust Blomberg and Kroll's (2002) statement, the logic of reasoning is as follows: constant reduction in pensions and changes in entitlement conditions produce negative attitudes towards pension systems. More specifically, lowered standards of public services result in growing dissatisfaction among the population, which in turn leads to more positive attitudes towards alternative sources, namely to privatized pensions. This dissatisfaction with the pension system is supported by the fact that pensioners are among those who are least satisfied with their income. As the WVS data show, the level of income satisfaction among retired people equals 3.7, almost half than of the fully employed (6.2), or partially employed (5.5). Even students are more satisfied with their income than pensioners (the satisfaction score for students equals 4.6). The dissatisfaction of retired people with their income may also have some side-effects on their trust levels towards the pension system in particular and public institutions in general. They may create incentives for the middle and upper classes to search for social security in the private sector (Forma, 2002), reflecting the undermined confidence towards public welfare state institutions. This dissatisfaction with welfare state institutions is also supported by Goul Andersen's findings (2002) which show that old-aged pensioners have the most negative attitudes towards the welfare state.

The effects of recent changes in pension levels and the conditions of their delivery may thus ruin an individual's level of trust towards the national pension system and public institutions. The latter in turn contributes to the negative experience of people which may also negatively affect an individual's trust towards other people.[21]

[21] Rothstein and Stolle (2003) for example find that confidence in institutions has a large effect on interpersonal trust. Jamal (2007) also argues that those individuals who feel existing political institutions are adequate in

We try to correct for the existing drawbacks by analyzing the effects of pension and unemployment policies on social trust of their direct recipients. This analysis will allow us to draw two main conclusions. First, it will show whether pension and unemployment policies result in crowding-in or crowding-out effects on social trust. Second, we will be able to see whether the effects of the welfare state operationalized as a single indicator through total social spending as percentage of GDP are equal to those of pension and unemployment policies. If there is a difference, owe can speak about policy specific effects.

6.2.Policy specific effects: a descriptive analysis

Before proceeding to the analysis, it is worth seeing whether the level of social trust in both of its forms among pensioners and unemployed people is different from that calculated on the basis of the whole population.

The analysis of the level of interpersonal and institutional trust among subgroups of pensioners and the unemployed provides no clear results. The level of interpersonal trust tends to be on average lower among pensioners than among the whole population. To some extent, this contradicts the expectations and the theory that asserts that older people have higher levels of trust which is attributed either to the age or cohort effects.

The unemployed are characterized by lower levels of interpersonal trust than the whole population and pensioners. This confirms our expectations since unemployment tends to erode social capital due to making unemployed people feel at a disadvantage compared to others, which destroys their trust levels. However, the Netherlands, Norway, and Denmark are an exception, where the level of interpersonal trust among the unemployed is incredibly high and exceeds that of both the whole population and pensioners.

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representing their interests are more likely to trust others. Because individuals feel that existing political institutions can protect their interests, they are more likely to feel secure in trusting others. In other words, representative institutions can create the foundation for trust. When citizens feel their rights are protected through legal institutions they are more inclined to trust others.

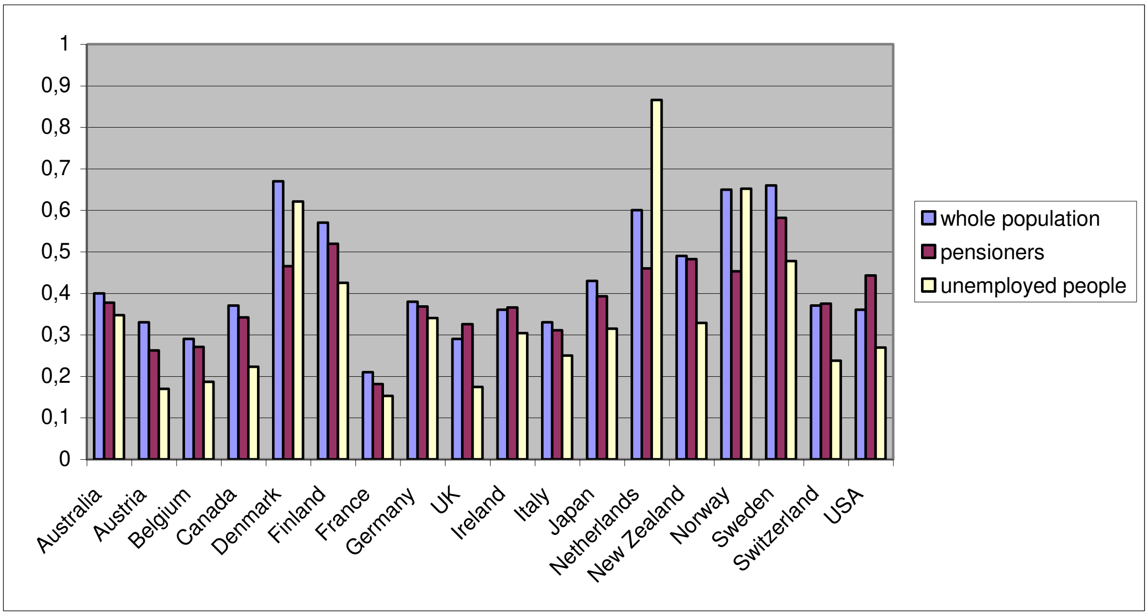

Figure 6.1.: Interpersonal trust levels among the whole population, pensioners, and the unemployed

Source: World Values Survey

Institutional trust has a different distribution, which leads us to think that it differs in the mechanism of its formation from interpersonal trust. Institutional trust tends to be higher among pensioners than among the whole population, which is consistent with the theory mentioned above. The unemployed are last in the comparison of trust levels since they tend to have the lowest levels of trust. The exception here is the Netherlands and Sweden, which are characterized with indexes of institutional trust that exceed trust scores among the whole population and pensioners.

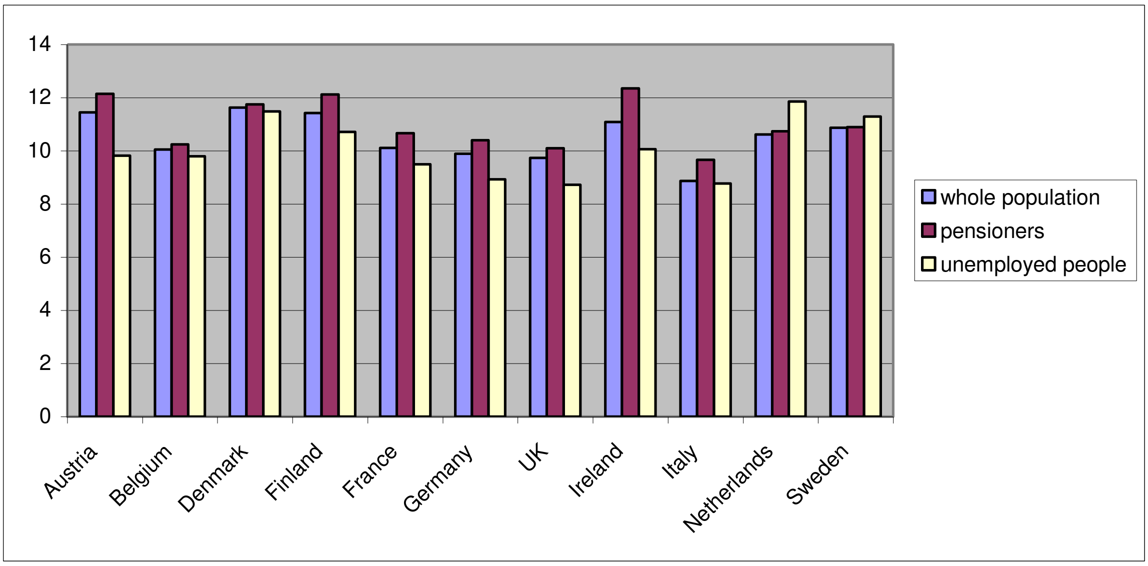

Figure 6.2.: Institutional trust levels among the whole population, pensioners, and the unemployed

Source: World Values Survey

A descriptive analysis of the relationship between trust and relevant social spending provides mixed results. For the OECD sample, there is evidence that advocates for the presence of crowding-out effects, but it happens only in the case of pension spending. The relationship between pension spending and both forms of trust among pensioners is negative and statistically significant. The correlation indexes here appear to be negative but with have rather low values, indicating that higher spending on pension policy entails a decline in the level of both forms of trust among pensioners. In the rest of the cases: for the whole population and the unemployed, we find a positive and statistically significant relationship between relevant social spending and trust levels among their direct recipients, indicating the presence of crowding-in effects. It is also worth mentioning that for interpersonal trust the correlation coefficient calculated on the basis of the whole population is equal to that computed for the sub-sample of the unemployed. In the case of institutional trust, the latter is however more than half of the former. This allows us to conclude at this early stage that the effects of welfare states on social trust are policy specific.

Table 6.1.: Correlation between relevant social spending and social trust among the whole population, pensioners, and the unemployed in OECD countries.

	Relevant social spending		
	Total social spending	**Social spending on pensions**	**Social spending on unemployment**
Whole population			
1. Interpersonal trust	**0.054*****		
2. Institutional trust	**0.068*****		
Pensioners			
1. Interpersonal trust		**-0.073*****	
2. Institutional trust		**-0.097*****	
Unemployed			
1. Interpersonal trust			**0.059*****
2. Institutional trust			**0.156*****

Source: Own calculations based on the World Values Survey

Thus, the descriptive analysis shows that the relationship between relevant social spending and social trust is policy specific. The correlation coefficients for the whole population take different values from those calculated for the sub-population of the unemployed and pensioners. Hence, one should speak about crowding-in effects when analyzing the relationship between welfare state development and social trust formation. At this early stage, the results mostly advocate about positive effects that social spending has on both forms of social trust.

6.3. Relevant social spending and social trust: an aggregated-level analysis

Aggregated level analysis refers to the relationship between the level of relevant social spending in the selected countries and the average level of social trust among their population. The analysis is conducted by calculating the correlation between social spending and social trust for the selected sub-samples, while sequentially controlling for country-level characteristics.

Table 6.2.: Correlation between relevant social expenditures and social trust, controlled for country-level characteristics[22]

	Correlation between relevant social expenditures and social trust	*Controlled for*				
		Percentage of protestants	**Wealth**	**Income Inequality**	**Corruption**	**Fractionalization**
Whole population						
1. Interpersonal trust	**0,325****	**0.145***	**0,319**	**-0,279****	**0,359**	**0.436**
2. Institutional trust	**0,289***	**0.071**	**0,456**	**-0,679***	**0,038****	**0.218**
Pensioners						
1. Interpersonal trust	**-0,273***	**-0.159**	**-0273**	**-0,458***	**-0,089**	**-0.135**
2. Institutional trust	**-0,550***	**-0.523***	**-0,258**	**-0,678****	**-0,218***	**-0.550***
Unemployed						
1. Interpersonal trust	**0,365***	**0.438***	**0,434**	**0,098***	**0,269**	**0.569**
2. Institutional trust	**0,728****	**0.325**	**0,478***	**0,289****	**0,202***	**0.319**

Source: Own calculations based on the World Values Survey

[22] * - 10% , ** 5%, *** 1% and less

The analysis of the crowding-out hypothesis through the functional dimension provides results that advocate for the crowding-out effects in social capital. The correlation between relevant social spending and social trust is positive in the case of the whole population and the unemployed. When relating pension spending to the average trust levels among pensioners, the relationship appears to be negative. The latter allows us to conclude two things. First, in the case of pension spending, there is a clear case of crowding-out. Second, the effects of social spending are policy specific.

When sequentially controlling for country-level characteristics, the correlation between relevant social spending and social trust among their direct recipients loses its strength, remaining in many cases statistically insignificant. In particular, controlling for income inequality greatly influences the relationship in question. In the case of the whole population, the relationship between institutional trust and total social spending becomes negative when income inequality is held constant and it also remains statistically significant. The same happens in the case of pensioners for both interpersonal and institutional trust, with both cases being statistically significant. For the unemployed, the relationship remains positive but becomes much weaker while still being statistically significant. It can be interpreted that the effect of social spending on social trust is absorbed by the inequality variable, which means that the impact of social spending is mediated through the reduction of inequality. This can be considered evidence for the integration argument, which emphasizes that welfare states raise social trust levels by keeping individuals socially integrated and by reducing the income inequality.

Another interesting point that arises from controlling for inequality is the fact that the direct effect of total social spending and pension spending on social trust is negative. This means that social spending crowds out social trust when their redistributive effect is controlled for. In other words, if reduction of inequality is controlled for, social spending tends to erode social trust. However, the mechanism of this erosion still remains unclear. The only option is to use the existing theory, which emphasizes that crowding-out happens through the destruction of civic engagement or through the erosion of people's ability to work with one another. It seems that the civil society erosion argument or the moral destruction argument hold true as well, although we possess no empirical analysis that proves this assumption.

An interesting conclusion can also be inferred from the results of controlling for the corruption level. In most cases, correlation coefficients between relevant social spending and social trust lose their value when controlling for corruption levels and it is especially obvious in the case of institutional trust. It suggests that people develop their trust, especially towards public welfare state institutions, based on their performance, in particular taking into account the level of corruption. Thus, the effect of welfare states on social trust also goes through the corruption level in public welfare state institutions. If they are considered to treat people equally, they form the necessary grounds for the positive evaluation of public welfare state institutions, which results in higher levels of trust towards them. This is a confirmation of the macro-level institutional theory, which emphasizes the importance of the quality of the performance of public institutions in the process of trust formation.

The other country-level covariates also conduct some effect on the relationship between relevant social spending and social trust. Controlling for the percentage of Protestants living in the country mainly reduces the value of the coefficients. However, they remain negative when relating pension spending to social trust among pensioners. The same influence on the relationship in question is found in the case of the wealth variable. When controlling for the level of GDP, a negative sign is seen in the correlation between pension spending and social trust among pensioners.

Controlling for fractionalization levels results in positive correlation coefficients for total social spending and social trust among the whole population, and for unemployment spending and social trust among the unemployed. A negative correlation is still obtained for pension spending and social trust among pensioners, which is statistically significant for institutional trust.

The aggregated level of analysis already provides evidence that supports the idea of a multidimensionality in welfare state activities. Moreover, our results are in line with the expectations of policy specific effects. The latter can be concluded from the fact that the values of correlation coefficients calculated based on data for the whole population differ substantially from subsamples of pensioners and the unemployed. Hence, in order to reveal the true relationship between welfare states and social trust, one should relate relevant social spending to trust indicators among their direct recipients. In addition, our analysis points to the fact that not all social policies erode social trust. Some of them may actually enhance trust levels among certain groups of the population, as seems to be the case among the unemployed.

Another conclusion that can be drawn on the basis of the aggregated- level of analysis is the idea that the effects of social policy on social trust have dubious nature. Welfare state smay enhance social trust formation by reducing income inequality and guaranteeing a good performance of welfare state institutions. Relevant social spending may also crowd out social trust by discouraging civic engagement or ruing an individual's habit to cooperate.

Therefore, the aggregated-level analysis provides some evidence that supports the crowding-out hypothesis. Such cases are however very few, while partial correlation coefficients mostly advocate either for the absence of influence or for the positive influence of relevant social spending on social trust levels. Crowding-out is mainly found in pension spending, which means that pension spending erodes social trust among pensioners. It should be noted that in most cases, partial correlation coefficients are not statistically significant, which can be attributed to a small number of cases at the aggregated level.

6.4. Relevant social spending and social trust: an individual-level analysis

The individual-level analysis is based on the expectations that the crowding-out hypothesis can be extrapolated to both pension and unemployment policies. The mechanism of crowding-out for the selected social provisions was explained in the light of the attitudinal theory. The expectations can be deduced from Hypothesis 2 and can be thus formulated as follows:

Hypothesis 2.1.: In the case of the whole population, we expect that higher levels of social spending will be associated with lower levels of interpersonal and institutional trust among individuals. The moral destruction theory or civil society erosion theory can be used to explain why crowding-out takes place.

Hypothesis 2.2.: In the case of pensioners, higher levels of pension spending are anticipated to be associated with lower levels of both forms of trust among pensioners. The recent changes in the level of pensions and their entitlement conditions are assumed to increase uncertainty, which causes crowding-out in social trust among pensioners.

Hypothesis 2.3.: In the case of the unemployed, higher levels of unemployment spending are expected to be associated with lower levels of social trust among the unemployed. The crowding-out mechanism is expected to realize itself through the self-interest element. One can expect that higher unemployment spending encourages the unemployed to stay outside the labor market, while being unemployed is negatively associated with social trust levels.

In other words, we expect that the relationship between relevant social spending and social trust must be negative if the crowding-out hypothesis holds. If the empirical analysis provides positive relationship, we can talk about crowding-in effects.

The empirical results are summarized in Table 6.1. The analysis of the relationship between social spending and social capital at the individual level provides evidence that has its own peculiarities. First of all, it should be noted that one must analyze the relationship between social trust and relevant social spending separately for interpersonal and institutional trust, since they differ substantially in their determinants. In spite of this difference, the effects of relevant social spending on interpersonal and institutional trust are found to be identical.

In the case of both forms of trust, we find crowding-out effects only when relating pension spending to social trust levels among pensioners, while crowding-in effects are seen for total social spending and unemployment spending.

More specifically, an increase in total social spending by 1 percent of GDP tends to increase the odds of interpersonal trust by 5.4 percent if other variables are kept constant. The figure is small, but still advocates for the presence of a positive relationship between interpersonal trust and total social spending. A positive effect is also obtained for institutional trust. An increase in total social spending by one percent increases institutional trust by 0.044 points. It seems that the moral destruction theory and civil society erosion theory that suggest crowding-out effects do not hold true. However, it remains difficult to explain the mechanism of crowding-in effects. At the macro-level, the integration theory that emphasizes the role social spending plays in reducing income inequality can be used to explain the positive impact. At the micro-level, the positive impact stems from the fact that the state keeps individuals socially integrated when he or she has difficulties, which reduces the feeling of failing. On the other hand, providing individuals with alternative sources of income, when they experience social risks, helps to reduce feelings of being disadvantaged compared to others. Moreover, the government support contributes to others feeling more optimistic about the future. These factors create the necessary conditions for higher trust in the state and, therefore, they enhance institutional trust. This also serves as a precondition for trusting other individuals more, since more optimism and less probability of failing strengthens pro-social behavior and positively affects interpersonal trust levels.

Table 6.3.: The regression of individual-level and country-level variables on social trust

	Institutional trust			*Interpersonal trust*		
	Whole population	**Pensioners**	**Unemployed people**	**Whole population**	**Pensioners**	**Unemployed people**
Relevant social spending						
Total	**0.044*****			**0.053*****		
On pensions		**-0.044****			**-0.059*****	
On unemployment			**0.696*****			**0.328****
Volunteering	0.133***	0.449***	0.318	0.238***	0.366***	0.160
Sociability	0.4333	0.312***	0.122	0.231***	0.422***	0.001
Religion						
Atheist	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
Catholic	0.456	0.380***	0.539*	-0.150***	-0.455***	-0.602***
Protestant	0.633	0.763***	1.145***	0.073**	0.047**	-0.052
Other	0.290	0.582***	0.821*	-0.213***	-0.049*	0.134*
Religiousness	-0.155***	-0.104***	-0.256***	-0.025***	-0.054***	0.019
Gender	0.122**	0.195**	0.038	0.071***	0.066	-0.115
Age						
15-29	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
30 – 44	-0.134*	-1.378	0.088	0.151***	0.510	0.069
45 – more	0.166**	-0.786	0.253	0.158***	0.682	0.302***
Education						
Lower	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
Middle	-0.062	-0.286	0.498**	0.106***	0.185***	0.008
Upper	0.116**	-0.103	-0.129	0.707***	0.548***	0.788***
Unemployed	-0.393***	Not applicable	Not applicable	-0.283***	Not applicable	Not applicable
Income						
1st qu.	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
2nd qu.	0.134**	0.150	0.636**	0.054	0.233***	-0.020
3rd qu.	0.089	0.374***	0.628**	0.211***	0.291***	0.229
4th qu.	0.100	0.292	0.033	0.428***	0.656***	0.288
5th qu.	0.064	-0.219	-0.699	0.586***	0.836***	0.983***
Variance at the first (individual) level	9.266 (0.111)	10.011 (0.440)	10.654 (0.541)	Not calculated	Not calculated	Not calculated
Variance at the second (country) level	0.151 (0.012)	0.157 (0.100)	0.163 (0.171)	0.247 (0.164)	0.178 (0.053)	0.385 (0.204)

Source: Own calculations based on the World Values Survey

Taking the functional dimension into account shows the presence of crowding-out effects, which happens in the case of pension spending. Moreover, this negative relationship remains statistically significant for both forms of trust. The coefficient on pension spending suggests that an increase in pension spending by one percent leads to a decrease in the odds of trusting others by 5.8 percent. In the case of institutional trust, this decrease equals 0.044 points. This negative sign for pension spending effects comes as a surprise. Taking into account the role pensions play in the lives of retired people, as well as the fact that pensioners can be regarded as the net beneficiaries of social security systems, one expects that the relationship must be positive. The explanation for this negative sign can be provided based on the theory of attitude formation and change. The effects of recent changes in pension levels and conditions of their delivery may ruin an individual's level of trust towards national pension systems and towards public welfare institutions. The constant introduction of changes to pension systems may increase uncertainty about future pensions and their level, which negatively affects people's perception of the state and the performance of its institutions. Moreover, negative effects may also stem from the fact that pensioners could regard what they get from social security systems in the form of pensions as less than what they paid during their work history. These factors in turn may contribute to negative experiences of people , which entail negative consequences for an individual's trust in others.

The relationship between unemployment spending and both forms of trust among the unemployed turns out to be positive. Moreover, this relationship is statistically significant with large values for both interpersonal and institutional trust. In particular, an increase in unemployment expenditures by one percent tends to increase the odds of trust among the unemployed by 38.8 percent if other variables are kept constant. An analogous change in unemployment spending increases institutional trust by 0.696 points. It seems that the value component plays a crucial role here in defining trust levels. The fact that the state provides people temporarily out of the labor market with an alternative source of income must positively affect their trust towards public welfare institutions and other people in general. The mechanism of self-interest discussed earlier is blocked here.

There are two questions that arise here. The first is why the effects of social policy on social trust are different for the two social provisions. The underlying logic of the answer to this question is that there is a difference in perceived risks between pension and unemployment policies and, as a result, a different nature of coverage by the redistributive activity of the state. In the case of unemployment policy, the risk of becoming unemployed is temporary and can be eliminated with the help of the state. In between, the state supports the individual without a job. Hence, trust in welfare institutions is quite high, which results in a positive relationship between unemployment expenditures, institutional trust, and interpersonal trust. In the case of pension policy, the risk of retirement can be regarded as unavoidable, with the state just compensating for the lack of a source of income without any probability of eliminating it completely. The relationship between pension policy and social trust is hence not positive.

Second, the difference between the effects of relevant social spending may result from different influence mechanisms that underlie the relationship between the state and the individual. Pension policy supports individuals exclusively through providing pensions, which varies from guaranteeing a minimum income to maintaining living standards acquired when working. Hence, the relationship between pension spending and social trust among pensioners is mediated exclusively through income. It should also be noted that now pension policy is surrounded by uncertainty about its future levels and the question of whether pensions will be paid at all as current debates show. The latter also negatively affects people's trust in public welfare institutions and, to a lesser extent, people's confidence in other people.

Unemployment policy affects social trust levels through completely different mechanisms which rest on a variety of policy instruments used by the state to combat unemployment. The latter includes increasing an individual's education level, precipitating job search through public placement offices, supporting an individual's living standards through unemployment benefits, providing subsidies for firms employing people without jobs, etc. These mechanisms influence not only the income level of unemployed people but also underlie a range of other types of interactions between the state and the individual. The individual is to a lesser extent dependent on the state in financial terms, but to a greater degree on its activating measures, which form positive attitudes for the unemployed towards the welfare state.

The question related to this is about indirect effects social polices have on social trust. It should be taken into account that the effects of welfare states on trust are multi-faceted. They are not limited to the direct influence measured by coefficients on social spending variables, but also have an indirect effect through other individual-level as well as country-level characteristics. As such, these characteristics enter the model as intervening variables, controlling for which allows indirect effects to be detected. Among such variables, income inequality, education level, and household income are the most important.

There are many studies that emphasize that redistributive policies reduce income inequality and, as such, social categorization. The latter leads people to feel more integrated in society which positively influences their trust level.

Apart from inequality, the welfare state influences an individual's disposable income, which also predicts trust. The effects of income are insignificant for institutional trust but very important for trust in other people. The influence of income is of utmost importance for pensioners and to some extent the unemployed, for whom social benefits are usually the main source of income.

Moreover, the state engages actively in educating people through financing secondary and higher education or organizing re-education and different types of workshops. As such, it contributes to the individual level of education, which is one of the main predictors of social trust, especially in the case of interpersonal trust. The role of education is very important in the case of unemployed people.

Finally, it is possible to ask whether this approach of isolating the target groups of specific social policies entails the risk of receiving biased results due to the over-representation of people with certain characteristics. As far as the effects of selected determinants for social trust show, their direction and strength are almost always in line with the results obtained on the basis of the whole sample[23] and are generally consistent with the theory. An interesting nuance here (which is rarely or ever mentioned in the literature) is that interpersonal trust and institutional trust slightly differ in their determinants.

Higher levels of social trust are found more often among people involved in volunteer activities, as well as among more sociable individuals. Religiousness can also be considered a strong determinant for both forms of social trust. The type of religion however influences institutional and interpersonal trusts differently. Catholics are found to have more trust in institutions compared to non-religious people, but their interpersonal trust levels are lower than among people without any religion or Protestants. Protestants show higher levels of institutional trust compared to non-religious people for both interpersonal trust and institutional trust. Other religions tend to have less confidence in other people but more trust in institutions compared to non-religious individuals.

With age people tend to become more trusting towards public institutions, as well as towards other individuals. Moreover, this relationship appears to be non-linear. In the case of interpersonal trust, people aged 30-44 have more trust than those aged 15-29. People aged over 45: their trust levels are almost equally higher compared to those aged 15-29. For the institutional trust we found that people aged 15-29 have more trust than those aged 30-44. But people aged over 45 have higher trust indexes than younger people.

Income tends to also have a positive impact: wealthier people show higher levels of interpersonal trust. This effect is still positive although not statistically significant in the case of confidence in public welfare institutions. For interpersonal trust, income effects are non – linear, but there is an increase in trust levels for each quintile. For institutional trust, there is

[23] However, in the sub-samples, the non-significance of coefficients is found more often, which is mostly due to a smaller number of cases in the sub-samples compared to the pooled sample for the whole population.

still a positive effect which slows down when satisfaction with income goes up. Nevertheless, most coefficients appear not to be statistically significant for institutional trust.

The influence of gender is found to be statistically significant in all cases. Males seem to have higher trust levels than females on average. As it always appears in the literature, unemployment negatively affects levels of interpersonal trust and institutional trust. Education also conducts some influence on social trust indexes but its direction differs across trust forms. More educated people show more confidence in other individuals. In the case of institutional trust, the impact of the education is non-linear. Moderately educated people have lower indicators of trust in institutions compared to less educated people, although this effect is not statistically significant. But highly educated people have higher institutional trust indexes compared to less educated people.

In general, the results obtained allow us to say that in discussing the welfare state's effects on social capital formation, it is necessary not only to refer to total social spending, but to analyze policy-specific effects. Our analysis provides evidence that suggests that even if total spending may deliver some support for the crowding-in hypothesis, not all social policies have a positive influence on social trust levels.

The multidimensional approach thus advocates that we may have crowding-out effects in some cases. In particular, pension spending negatively affect levels of both forms of trust, especially institutional trust. In the case of unemployment spending, one should refer to crowding-in effects, especially for interpersonal trust. It seems that the effects of unemployment benefits as the main source of income outweigh negative effects of the self-interest component, enhancing positive attitudes towards welfare states institutions and other people.

Thus, the empirical analysis shows that the effects of welfare state activities can result in a drop in confidence levels. It is also obvious that welfare state effects can be policy specific. In other words, one should accept that policy effects are not linear across social provisions and each of them has its own specific mechanism of influence resulting in different levels of interpersonal and institutional trust.

6.5. Overview and concluding remarks

This chapter analyzes the functional dimension which is defined based on the functions social polices perform. Functions are derived on the basis of the risks or contingencies that social policies are designed to cover. The analysis is conducted by relating relevant social expenditures to the levels of institutional and interpersonal trust among their direct recipients. Relevant social expenditures include pension and unemployment spending that are linked to social trust levels among pensioners and the unemployed. The results are compared to those calculated based on the pooled sample for the whole population and total social expenditures. The analysis provides evidence of the existence of policy specific effects. Mixed results were however obtained in the case of the crowding-out hypothesis. An aggregated level of analysis supports crowding-out only for pension spending while positive effects are found for unemployment spending. Moreover, the aggregated-level of analysis suggest that effects of social spending on social trust mainly go through reduction of income inequality, which supports integration argument. If redistributive effects of welfare state activities are controlled for, the direct effect of social spending on social trust becomes negative, which can be explained by the civil society erosion or the moral destruction arguments. The individual level of analysis provides similar evidence. Crowding-out can be expected in the case of pensioners for both forms of social trust, while crowding-in effects can be found in the case of total social spending and unemployment spending. An explanation of these effects among pensioners and the unemployed is provided based on the attitudinal theory of trust formation.

The analysis presented in this chapter does not intend to provide theoretical explanations of welfare state effects on social trust. Instead, we focus on discussing the empirical results of our cross-sectional analysis. Only a few explanations of the mechanisms of crowding-out and crowding-in effects are delivered, which do not provide a complete picture. Moreover, additional arguments are needed to explain why relevant social spending can differ in their effects on social trust. This must become a subject for further research that should take a form of qualitative studies rather than quantitative studies to make the explanation of mechanisms underlying the phenomenon under study possible.

Moreover, the desegregation of total social spending on a functional basis still relies on using relevant social spending. This however neglectes the fact that this measure of welfare state development does not reflect the actual level of decommodification of individuals from the labor market. The need hence consists in introducing an outcome spectrum in the social trust analysis which will be done in the next section.

Chapter 7: DECOMMODIFICATION AND STRATIFICATION EFFECTS ON SOCIAL TRUST: THE OUTCOME DIMENSION

7.1. Introducing an outcome spectrum in social trust analysis

An overview of literature on the relationship between the state and social capital allows us to draw certain conclusions, which open up further research. The analysis of literature provides evidence that points out the lack of empirical analysis of the effects social policies have on social trust. The studies are mainly theoretical and speculate on the kind of relationship in question while rarely employing quantitative methods of analysis to check the plausibility of the ideas underlying the relationship.

The studies on the crowding-out hypothesis are an exception here, since they usually include an empirical analysis on the impact social spending has on social trust. However, these studies tend to operationalize welfare state development through social spending measured as a percentage of GDP. This approach is false, since it does not reflect the actual level of support welfare states provide to individuals since the level of social spending depends not only on the amount of social benefits paid but also on the level of coverage rate. The same level of spending can thus be obtained in countries with higher benefit levels but smaller coverage rates or in countries with lower benefit levels but higher coverage rates. Moreover, this measure of welfare state development does not fully reflect the dynamics of state intervention in the form of social policy since an increase in the level of spending can also result from the fact that the number of eligible recipients increased while benefit levels remained unchanged.

The traditional way of operationalizing welfare state development thus fails to measure the extent to which the state affects individual well-being. It completely ignores the micro-level foundations that underlie such macro-level measures as social spending, since it is completely detached from the extent to which social spending allows the outsourcing of individuals from the market. On the other hand, social spending reflects the process of state intervention than its outcomes. The need therefore consists in introducing an outcome spectrum in the analysis of welfare state effects. This problem is to some extent solved in the studies that are based on including dummies for Esping-Andersen’s welfare regime typology (Van Oorschot and Arts, 2005). Such an approach usually demonstrates that social democratic welfare regimes have higher levels of social trust compared to conservative and liberal regimes. But this measure is not perfect either since it still remains unclear whether it is the level of benefit generosity or the type of social stratification resulting from the organization of social rights that is responsible for the variation in social trust across welfare regimes. It should not be forgotten that Esping-Andersen's welfare regime typology is itself a multidimensional concept, which is created along dimensions of decommodification, stratification , and de-familiarization.

The general logic of the analysis thus triggers the need to find a new way of operationalizing welfare states, which would more accurately approximate the degree of their development while still being directly linked to the outcomes of intervention in societal arrangements at the micro-level. Such a measure can in our opinion be obtained by decomposing Esping-Andersen's welfare regime typology into two dimensions and directly relating each dimension to social trust indexes. These dimensions are decommodification and stratification that both assess the effects on social trust of the degree of outsourcing of individuals from the market, and the stratification mechanism. The main advantage of this approach consists in measuring the development of welfare states through their outcomes, which brings a new spectrum to the study of welfare state effects on social trust.

Moreover, we also intend to check how the level of decommodification for the selected social provisions affects trust indexes among their direct recipients. It will directly contribute to the methodology of the analysis of social capital and will require the reconsideration of all the previous findings if welfare states effects are found to be policy specific.

7.2. Decommodification and social trust levels

In the previous analysis, we used social spending as a primary empirical basis for evaluating welfare state activities. However, it should be noted that spending does not provide a sufficient indication of a welfare state's effects on individual life chances. The tendency in the recent literature consists rather in using the welfare regime typology constructed by Esping-Andersen. The latter is grounded in the two key welfare characteristics: the degree of decommodification and social stratification.

Decommodification stems from the idea that the mainsprings of modern capitalism lie in the process by which both human needs and labor power become commodities. As a result, an individual's well-being tends to depend on the relationship to the cash nexus. Esping-Andersen (1990) recognizes however that commodification itself would have negative consequences on labor force reproduction as well as destroy the relationship between the demand and the supply of labor force. In other words, if a labor force is nothing more than a commodity, it will likely destruct (Esping-Andersen, 1990). It happens because the commodification of both wants and people weakens individual workers. This lies in the fact that the labor force as commodity has some peculiarities. First, it cannot be sold with delays since workers must survive and reproduce both themselves and the society they live in.

Moreover, as commodities, workers are captive to powers beyond their control by social contingences such as illness or business cycles. Apart from that, free competition among workers may put pressure on wages, whose level may not reach the point enough for reproduction. Finally, without decommodification, workers are incapable of the collective action required for labor-movement development.

There is hence pressure for decommodification as a precondition for system survival as such. The concept in Esping-Andersen's definition refers to the degree to which individuals or families can uphold a socially acceptable standard of living independent of market participation (Esping-Andersen, 1990). This conflict was evolved around the question about the degree to which market immunity is permissive, that is, the strength, scope and quality of social rights. He distinguishes between conservative, liberal, and socialism responses to commodification.

The hallmark of conservative ideology is the idea that the commodification of individuals is morally degrading, socially corrupting, atomizing, and anomic. Individuals are not meant to compete or struggle, but to subordinate self-interest to recognized authority and prevailing institutions. He distinguishes between several models here: feudal, corporativist, and etatist. He further specifies that feudal ideals are strongly antagonistic to the commodity status: markets do not matter and wage labor is only marginally important for human well-being. Corporate societies emerged among artisans and craftsmen as a means to close ranks and monopolize entry, membership, prices and products. Later, they were often transformed into mutual societies. Etatist tradition is motivated by social integration, the preservation of authority, and the battle against capitalism. He concludes that etatist conservatism saw in social rights a solution to the 'social question'.

Esping-Andersen sees the conservative foundations of social rights as the historical origins of modern social policy. He asserts that in almost every country, it was a conservative tradition that gave rise to the first systematic and deliberate attacks on the commodification of labor. There are two reasons for this. First, these conservative forces feared that the development of liberalism, democracy, and capitalism would destroy the institutions upon which their power and privileges were based. Second, the pre-commodified status of workers was a model that was already available and also present in the heyday of laissez-faire: it was a response that came naturally and claimed considerable legitimacy. He elaborates by saying that guilds had the chance to be transformed into mutual societies, the capitalist companies offered a menu of social benefits outside of the work contract, and paternalism was not something that was especially contradictory to the entrepreneurial spirit (Esping-Andersen, 1990).

The second form is liberalism. The general assumption of liberalism holds in Esping-Andersen's view in that the market is emancipator: it is the best possible shell for self-reliance and industriousness. If not interfered with, he writes, its self-regulatory mechanisms will ensure that all who want to work will be employed and will thus be able to secure their own welfare. Private life may be wrought with insecurity and danger, poverty or helplessness is in principle unlikely. Yet if it occurs, this is not the system's fault but merely a consequence of an individual's lack of foresight and thrift. In all such cases, the liberal dogma is forced to seek resources in pre-capitalist institutions of social aid such as the family, church and the community. However, Esping-Andersen emphasizes that liberalism recognizes to some extent the rationale of social intervention. It does so only in the principle of public goods, and finds two acceptable answers for the system. One is to transfer a modified version of the old poverty laws into a framework of means-tested social assistance which ensures that non market income is reserved for those who are unable to participate in the market. Another was a preference for privately organized insurance in the market and public social insurance, which would perform like its private-sector kin by pegging entitlements and benefits to employment, work performance, and contributions.

The third form is socialism which, according to Esping-Andersen, has a close kinship with the corporative conservative tradition with regard to embryonic policies of de-commodification. He shows that early labor movements were largely built around unions, mutual-aid societies, and sometimes a political party. However, soon the scope and quality of social rights were seen as a precondition for the larger struggle of socialists and not merely the fruits of its final success. It was through this strategic realignment that socialism, he emphasizes, eventually embraced the welfare state as the focus of its long-term project. It is in this sense that social democracy becomes synonymous with welfare stateism.

Esping-Andersen characterizes the socialist decommodification strategy with two features. First, they focus their policies on upgrading benefits and minimizing social stigma. The other characteristic of socialist decommodification is the attempt to use universal coverage for social rights. As a result, what characterizes all early social policies is the notion of basic or minimal social rights: installing strong entitlements at fairly modest benefit levels and typically limiting it to the core areas of human need (Esping-Andersen, 1990). The distinctive principle of decommodification in the socialist view is hence the idea that the status of welfare clients should impose no decline in living standards, even over an extended period of time, allowing for a strengthening of individual independence.

In his empirical analysis of decommodification, Esping-Andersen distinguishes between three main groups on the basis of a combined decommodification score for the three programs (pension, sickness, and unemployment) in 18 OECD nations. Based on how nations cluster around the mean, he distinguishes between the following groups of countries: Anglo-Saxon nations were all found at the bottom of the ranking, the Scandinavian countries were placed at the top. In between these two extremes, he places the continental European countries; some of them (especially Belgium and the Netherlands) however fall closer to Nordic countries. In other words, a low level of decommodification is found in countries with a history dominated by liberalism. In social democratically dominated welfare states, the level of decommodification is highest. Finally, conservative countries are in the middle, where social rights are extended outside the market, but there is a stronger accent of social control than in the case of social democracy. These results are supported by the data presented below which provide levels of decommodification and benefit generosity indexes. Both indexes are calculated by Scruggs and Allan (2006b) by replicating Esping-Andersen's analysis for 18 OECD nations. The benefit generosity index is calculated by applying the general method of scoring the countries used by Esping-Andersen. The main difference with the decommodification index is that they use different data for replacement rates, duration limits, qualifying periods, waiting, and coverage for three social programs: unemployment, sickness, and pensions. The data upon which both indexes are calculated are provided in their publication (Scruggs and Allan, 2006b).

Table 7.1.: Decommodification and Benefit generosity indexes by welfare regime type

		Mean value	**St. deviation**
Social democratic	Decommodification index	**36.2**	**4.02**
	Benefit generosity index	**33.1**	**3.67**
Liberal	Decommodification index	**18.2**	**4.38**
	Benefit generosity index	**21.9**	**2.21**
Conservative	Decommodification index	**28.75**	**2.21**
	Benefit generosity index	**27.5**	**4.69**

Source: Scruggs and Allan (2006b)

The table shows that both indexes support Esping-Andersen's welfare regime typology. The index is highest for social democratic welfare regimes. Conservative regimes come next with an index level somewhat less than for Scandinavian countries. Liberal welfare regimes close the ranking with the lowest index levels out of the three groups. It should be noted that the benefit generosity index varies less across welfare regime types compared to the decommodification index, but it still repeats the distribution across nations found in the case of the benefit generosity index. We will use the benefit generosity index for the analysis since it reflects more accurately decommodification levels in the selected countries.

The relationship between decommodification levels and trust indicators will be examined again at both the individual and aggregated levels. The aggregated level analysis relates the average level of social trust indicators across the countries to their level of decommodification, while sequentially controlling for country-level characteristics.

At the aggregated level, the results provide evidence that advocates for the presence of crowding-in effects in social trust formation of both forms. More specifically, interpersonal and institutional trust is found to positively correlate with benefit generosity indexes. Moreover, this relationship is statistically significant for both interpersonal and institutional trust. However, it should be noted that controlling for country level characteristics changes the relationship under analysis in a different way.

If we sequentially control for country-level characteristics, the correlation between decommodification scores and social trust loses its strength and remains in many cases statistically insignificant. In particular, controlling for income inequality strongly influences the relationship in question. Income inequality variable is most influential out of all five covariates. More specifically, when controlling for income inequality levels, the positive relationship between decommodification scores and institutional trust becomes negative and also remains statistically significant. In the case of interpersonal trust, the relationship loses completely its strength. It again can be considered proof that the effects of decommodification on social trust are absorbed by the inequality variable, which means the effects of welfare states are mediated through the reduction of inequality. This should be again regarded as evidence of the integration argument, which emphasizes that welfare states raise social trust levels by keeping individuals socially integrated and by reducing income inequality levels.

Table 7.2.: The correlation between decommodification levels and social trust, controlling for country-level characteristics[24]

	Correlation between decommodification indexes and social trust	*Controlled for*				
		Fractionalization	**Wealth**	**Income Inequality**	**Corruption**	**% of Protestants**
Benefit generosity index						
1. Interpersonal trust	**0.535****	**0.732****	**0.451***	**0.019**	**0.408***	**0.518**
2. Institutional trust	**0.569***	**0.459**	**0.339**	**-0.359***	**0.037***	**0.279**

Source: Own calculations based on the World Values Survey

Another interesting point that arises when controlling for inequality is the fact that the direct effects of decommodification are negative for institutional trust. This means that welfare states crowd-out institutional trust when their redistributive effect is controlled for. However, the mechanism of this erosion still remains unclear here. As in the previous case, it is possible to say that the effects of welfare states on social trust hence are at least dubious. Decommodification levels boost social trust through the reduction of income inequality. On the other hand, it erodes trust levels by de-motivating social networks.

An interesting conclusion can also be drawn when controlling for corruption levels. In the cases of institutional trust, the correlation coefficients with decommodification scores lose their value when controlling for this country characteristic. It shows that people form trust in public welfare state institutions mainly based on their performance, while particularly taking into account corruption levels. The effects of welfare states on social trust thus have to do with the characteristics of an institution's performance. If they are considered to treat people equally, it forms necessary grounds for the high evaluation of public welfare state institutions, thus resulting in higher trust in them. This can also be considered a confirmation of the macro-level institutional argument, which emphasizes the importance of the quality of performance by public institutions in the process of trust formation.

The other country-level covariates conduct some influence on the relationship between decommodification levels and social trust. Controlling for the percentage of Protestants living in a country reduces the value of the coefficients but the correlation coefficients are not found

[24] * - 10% , ** 5%, *** 1% and less

to be statistically significant. The same influence on the relationship in question is found in the wealth variable. When controlling for the GDP of a country, a positive sign is present for both forms of trust, although it only remains statistically significant for interpersonal trust. Controlling for fractionalization rends the relationship insignificant in terms of institutional trust. For interpersonal trust, it remains significant and even increases its value somewhat.

Thus, the aggregated-level analysis advocates for the presence of crowding-in effects, which remain statistically significant even after controlling for some country-level variables. Decommodification hence tends to be positively associated with social trust, even while controlling for fractionalization, wealth, and corruption. In the rest of the cases, the effects are not statistically significant. The negative relationship in question is found only when controlling for income inequality.

Before proceeding to the individual level analysis of decommodification effects, we will analyze the relationship between welfare regime types and social trust levels. If the crowding out hypothesis holds true, then we expect that:

Hypothesis 3.1.: in social democratic welfare regimes, the level of social trust will be lower than in conservative and liberal regimes,

Hypothesis 3.2.: in conservative welfare regimes, the level of both forms of trust will be lower than in liberal regimes.

The results again provide evidence that suggest that higher levels of trust can be found in countries that spend more on social welfare programs. In the case of institutional trust, we find that in conservative welfare regimes, confidence is usually 0.832 units lower compared to Nordic countries, when all other variables hold constant. In liberal welfare regimes, this difference increases to 0.981. In other words, institutional trust levels in liberal countries appear to be on average 0.981 units lower than in social democratic countries.

Table 7.3.: Interpersonal and institutional trust by welfare regime type

	Institutional trust	*Interpersonal trust*
WELFARE REGIME TYPE		
Conservative	-0.832***	-0.830***
Liberal	-0.981***	-0.981***
Social democratic	Ref/category	Ref/category
Volunteering	0.135***	0.267***
Sociability	0.421***	0.394***
Religion		
Catholic	0.048	-0.192***
Protestant	0.128	0.038
Other	0.224	-0.020
Religiousness	-0.155***	-0.030***
Gender	0.120**	0.068**
Age		
15-29	Ref/category	Ref/category
30 – 44	-0.130*	0.159***
45 – above	0.175**	0.177***
Education		
Lower	Ref/category	Ref/category
Middle	0.054	0.112***
Upper	0.132**	0.705***
Unemployed	-0.376***	-0.263***
Income		
1st qu.	Ref/category	Ref/category
2nd qu.	0.140*	0.066*
3rd qu.	0.092	0.217***
4th qu.	0.113	0.423***
5th qu.	0.071	0.575***
Correlation at level 1	9.267 (0.111)	not calculated
Correlation at level 2	0.223 (0.017)	0.140 (0.013)

Source: Own calculations based on the World Values Survey

For interpersonal trust the relationship has the same nature. Conservative welfare regimes are found to be less trusting of others: the odds are 56.4 percent less than in social democratic states. This difference becomes bigger when comparing liberal and Scandinavian countries: the odds of trusting tend to be 62.6 percent less in Anglo-Saxon countries compared to Nordic countries.

Therefore, the analysis of social trust levels by welfare regime type provides results that point out that social democratic countries with generous social rights and higher levels of decommodification are associated with higher levels of trust of both forms. Conservative welfare regimes have lower levels of interpersonal and institutional trust, but still higher than in liberal countries. The results should however be interpreted with some caution since the difference between welfare regime types consists not only in the level of decommodification but also in the way social benefits are designed, implemented, and financed. It is thus possible to assume that this difference is die not to welfare regime type but to the way welfare regimes organize and deliver social benefits, which reflects the principles on which the provision of social rights occurs.

Another danger in the welfare regime typology for the analysis of social trust is that this typology reflects the combined effects of decommodification and stratification. It is difficult to infer based on welfare regime dummies whether the positive difference in favor of social democratic welfare systems is a result of higher decommodification or if is just the effect of stratification, which reflects the nature of social rights.

The third drawback of the welfare regime dummies approach is the critique that this typology is not perfect. Baannik and Hoogenboom (2007) for instance demonstrate that Esping-Andersen's welfare regime typology is to some extent inconsistent. Orloff (1993) argues that the gender dimension is poorly accounted for in Esping-Andersen's welfare regime typology and criticizes the power resources analysts' understanding of citizenship and their analytic scheme for describing social policy regimes. Bonoli (2001) concludes that Esping-Andersen's approach is just part of the quantification tradition, which reflects the 'how much' dimension and completely ignores the 'how' dimension.

Finally, the fourth drawback is that there is much variation in decommodification scores even among similar welfare regimes, which can be inferred from the high value of standard deviation provided in Table 7.1. There is thus a certain loss of information, when combining countries among welfare regime type.

It is hence plausible to directly relate decommodification levels to social trust indexes. Our expectations are based on an extrapolation of the classical crowding-out hypothesis. In particular, we expect (Hypothesis 4) *higher levels of social trust to be found in countries with* *lower decommodification levels*. In other words, *an increase in benefit generosity levels should lead to a decrease in both forms of social trust*.

The results of the empirical analysis are provided in the table below.

***Table* 7.4.: Influence of decommodification levels on social trust indexes** [25]

	Institutional trust	***Interpersonal trust***
	Benefit generosity index	**Benefit generosity index**
Benefit generosity Index	**0.088*****	**0.034*****
Variance at the individual level	9.273 (0.111)	Not calculated
Variance at the country level	0.298 (0.028)	0.196 (0.013)

Source: Own calculations based on the World Values Survey

The individual-level analysis provides empirical evidence that again advocates for the presence of crowding-in rather than crowding-out. Benefit generosity enhances both forms of trust. An increase in the level of benefit generosity by one point leads to an increase in institutional trust by 0.088 points when other variables are constant. In the case of interpersonal trust, a one point increase in the level of benefit generosity entails a 3.45 percent increase in the odds of trusting.

Thus, the analysis provides results that advocate for crowding-in effects. Welfare states measured through decommodification levels have positive effects on social trust formation. Higher decommodification levels lead to higher levels of social trust. When countries spend more on outsourcing individuals from the market, they directly and indirectly increase their trust levels. It however remains unclear through which mechanisms the effect materializes. We do not control for country-level covariates due to a small number of cases at the second level. We cannot hence infer about the nature of the effects decommodification has on interpersonal and institutional trust.

What can be also mentioned here is that in spite of the widely supported crowding-out hypothesis, an alternative measure of welfare state development provides similar results. As in the case of total social spending, we find that public social arrangements reinforce trust

[25] The coefficients on the control variable are not reported since they are given in Table 7.3.

levels in society. Public policy helps build necessary preconditions for high regards about the state, which lies at the roots of higher trust in public welfare institutions. Social policy also contributes to creating a favorable environment that enhances trust in other people. In a stronger state, people might feel more secure, which leads to more pro-social behavior.

The question that arises here concerns generalizing the positive effects of decommodification for all social provisions. It is plausible to assume that the effects can be policy specific due to the existence of the functional dimension. An additional analysis should hence be conducted to investigate the interaction between the outcome and the functional dimensions in order to specify whether or not the effects of decommodification can be policy specific. In the case of policy specific effects, the coefficients on decommodification calculated for pension and unemployment policies will differ from the general decommodification index. The analysis is conducted for pensioners by directly relating decommodification scores for pension policy to trust levels among pensioners. On the other hand, we relate the level of decommodification of unemployment policy to trust levels among the unemployed.

It should be noted that welfare regimes strongly differ from each other in putting a different emphasis on decommodifying people that experience the two social risks: unemployment and retirement. The general logic of decommodifying remains valid: Scandinavian welfare regimes provide the highest level of decommodification (13.2. for pension and 9.7 for unemployment policies), liberal regimes limit it to the minimum (7.7. for pension and 6.0 for unemployment policies), while conservative regimes are situated somewhere in between (11.1. for pension and 8.2. for unemployment policies).[26]

These figures also illustrate a different emphasis that welfare regimes put on pension and unemployment policies. In trying to find a balance between these two social provisions, the countries usually end up guaranteeing higher levels of decommodification to pensioners than the unemployed, which reflects the common view that pensioners are more deserving of public support than the unemployed. More specifically, Scandinavian states provide pensioners with higher decommodification levels, while giving the unemployed a lower level of outsourcing from the market (but still the highest in Europe). The same tendency is present in conservative welfare regimes, although the overall level of decommodification is lower for both pensioners and the unemployed. Liberal states rely heavily on the market to ensure low levels of decommodification for both social provisions, making almost no distinction between pensioners and the unemployed in securing their levels of decommodification.

[26] Own calculations based on Bambra (2006)

Table 7.5.: Decommodification levels for pension and unemployment policies and social trust: an aggregated analysis.

	Correlation between decommodification indexes and social trust among their direct recipients	*Controlled for*				
		Fractionalization	**Wealth**	**Income Inequality**	**Corruption**	**% of Protestants**
Decommodification of pension policy						
1. Interpersonal trust	**-0.109**	**0.030**	**-0.052**	**-0.394**	**0.030**	**0.085**
2. Institutional trust	**0.330**	**0.406**	**0.354**	**0.189**	**0.429**	**0.373**
Decommodification of unemployment policy						
1. Interpersonal trust	**0.420**	**0.326**	**0.225**	**-0.035**	**0.473**	**0.374**
2. Institutional trust	**0.059**	**0.078**	**0.176**	**-0.272**	**0.135**	**0.064**

Source: Own calculations based on the World Values Survey

The aggregated level of analysis does not provide statistically significant results that allow for credible inferences. What can be said is that the level of decommodification of pensions causes a crowding-out of interpersonal trust that disappears when controlling for corruption, fractionalization, and the percentage of Protestants living in a country. Institutional trust among pensioners tends to positively co-vary with the decommodification levels of pensions, even after sequentially controlling for all five covariates.

Relating the decommodification levels of unemployment policies to social trust levels among the unemployed shows a positive correlation. Only when controlling for the level of income inequality does the positive correlation turn negative, which points to the presence of crowding-out effects.

Again, out of the five covariates, income inequality is the most influential variable. It seems that all positive effects of decommodification on social trust stem from the redistributive effects of social policies. The general logic assumes that in countries, where redistributive effects are higher, levels of social trust are also higher. As in the previous case, we see a negative relationship between decommodification and social trust after isolating the effects of income inequality. But again, it is difficult to explain the mechanisms of these effects.

The individual level of analysis also advocates for the presence of policy specific effects. When disaggregating total decommodification levels on a functional basis, we see a positive relationship, such as in the case of the cumulative decommodification score. Both pension and unemployment policies show a positive relationship between their levels of decommodification and institutional trust. Moreover, this positive effect is much larger for pension and unemployment policy than for the cumulative decommodification score. Higher decommodification levels hence tend to enhance confidence in public welfare institutions. It is plausible to assume that decent levels of outsourcing of individuals from the market provides necessary grounds for a positive evaluation of state intervention in the form of social policies, which in turn forms higher regards about public welfare state institutions and more confidence in them. The specification of decommodification levels on a functional basis hence provides more evidence of crowding-in effects.

Table 7.6.: Policy-specific effects of decommodification for two social provisions[27]

	Institutional trust		***Interpersonal trust***	
	Pensioners	**Unemployed**	**Pensioners**	**Unemployed**
Decommodification indexes for pension policy	**0.165*****		**-0.011**	
Decommodification indexes for unemployment policy		**0.350*****		**0.106**
Variance at the individual level	9.986 (0.257)	10.640 (0.539)	Not calculated	Not calculated
Variance at the country level	0.440 (0.098)	0.264 (0.209)	0.294 (0.073)	0.376 (0.178)

Source: Own calculations based on the WVS

Policy-specific effects are also present in the case of interpersonal trust. The total level of decommodification is initially found to positively correlate to interpersonal trust levels. This is however not true for pension and unemployment policies. They both show a neutral relationship to trust levels among their direct recipients. The specification of decommodification on a functional basis does not confirm the positive influence that

[27] The coefficients on control variables are not reported since they are referred to in Table 7.3

decommodification may have on interpersonal trust. The neutral relationship at least excludes the possibility of crowding-out effects that decommodification levels may have on confidence in other people.

The question that arises is why the effects of decommodification are different for the two social provisions. They are stronger for unemployment policy as opposed to pension policy. The underlying logic of the answer consists in the different levels of redistributive effects between the two social provisions on the one hand, and the different perception of decommodification by different social groups on the other.

The first argument is based on the idea that redistributive effects are not identical across social provisions. Since unemployment policy more positively correlates to social trust levels, it is logical to assume that redistributive effects of the latter will be stronger than for pensions. The calculation provided in Table 7.5 indeed supports this assumption.

When controlling for income inequality levels, the initial correlation between decommodification levels and social trust changes. For instance, when controlling for redistributive effects of pensions, the correlation between decommodification and interpersonal trust changes from -0.109 to -0.394. In the case of unemployment benefits, this change is much stronger: from 0.420 to -0.035. Redistributive effects of unemployment benefits are thus larger compared to pensions. The same is also true for institutional trust.

The second explanation that an understanding of why the decommodification of pensions is less positive stems from the different perceptions of decommodification levels among different social groups. One should take into account not the actual level of decommodification, but rather the perceived one. It is possible to assume that pensioners might consider their pensions and hence the decommodification level the pensions are associated with as not high enough. They compare what they get with what they paid to the pension system during their work history. They also regard their pensions as much less than what they contributed, which can be deduced from the fact that pensioners have the most negative attitudes towards welfare states (Goul Andersen, 2002). On the other hand, they compare their income when being pensioners with what they had while working. In this case, pensioners are again negative since, as the WVS data show, pensioners are the least satisfied with their income among all social groups. Their satisfaction with income equals only 3.7 ,whereas the working population have a much higher score (6.2). The data also show that income drops considerably when moving to retirement. In Germany for instance, the household income of pensioners was only 29,000 euros in 2002, while it amounted to 41,500 for civil servants, and 37,000 for the employed. (Huinink and Schröder, 2008). This negative approach might greatly affect trust in both people and public institutions. The unemployed are more positive in both respects. The absence of an alternative source of income and relatively higher satisfaction with unemployment benefits might contribute to the fact that the unemployed perceive the decommodification level guaranteed by unemployment benefits as high. This is also supported by the perception that what they pay to unemployment is much less than what they get from the state while unemployed.

Nevertheless, these results are to some extent controversial. The fact that the decommodification of unemployment benefits is associated with more positive effects on both forms of trust is inconsistent with the data. Pensions provide much higher levels of decommodification than unemployment benefits as can be easily deduced from the table below. The positive effect of pensions on social trust must be hence stronger than the decommodification effect of unemployment benefits.

Table 7.7. Decommodification indexes for pension and unemployment policies

Country	Decommodification index	
	Pension policy	Unemployment policy
N. Zealand	9.1	4.0
Italy	9.6	5.1
Japan	10.5	5.0
France	12.0	6.3
Finland	14.0	5.2
Belgium	15.0	8.6
Denmark	15.0	8.1
Sweden	17.0	7.1

Source: Bambra (2006)

The table explicitly illustrates that almost always, the decommodification levels for pensions is much higher compared to those for unemployment benefits. The positive effects must hence be stronger for the former than for the latter. This is however not the case. A possible explanation for this is the fact that the positive effects of decommodification found in Table 7.4are not linear and slow down as decommodification levels go up. We do not intend to check this and leave this argument as an assumption rather than our hypothesis.

Therefore, the specification of decommodification levels on a functional basis provides results that advocate for the presence of policy specific effects. Thus, the analysis of the outcome dimension cannot be limited to the decommodification that all social policies guarantee; it must be disaggregated on a functional basis and related to trust levels among their direct recipients. But it should be emphasized that the disaggregation of the cumulative decommodification score does not provide any evidence of crowding-out. In the worst scenario, the estimation points to a neutral relationship between decommodification levels and social trust scores.

The analysis also advocates that even if pension spending has negative effects on social trust revealed in the functional dimension, the outcome dimension does not support these findings. The levels of decommodification of pension policy have a positive effect on institutional trust and a neutral effect on interpersonal trust among pensioners. Other findings are in line with the results obtained in the functional dimension.

7.3. Stratification and social trust levels

Many welfare state scholars focuse their attention on social policy expansion and retrenchment in advanced capitalist democracies measured to a large degree through social expenditures. This focus results in a lack of emphasis on how social policy structures society (Scruggs and Allan, 2006a). This question is central to the analysis provided by Esping-Andersen (1990). The main objective is to show that welfare programs of similar 'size' (in terms of commitments) can produce very different outcomes overall. This approach exposes an additional dimension with which one can classify welfare states beyond efforts or generosity. This dimension refers to stratification effects of welfare states.

According to Esping-Andersen (1990), welfare states are key institutions in the structuring of class and social order, while their organizational features help determine the articulation of social solidarity, division of class, and status differentiating. He distinguishes between three different traditions in stratifying society, each of which is inherent to the three welfare regime types.

Conservative Social Stratification

Conservative welfare states have been historically associated with a strong state, a significant role for religion in society, and 'an old style' corporatist economic order (Esping-Andersen, 1990). Conservative welfare regimes are defined by Esping-Andersen (1990) as loathe to combine social levelling and class antagonism brought about by capitalism. The unifying scheme is that traditional status relations must be retained for the sake of social integration. This model of welfare is rooted in the specificity of state development with its tradition in feudal manorial societies of welfare state structure.

In promoting propositions for policy introduction, leaders desire the primacy of etatism with the purpose of chaining workers directly to the paternal authority of a monarchy. The paternalism of the state strongly influenced two areas of social policy. One is endowing civil servants with extraordinarly lavish welfare provisions to reward or guarantee their loyalty to the state. Another legacy of paternalism is found in the evolution of social assistance. More specifically, poor relief was more humane and generous than in countries with liberal regimes.

According to Esping-Andersen (1990), a major alternative to etatism is corporatism. The unifying principle of conservatism is fraternity based on status identity, obligatory and exclusive membership, mutualism, and monopoly of representation. Corporatism seeks to uphold traditionally recognized status distinctions and use these as organizational nexus for society and the economy (Eping-Andersen, 1990). Corporatism also influenced the social policy design either because of state recognition of particular status privileges or because organized groups refused to be part of a more status-inclusive legislation, thereby emerged a tradition of constructing a myriad of status-oriented social insurance schemes – each with its peculiar rules, finances, and benefits structure and each tailored to exhibit its clientele's relative status position (Esping-Andersen, 1990).

Corporatism did not contradict either to visions of the church. For the Catholic church, corporatism was a natural response to its preoccupation with preserving the traditional family, its search for viable alternatives to both socialism and capitalism, and its beliefs in the possibility to organize harmonious relations between social classes. Corporatism inserted itself easily into the Catholic subsidiarity principle. The main idea was that higher and larger levels of social collectivity should intervene only when a family's capacity for mutual protection was rendered impossible (Esping-Andersen, 1990).

As a result, social policy in conservative welfare regimes was designed to preserve existing status differences in society. Faced with the potential for instability introduced by the emergence of modern capitalism, social policy became a way to reinforce a 'natural' social order. Thus, despite the fact that conservative welfare regimes were characterized by higher levels of social expenditures, the contents of social policy was designed to reinforce the existing order.

Liberal Social stratification

While conservative social policy attempted to preserve traditional patterns of social stratification, liberal welfare regimes sought the opposite. Classical liberals reasoned that traditional social patterns constrain individual freedom and that a free market affords individuals the ability to realize their potential without the fetters imposed by the pre-existing social hierarchies of church and state alike.

According to Esping-Andersen (1990), the goals of liberalism were the abolishment of estates, monopolies, and absolutism in order to create conditions for individual emancipation, freedom, equal opportunities and healthy competitiveness. He further specifies that the main role was given to the market that produced stratification, while the state had no right or reason to interfere in the results produced in the marketplace. They were recognized as mirrored efforts, motivation, adeptness, and self-reliance.

Social policy was minimized in liberal regimes since it was equated with undesirable stratification outcomes: paternalism and etatism, dependency on the state, and the perpetuation of pauperism. The internal reasoning of liberalism was the dogma that the state had no proper reason for altering stratification outcomes produced by the market. Ideally, it was understood that without a state or monopolies, there would be no classes: just a web of freely acting individuals equal before the law, the contract, and the cash nexus. (Esping-Andersen, 1990)

Esping-Andersen (1990) emphasize that liberalism's universalistic ideals were contradicted by the dualism and social stigma it promoted in practice. More specifically, liberal states established a punitive and stigmatizing poor relief for market failures. This humiliating approach in poor relief was preserved even when liberalism moved towards modern income-tested social assistance. Mean-tested relief was meant to be the residual element of liberal social policy. The real core was understood to be individual insurance in the market, while social policy would only parallel market outcomes.

However, liberalism had great difficulties applying this conception to state policy. As Esping-Andersen (1990) writes, its enthusiasm for the need-tested approach, targeting the state aim only at the genuinely poor resulted in social stigma and dualism. An alternative approach to organize an individual's welfare through private insurance also contributed to class dualisms. It occurred due to the fact that private welfare logically replicated market inequalities, while prevailing mostly among the upper-class. Esping-Andersen (1990) concludes that liberal social insurance schemes reproduce the profile of stratification of the market while promoting private protection for the more fortunate.

In designing social policies, liberal regimes manifested themselves in programs that encourage more extensive interaction with the market for income maintenance and insurance against risks posed by illness and especially old age. In other words, in choosing the emphasis on public versus private remedies to social risks, liberal regimes had a strong tendency to favor the latter approach. As a result, liberal regimes represented a curious mix of individual self-responsibility and dualism: society is divided into two groups with one embracing those who unfortunately rely on stigmatizing relief, while the second includes privileged people capable of deriving their welfare from the market (Esping-Andersen, 1990).

Social democratic stratification

The third welfare regime type is the social democratic model which is oriented on construction solidarity among workers. In their struggle for labor solidarity, socialists faced two main obstacles. On the one hand, they had to fight corporatism along with the paternalism of employers and the state. They also had to oppose against the atomizing, individualizing impulse of the market (Esping-Andersen, 1990). On the other hand, the serious obstacle to solidarity laid, as Esping-Andersen (1990) specifies, in the social divisions institutionalized through earlier conservative and liberal reforms. The abolishing of the old poor law was priority number one for politicians. The main task was to design such a policy that both addressed the real need for social relief and would help the socialist movement come to power. The question revolved around contending principles of solidarity. One approach was to build a corporatism model. A second approach was to place the social question in the hands of the trade unions and win concessions through collective bargaining. Both approaches were however unlikely to produce broad solidarity.

The socialist movements turned to the third alternative, which assumed that the movement itself become the provider of workers' welfare. This became especially possible with the extension and consolidation of democratic rights. Esping-Andersen (1990) explains that parliamentarism presented the socialists with new reformist vistas but also imposed upon them the necessity to mobilize solid electoral majorities, which the getto strategy would almost certainly fail to produce. Universalism did not collapse even in the wake of middle-classes. The solution was to combine universal entitlements with high earnings-graduated benefits, thus matching welfare state benefits and services to middle class expectations. In this way, they attained broader equality through non-market mechanisms (Esping-Andersen, 1990).

Thus, the social democratic welfare state was designed to promote universalism since it equalized the status, benefits, and responsibilities of citizenship and because it helped build a political coalition.

By reflecting different stratification goals Esping-Andersen (1990) provides three separate indexes of stratification – conservative, liberal, and socialist – with the expectation that welfare states scoring highly on one dimension are unlikel to score highly on other dimensions. The component measures that comprise each index are successfully described by Scruggs and Allan (2006a).

Conservative social stratification is reflected by two indicators that illustrate the status differences and the privileged position of the state in conservative welfare regimes. The corporatism variable records the segmentation of public pension programs based upon major occupational categories. The second measure - etatism – reflects the level of pension expenditure for government employees as a percentage of gross domestic product (Scruggs and Allan, 2006a).

Liberal social stratification is measured through three indexes that reflect the extent to which market solutions are emphasized in social policy. The first indicator measures the relative importance of normal means-tested poor relief as a share of overall public social expenditures. In the area of pensions, the ratio of private pensions to total pensions measures the public-private mix. Similarly, private health spending as a share of total health expenditures attempts to do the same with health care (Scruggs and Allan, 2006a).

Socialist social stratification is defined by two measures. Universalism is measured by the average portion of the workforce eligible for benefits in three social insurance programs: unemployment, sickness, and old-age pensions. Benefit equality measures are based on the ratio of basic benefits to maximum allowable benefits averaged over the same three programs (Scruggs and Allan, 2006a).

The stratification indexes replicated by Scruggs and Allan (2006a) are reported in the table below.

Table 7.8.: Stratification indexes by welfare regime type

	Scores on		
	Conservatism	**Liberalism**	**Socialism**
Social democratic	**4.5**	**5.9**	**5.4**
Liberal	**1.0**	**8.1**	**4.3**
Conservative	**6.4**	**5.7**	**3.1**

Source: Calculations based on Scruggs and Allan (2006a)

It is clear from the table that liberal regimes score heavily on liberal measures compared to insignificant levels on socialist and conservatist measures. The same is true for conservatism. Countries, included in this group, score strongly on conservatist measures and to a limited degree on socialist measures and to some extent on liberal measures. Countries belonging to social democratic regimes score highly on socialist measures and also tome extent on liberal and conservatist measures.

An aggregated level of analysis of stratification effects provides mixed results. In conservative welfare regimes, there is a positive and statistically significant correlation between levels of stratification and institutional trust. In the case of interpersonal trust, the relationship is negative but not statistically significant, which suggests that the effect of stratification is neutral. As in the previous case, controlling for income inequality rends the relationship negative, which is only statistically significant for interpersonal trust. In conservative welfare regimes, social policy hence affect social trust mostly through the reduction of income inequality, which is an effective instrument in raising trust levels among individuals. When controlling for fractionalization, wealth, and percentage of Protestants living in countries, the relationship becomes negative, especially for interpersonal trust. The direct effect of stratification on social trust is hence negative, although it does not appear statistically significant in any of the cases. Only when controlling for corruption are the direct effects of stratification on social trust positive and statistically significant. Interpersonal trust is thus very sensitive to how fairly public institutions treat individuals, which is surprisingly less important for defining institutional trust in conservative welfare regimes.

In liberal welfare regimes, the direct correlation between stratification scores and social trust is positive for institutional trust and negative for interpersonal trust. Controlling for all five covariates changes the value of correlation coefficients, although the significance test failed in all cases. What is surprising here is that the effect of income inequality is weaker due to the fact that social policy is less effective in reducing income inequalities in liberal welfare regimes. The strongest impact stems from controlling for corruption. The latter can be explained by the prevalence in liberal countries of means-tested benefit schemes and thus, how public institutions treat potential recipients becomes crucially important.

In social democratic welfare regimes, the relationship between stratification scores and social trust is positive for both forms of trust, but only statistically significant for interpersonal trust. Although the universal approach of socialism can be considered most effective in reducing income inequality, we do not find a strong impact of this covariate on the relationship in question. Controlling for income inequality slightly changes the value of partial correlation coefficients. What matters here most is the way public institutions operate, especially in the case of institutional trust. More effective institutions, which can be observed from the general trend of a country's wealth and the level of corruption in these institutions, trigger higher regards towards them. The relationship between interpersonal trust and stratification scores is less affected by the efficiency of public institutions. In general, it should be noted that this relationship remains positive even after controlling for all five country-level covariates. In social democratic welfare regimes, the effects of stratification scores on interpersonal trust are hence positive in most cases.

Thus, the aggregated level analysis point to the fact that the crowding-out hypothesis hold true when controlling for income inequality. In the rest of the cases, the relationship is positive suggesting that stratification of any type leads to an increase in both forms of trust. We can also obtain a negative sign, but the relationship under analysis remains statistically insignificant, which advocates for the absence of crowding-out effects. These results greatly contradict our expectations. One might expect a negative sign for liberal stratification scores and a positive sign for conservative and social democratic stratification scores.

Table 7.9.: The correlation between stratification indexes and social trust, controlling for country-level characteristics

	Correlation between stratification levels and social trust	*Controlled for*				
		Fractionalization	**Wealth**	**Income Inequality**	**Corruption**	**% of Protestants**
Conservative						
1. Interpersonal trust	**-0.175**	**-0.332**	**-0.153**	**-0.552****	**0.412***	**-0.224**
2. Institutional trust	**0.571***	**-0.283**	**0.065**	**-0.451**	**0.208**	**-0.158**
Liberal						
1. Interpersonal trust	**-0.044**	**0.188**	**-0.072**	**0.194**	**-0.305**	**-0.013**
2. Institutional trust	**0.571***	**0.224**	**0.348**	**0,152**	**-0.283**	**0.125**
Social democratic						
1. Interpersonal trust	**0.487****	**0.316**	**0.434**	**0.396**	**0.324**	**0.359**
2. Institutional trust	**0.314**	**0.107**	**-0.052**	**0.396**	**-0.128**	**0.217**

Source: Own calculations based on the World Values Survey

The aggregated level of analysis thus provides results that point out that the direct relationship between social trust and stratification scores can be negative in some cases, although it is rarely statistically significant. This should however be interpreted with some caution since the small number of cases at the aggregated level could be responsible for the failure of the significance test in providing positive outcomes.

At the individual-level of analysis, our expectations are based on the assumption that certain types of stratification may lead to crowding-out in institutional and interpersonal trust. If the classical crowding-out hypothesis states that social trust should be lower in the countries with more developed social obligations, one can expect:

Hypothesis 5.1.: Higher scores on social democratic stratification should be associated with lower levels of both forms of social trust.

Hypothesis 5.2.: Conservative stratification scores are expected to negatively correlate with levels of interpersonal and institutional trust.

Hypothesis 5.3.: Higher liberal stratification scores are expected to positively correlate with social trust indexes.

With respect to individual-level stratification effects on social trust, we obtain results that are not fully in line with our expectations (see table below).

Table 7.10.: The influence of stratification on trust levels: an individual-level analysis[28]

	Institutional trust			*Interpersonal trust*		
	Conservatism	**Liberalism**	**Socialism**	**Conservatism**	**Liberalism**	**Socialism**
Stratification indexes						
Conservatism	**-0.071*****			**0.051*****		
Liberalism		**0.193*****			**-0.022*****	
Socialism			**0.190*****			**0.091*****
Variance at individual level	9.275 (0.111)	9.271 (0.111)	9.272 (0.111)	Not calculated	Not calculated	Not calculated
Variance at country level	0.285 (0.020)	0.434 (0.031)	0.224 (0.016)	0.125 (0.007)	0.184 (0.112)	0.265 (0.017)

Source: Own calculations based on the World Values Survey

For interpersonal trust, crowding-out can be expected in the case of liberalism and crowding-in in the cases of conservatism and socialism. The conservative approach to organizing welfare aimed at preserving existing class structures affects interpersonal trust positively. More specifically, an increase in conservatist measures by one point increases the odds of trusting others by 5.23 percent. It does not matter that the welfare is provided with the aim of reproducing the class structure of society. People might consider it fair that welfare institutions support individuals based on their work history or place in the social structure, since it positively affects an individual's trust in other people. The class-related approach is hence relatively successful in organizing welfare provisions to members of society. What becomes more important for interpersonal trust is the fact that an individual is supported by the state when he or she experiences social contingencies. The mechanisms through which it does so are less important. Interpersonal trust is thus very sensitive to the presence of state support as such rather than to the kind of stratification that results from state intervention.

Socialism was also found to lead to crowding-in effects: an increase in socialist measures by one point tends to increase the odds of trusting by 9.53 percent. The effect is thus almost twice as strong than for conservatism, which is quite modest but still advocates for the presence of a positive influence. An approach aimed at supporting individual independence is hence more productive of interpersonal trust than that aimed at preserving the existing class structure. What is important for interpersonal trust is how equally individuals are treated.

[28] The coefficients on control variables are not reported since they coincide with those in Table 7.3.

Only in a society where all individuals are subject to the same treatment can trust in other people thrive. Since socialism guarantees equality in both input and output, it is very effective in producing high trust indexes. Equality is provided as the input since people are treated equally without taking into account their position in the class structure when defining access to, and the amount of, benefits. Equality is also provided as the output, since the convergence of individuals' welfare at higher levels is the desired outcome of social democratic regimes. The absence of apriori or posteriori stratification in welfare state provisions is a vital instrument for building trusting societies.

In the case of liberalism, the total effect is negative, which suggests that liberal social policy leads to the erosion of interpersonal trust among individuals. It is not however clear whether the total effect is the result of the impact of stratification or of the institutional design of welfare state systems. It is reasonable to assume that socialist measures largely reflect the universal approach to organizing the delivery of social provisions, while the liberal one reflects means-testing principles of organizing an individual's welfare. In any case, it is clear that creating a dualism in society can ruin interpersonal trust. This is due to the fact that interpersonal trust is very sensitive to two aspects. First, it can be ruined by stigmatizing individuals. If access to social provisions is based on the principle of creating a stigma for those experiencing social risks, people may feel unequal. Moreover, the cliental of welfare states feel inferior to other individuals, who can generate personal welfare without the state's help. Creating a stigma through entitlements to social provisions thus ruins social trust in other people. The same result can appear through another similar process, namely, through isolating those in need in a distinct group. As Rothstein and Stolle (2001) argue, this can create distrust for 'problem' people towards the rest of the population and also the trust of other people towards the needy. Interpersonal trust is thus considerably influenced by how to treat 'problem' people.

This also points out that the effects welfare states have on social trust cannot be fully outweighed by the fact that the state provides individuals with financial support. The organization of welfare provisions for individuals plays a crucial role in defining the level of interpersonal trust in society. If social provisions are aimed at preserving existing class structures, their effect on interpersonal trust becomes less positive. If their aim is to somehow punish an individual experiencing social risks by stigmatizing him or her, the positive effects turn into negative.

In the case of institutional trust, the results suggest the possibility of crowding-out for conservatism and crowding-in for liberalism and socialism. An increase in the measures of conservatism by one point decreases institutional trust by 0.071 points when individual characteristics are kept constant. Conservative stratification hence tends to negatively influence confidence in public welfare state institutions, which are aimed at preserving existing class structures. The general principle of organizing an individual's welfare based on an individual's work history and an individual's placement in the social structure might produce negative effects on trust in public welfare institutions. In order to explain this, one should bear in mind the fact that confidence in public institutions essentially depends on the way of their functioning on society and social order. In conservative welfare regimes, economic well-being is heavily dependent on the place of individuals in the social structure. It reproduces the existing social order through welfare provisions without providing easy upward class mobility. Welfare state institutions thus perpetuate class differences, which makes people feel unequal. Such institutions produce negative attitudes towards them which results in low levels of institutional trust. Another reason for the negative effects of conservative approach on institutional trust might stem from the fact that conservatism uses selective principles to organize welfare provisions. The existence of different funds for different professions or social groups entails treating people differently. This again can create distance between groups of people in society and, as a result, lower trust in public welfare institutions.

What is surprising is that an increase in the measures of liberalism leads to an increase in institutional trust by 0.193 points, which goes against general logic that assumes that means-testing and stigmatizing ruin individuals' confidence in public institutions. It is plausible to infer here that the fact that the state provides an individual with financial aid outweighs the negative impact of the way this welfare is provided. For institutional trust, it is not important that people have to go through bureaucratic hassle and control to obtain social benefits. It is also not important that the needy are isolated in a distinct group and stigmatized as recipients of social benefits. What is important for institutional trust is that these institutions help individuals when they are having difficulties. It is important that they are not left alone when they are out of the labor market. The welfare state becomes a partner in securing well-being even if it creates a dualism in society. Moreover, liberalism creates equal conditions for all applicants for public help and hence it treats all those in need equally, since they all have to go through means-tested procedures. In addition, each of them is entitled to the same package of benefits that stem from the same public funds which creates quasi 'equality' among the recipients of social benefits.

Positive effects are also obtained for socialist measures: an increase in the socialist index by one point is associated with an average increase of 0.190 points in institutional trust. Providing individuals with welfare on a universal basis can be considered an instrument of increasing institutional trust. The strong influence of socialism may also stem from the fact that socialist social policy is aimed at the creation of an egalitarian society, in which individuals are not only equal but also independent from the labor market. It suggests that the convergence of individuals' welfare is a strong predictor for trust in public welfare institutions. This becomes even more important when this convergence happens at a high level. Furthermore, equal access to welfare provisions provided on a universal basis enhances trust in public welfare institutions. Finally, individual independence from family ties and the labor market guaranteed by the welfare state might be another reason for the high evaluations of the institutions in which the provisions of welfare are embedded.

Institutional trust is thus more sensitive to how individuals are treated. If they are treated equally by the system, they tend to express higher confidence in public welfare institutions. This occurs even if this is a 'negative equality', which means that those in need are subject to the same bureaucratic hassles and control as in liberal welfare states. If equality is disturbed and social benefits depend on the place of an individual in the social structure as in conservative welfare states, then people are unlikely to be trusting towards these institutions because they perpetuate the existing social order. What is also important for institutional trust is the fact that an individual is supported by welfare states, whereas how this support is organized becomes inferior and secondary for the process of generating institutional trust in society. This supports the integration argument that emphasizes the importance of the support of individuals by welfare states in the case of need.

The specification of the outcome dimension reveals the fact that in some cases, crowding-out is present in the relationship between social policy outcomes and social trust levels. More specifically, the generosity of social spending that guarantees high levels of decommodification usually leads to crowding-in effects in interpersonal and institutional trust. Stratification affects social trust elements in a different way. Preserving the existing class structure inherent to conservative welfare regimes negatively influences institutional trust but positively affects interpersonal trust. The stigmatizing approach of liberal welfare states erodes interpersonal trust but boosts institutional trust. Finally, socialism's universal approach leads to crowding-in effects in both forms of social trust.

7.4. Overview and concluding remarks

This chapter studies the outcome effect of social policy, which forms the outcome dimension. The first sub-chapter provides arguments in favor of the introduction of an outcome spectrum in the social trust analysis. The analysis is conducted by relating the level of decommodification and stratification in the selected 18 OECD countries to interpersonal and institutional trust indexes among their populations. The aggregated level of analysis advocates that the integration and institutional arguments are valid in explaining the effects of welfare state development on social trust formation. The results obtained at the individual level of analysis provide mixed evidence. First, welfare regimes' dummies show that both forms of trust are lowest in liberal welfare regimes, highest in Scandinavian countries, and moderate in continental Europe. When directly assessing the impact of decommodification on trust levels, we find evidence of crowding-in for both forms of social trust. It should be noted however that the impact of decommodification contains an explicit functional dimension, which assumes that its effects differ across social provisions. As the analysis confirms, the effects of welfare states on social trust are policy specific and should be studied for each social provision separately.

Stratification affects social trust elements in a different way. The preserving of the existing class structure, which is inherent to conservative welfare regimes, negatively influences institutional trust but positively affects interpersonal trust. The stigmatizing approach of liberal welfare states erodes interpersonal trust but boosts institutional trust. Finally, socialism's universal approach leads to crowding-in effects in both forms of social trust.

The results obtained reveal that regardless of the way welfare state development is operationalized, one can expect that its impact on institutional and interpersonal trust is positive in most cases. These findings are in line with empirical studies which directly or indirectly test the crowding-out hypothesis (Delhey and Newton, 2005; Van Oorschot and Arts, 2005; Knack and Zack, 2001). Social spending can hence be used as a good proxy for decommodification levels since both measures lead to the same findings that demonstrate a positive impact on social trust.

The impact of the outcome dimension should be considered a product of both decommodification and stratification. This stems from the fact that social trust indexes are usually significantly higher in social democratic welfare regimes compared to liberal and conservative regimes (Van Oorschot and Arts, 2005). Along with decommodification, the stratification mechanism can hence be regarded as effective in manipulating trust.

Based on the relationship of trust with decommodification and social stratification, it is possible to say that the recent trend towards liberalism may result in social trust levels going down, especially in the case of interpersonal trust. For this form of trust, the effect will be joined, since lower levels of decommodification and the stigmatizing-like approach of stratification mechanisms may ruin the confidence of individuals in other people. For institutional trust, the negative impact of the liberal paradigm will stem mostly from reduced decommodification levels.

What remains unclear is the mechanism that underlies the relationship of interest. There must be many links between welfare states and social trust through which the effect materializes. Based on the aggregated level of analysis, it is possible to conclude that the effect itself is at least dubious. Welfare states boost trust by reducing income inequality levels and by improving the performance of public institutions. But the direct effect can also be negative because of the erosion by social policy of social networks or individuals' morality. An additional research is necessary to study the mechanism of the relationship between welfare states and social trust.

Chapter 8: CHARACTERISTICS OF SOCIAL POLICIES AND SOCIAL TRUST: THE QUALITATIVE DIMENSION

8.1. Introducing a qualitative spectrum in social trust analysis

Welfare states represent a multidimensional concept that has quantitative as well as qualitative characteristics. By defining a package of social rights, social policies are based on the principles upon which the maintenance of an individual's welfare takes place. These principles include not only the level of decommodification of those experiencing social risks or certain mechanisms of social stratification, but also the particular design of benefit schemes, their form of delivery, and the mode of financing.

Up to now, there is no research that accounts for effects of these characteristics on social trust levels. The general tendency in analyzing the relationship between welfare states and social trust consists in using either their spending level or Esping-Andersen's welfare regime typology to describe welfare state development. Using social spending as the measure of welfare state development omits from the analysis any kind of qualitative features that describe the principles of welfare provisions to individuals.

An alternative way to operationalize welfare states is to use Esping-Andersen's welfare regime typology based on a three-dimensional approach defined along de-familiarization, de-commodification, and stratification axes. Nevertheless, this typology also has disadvantages. This classification itself is highly criticized. Esping-Andersen's classification is a continuation of the old 'quantitative tradition' and only partially accounts for some qualitative dimensions, the effects of which are often debated in the literature. The latter includes for instance debates about the replacement of passive unemployment schemes with more effective active labor market policies (Aust and Arriba, 2005; Kvist and Ploug, 2003; Taylor-Gooby, 2005a,b), discussions about shifting to general and indirect taxation instead of contributory modes of financing (Edlund, 2002; Orsini, 2006), or arguments to substitute cash benefits with in-kind benefits.

The question that arises is 'why' we should recognize the existence of the qualitative spectrum. The starting point of the argument is that the welfare state itself represents a synthetic construct which reflects not only the level of the state's intervention into societal arrangements, but also 'how' this intervention happens. This involves using multiple mechanisms in organizing and financing the provision of welfare to individuals experiencing social risks for whatever reasons. Organizing the same range of social policies, countries differ in 'how' these policies are designed, implemented, and financed. So it is possible to assume that the same policy may lead to different outcomes (in terms of social trust levels) just because its characteristics vary across different countries. The diversity of instruments for policy design, implementation, and financing thus presupposes particular features of every social policy in each specific country, which reflects the principles upon which the organization of welfare provisions at national or sub-national levels takes place.

On the other hand, the isolation of the qualitative characteristics of social policies is necessary for the analysis of their effects on social trust because of the existence of 'mixed' effects. The latter is based on the assumption that the final outcome in the relationship between social policy and social trust is the result of simultaneous interactions between the effects stemming from different policy characteristics. It is plausible to assume that these effects may sometimes have the opposite sign of influence and hence neutralize each other when analyzed as a whole. It is thus necessary to disaggregate the qualitative characteristics and analyze their separate effects on interpersonal and institutional trust.

Finally, this new approach allows us to grasp all possible effects welfare states conducts on trust perception from a different prospective and go beyond the usual spending level. The latter permits describing welfare state development in more detail. In addition, this approach also contributes to a better understanding of the mechanisms that underlie the relationship between welfare state development and social trust formation.

We must thus introduce a qualitative spectrum in the analysis of the relationship between welfare states and social trust. This includes isolating social policy characteristics and analyzing their separate characteristics on social trust indexes. These characteristics that form the qualitative spectrum are:

(1) general taxation versus contributory financing,

(2) in-kind versus cash benefits,

(3) active versus passive labor market policies,

(4) means-tested versus non means-tested benefits.

It is impossible to analyze the effects of all qualitative characteristics. Therefore, we will choose only one of them to conduct a detailed analysis of the relationship between these characteristics and social trust levels on the one hand, and its interaction with the functional dimension on the other. Our choice is based on the availability of data. An additional criterion is the availability of theory to explain the mechanism that underlies this phenomenon. This characteristic is the institutional design of benefits schemes which can be either non means-tested or means-tested.

8.1. The Institutional design and social trust: a theoretical elaboration

The relationship between welfare states and social trust is subject of many debates that very often lead to controversial results. There are studies that suggest that the effects of social policies are positive and hence welfare states enhance an individual's confidence in institutions as well as in other people (Knack and Zak, 2001; Patulny, 2005; Rothstein and Uslaner, 2006; Szreter, 2002). But there are some studies that advocate the opposite. Scholars argue that welfare states crowd-out social trust (Fukuyama, 2000; De Swaan, 1988). The recent attempt to explain this contradiction is the idea of taking into account the institutional design of welfare states or benefit schemes. This approach recognizes the possibility of both crowding-in and crowding-out as will be shown later.

The studies about the effects of the institutional design of social provisions on social trust represent a new trend in analyzing the relationship between welfare states and trust. They all fit in the general framework of the research, which is focused on the effects social policy conducts on faith in other people or public welfare institutions. Although, it is an independent trend in social trust research, this field of analysis incorporates the main drawbacks of general studies on the welfare state-social trust nexus, which lack empirical analysis which that would help prove or disprove the hypothesis about the effects welfare states have on social trust. Another drawback inherent to social trust research is the fact that the mechanisms of the effects of the institutional design are quite numerous, which makes the analysis cumbersome. There are however some differences between the so called 'institutional' approach to social trust analysis and the general trend mentioned above. While relying on numerous mechanisms, the effects are not controversial with respect to the final outcomes. The discussion always concludes that universalism, which is associated with non means-testing, has a positive impact on generalized trust, while 'selectivity', which is based on means-testing, has a negative relationship with confidence in other people.

Before starting an overview of the literature on the effects of the institutional design on social trust, it should be mentioned that the origins of this analysis stem from the research conducted by Rothstein (1998), where he introduces a distinction between universal and selective[29] welfare states. Although this study does not directly elaborate on the effects institutional design can have on social trust, Rothstein (1998) draws a detailed scheme of how institutions charged with the making and implementation of collective decisions may be designed and how this particular design affects the willingness of citizens to assist in realizing the objectives of welfare policy. His main contribution consists in showing the advantages of the universal design of welfare states, which include a greater (compared to selective ones) redistributive effect. Based on calculations of the effects of universal welfare states, Rothstein (1998) comes to a conclusion that there is a dramatic reduction in inequality between the highest and the lowest percentiles of income distribution. He concludes that this reduction can

[29] Some scholars name selective welfare states as categorical.

be achieved with no progressivity in taxation and without targeting benefits and services for the truly needy.

In his other research conducted together with other scholars, he elaborates in more detail how the particular design of welfare state programs may explain the kind of influence they conduct on social capital. As was said before, in spite of the diversity of studies, they all come to the conclusion that crowding-out is expected in the case of means-tested schemes, while universal non means-tested schemes usually have a positive influence on social trust levels. The difference mainly lies in the diversity of the mechanisms that underlie the relationship in question.

Rothstein and Stolle (2001) for instance provide explanations which in the form of the '*justice enforcement*" argument. They argue that universal welfare states are the most effective in generating trust since they enable, more than any other system of public policy, the implementation of norms of impartiality, fairness, and respect, particularly in comparison to selective or conservative public policy systems. General inclusiveness, which excludes discrimination on any basis, functions here as an important factor in the development and maintenance of generalized trust. The effectiveness of a universal system in generating trust lies in the more transparent procedures of implementing social programs as selective systems presuppose a wide range of discretionary power which escalates fears of fraud and/or dishonesty into increased control and complicated rules of getting social benefits. However, they do not conduct an empirical analysis to prove their arguments.

This idea is developed by Kumlin and Rothstein (2007) who base their analysis in the frame of a 'justice enforcement argument', although they do limit justice to a procedural interpretation. They argue that people are concerned not only with the final results of personal contacts with public institutions, but in whether the process that eventually leads to the final results is fair. Kumlin and Rothstein (2007) distinguish between several aspects of procedural justice. These may involve questions of whether or not an individual is received with respect and dignity; whether he or she is able to communicate opinions to civil servants; and whether there are signs of discrimination, corruption, and /or cheating. They further argue that needs-tested public services may more readily give rise to suspicions concerning procedural justice and arbitrary treatment than do universal agencies. In other words, programs based on needs-testing imply a greater scope for bureaucratic discretion. Citizens for their part have an incentive and opportunity in this situation to withhold relevant information from bureaucrats to try to convince the latter that they should qualify for the service in question. This easily escalates into a vicious spiral of distrust from clients leading to increased control from bureaucrats. Because of this complex and controversial decision making process, needs testing and bureaucratic discretionary power are often more difficult to reconcile with the principles of procedural justice compared with universal public services. Their empirical analysis explicitly shows the negative relationship between the number of needs-tested institutional contacts and the levels of social trust based on the Sweden SOM survey. Their analysis was thus limited to one country. Furthermore, they do not prove whether or not the mechanism that underlies the phenomenon under study works as they assume, but instead they focus on establishing the fact that the number of contacts with means-tested programs negatively correlates with generalized trust levels.

In their further research, scholars focus more on explaining why selective and conservative welfare regimes undermine trust among individuals. Unlike a universal one, Rothstein and Stolle (2001) argue that both selective and conservative welfare states are designed to plot groups of people against each other, which violates the principle of fairness. They use the so called 's*tigma creation*' argument to explain how means-testing may ruin social trust among the recipients of such benefits. They continue their reasoning by arguing that if citizens are singled out as special 'problem' cases as they are in selective welfare systems, it is possible that the majority of citizens might not trust them. This in turn causes 'problem' people to be distrustful of others. They also explain the development of distrust among clientele of means-tested programs with the discriminatory experience they go through when applying for, and receiving relevant benefits.[30] Rothstein and Stolle (2001) conduct an empirical analysis based on SOM data for Sweden for the years 1996-2000, which confirms their hypothesis that citizens who use selective welfare state services in Sweden are less trusting than the rest of the population. They stop however at this point without checking whether means-testing is a negative determinant of social trust with respect to all policies or if it can be policy specific. Moreover, their analysis is based exclusively on data for one country and ignores the possibility of a cross-national investigation.

Rothstein and Uslaner (2006) also elaborate on the reasons why universal programs are positive in their effects on social trust while selective programs have negative effects. They provide their explanation in the frame of reasoning called as the '*equality promotion*' argument. Equality is understood as income equality. More specifically, they say that unlike selective social schemes, universal schemes may enhance trust. This occurs due to the fact that such programs are much better in reducing inequality than simple redistributive schemes that imply selective policies. The authors insist that apart from economic equality, one should also take account of the equality of opportunities as a determinant of social trust. Universal programs may also ensure this since they possess a number of specific characteristics. First, they are delivered with less bureaucratic hassle and control. Second, they may create feelings

[30] In line with these findings, Mofflat and Higgs argue that the 'stigmatizing' of people through means-testing may create among participants a feeling of being demeaned by the system that negatively affects their trust level.

of social cohesion in society. Third, high quality universal programs may increase feelings of optimism and equal opportunity among large segments of the population. They use a regression analysis to test the effects of means-tested benefits on generalized trust. The results meet their expectations and show that being a client of means-tested benefit schemes in the United States entails negative effects on trust indexes. Moreover, these negative effects on social trust caused by interaction with means-testing institutions remain statistically significant even after controlling for the personal characteristics of recipients. As in the previous research, they do not elaborate on whether or not the effects of the institutional design of benefit schemes on social trust are policy specific. They again base their research on an individual level analysis for one country. Apart from that, the authors do not prove the mechanism of the effects directly, but rather limit their empirical investigation to general statements that claim that experience with means-testing may ruin social trust. They conclude their analysis with a pessimistic prediction about the dynamics of trust based on the notion of social traps: "social trust will not increase because massive social inequality prevails, but the public policies that could remedy this situation cannot be established precisely because there is a genuine lack of trust."

In spite of the fact that the question of the relationship between the institutional design and social trust receives some attention and is elaborated on to a great extent in the literature, there are some problems that require a further analysis. ***First***, the research conducted so far focuses on explaining the mechanisms that underlie effects non means-testing and means-testing have on social trust. The empirical analysis that supports the hypothesis is poor and limited to the individual level on the basis of two countries: the United States and Sweden. Moreover, scholars merely focus on studying whether or not the contact with means-tested programs ruins generalized trust. There is no cross-national research based on a wide range of countries that relates spending on non means-tested and means-tested benefit schemes to their social trust levels. This analysis is necessary since the narrow boundaries of research do not allow for generalizing the findings to the rest of the world, which goes far beyond Sweden and the United States.

Second, the analysis conducted so far generalizes the effects of the institutional design to all social policies and ignores the fact that they may be policy specific. Welfare states represent a number of policies that differ in their aims, clientele, and effects. A wide range of policies use means-testing and it is plausible to assume that the complexity of means-testing and hence the strength of its influence on social trust will largely depend on the perception of how deserving people who are experiencing social contingencies and hence become the clientele of welfare states are. It is also widely known that the deservingness for public support substantially varies across social groups for whom the policies are designed. It is hence possible to expect that the effects of the institutional design on social trust will be policy specific.

Third, all studies presented above limit social trust to generalized trust, or confidence in other people. It is hence more or less known how a particular institutional design will affect interpersonal trust. It remains however ignored that trust itself is a multifaceted concept that has several forms. The most common used in empirical research (besides interpersonal trust) is institutional trust, which reflects confidence in public welfare institutions. There is no analysis that attempts to explain how and why institutional trust may be affected by welfare states in general and their institutional design in particular. It is interesting to see whether institutional design matters for institutional trust and if so, whether it follows the pattern found for interpersonal trust.[31]

Thus, we will try to account for the problems mentioned above and will conduct a cross-national investigation based on data of 18 OECD countries. We will also check for the policy specific effects of institutional design on social trust, while extending the analysis of institutional effects to institutional trust.

8.3. Division of spending between non means-tested and means-tested

The division of spending between non means-tested and means-tested schemes follows the expected distribution. The vast majority of social provisions is provided through non means-tested schemes in all countries, especially in conservative and social democratic welfare regimes. Means-tested benefits account there for only about two percent. In liberal countries, the share of means-tested schemes in total social spending constitutes almost 25 percent or 5.26 percent of GDP. In other words, continental and northern Europe rely on non means-tested benefits, while using means-tested scehems as a complementary measure mainly in the case of social assistance. Anglo-Saxon countries by contrast use the stigmatizing principle in social welfare provisions, which pre-supposes the dominance of means-tested mechanisms with their sometimes rude procedures of defining and monitoring the need for, and the level of, benefits.

[31] There is a study conducted by Rothstein and Stolle (2001) that demonstrates that institutional trust that reflects the impartiality of political and social institutions is important for interpersonal trust development. They argue that citizens generalize from knowledge about the honesty and impartiality of public officials and the public welfare/legal system to other people.

Table 8.1.: Average levels of social spending by institutional design, % of GDP

	Percentage of non means-tested schemes	Percentage of means-tested schemes
Social democratic	27.61	1.96
Conservative	24.21	1.83
Liberal	16.47	5.26

Source: Calculated based on Eurostat

8.4. The institutional design and social trust: an aggregated-level analysis

To some extent, interesting results are obtained when relating the level of spending by institutional design to trust indicators (see Table 8.2.). In line with the theory discussed before, crowding-in effects are found for interpersonal trust in the case of non means-tested schemes. This positive relationship remains even after sequentially controlling for four out of five country-level covariates. Only when keeping the inequality level constant does the positive relationship turns negative, while remaining statistically significant. First, this proof that social policy influences social trust through redistribution. The positive impact of non means-tested schemes is thus mainly due to their redistributive effect. Moreover, it is also obvious from the table that the spurious effects of redistribution are stronger for universal policies compared to selective ones, which are always mentioned in the literature. This supports the equality promotion argument that states that non-means tested social programs are more effective in reducing income inequality. Second, it supports the idea that when redistributive effects are controlled for, the direct effects of social spending on interpersonal trust are negative, which is often conceptualized in the 'crowding-out hypothesis' (Fukuyama, 2000; De Swaan, 1988). The mechanism that underlies the negative partial correlation between the two phenomena under study remains a 'black box', although the literature assumes that it entails an erosion of either civil society or the ability of individuals to cooperate with each other. Finally, these results are in line with many findings (Kawachi et al., 1997; Knack and Keefer, 1997; Putnam, 1993; Seligman, 1997; Uslaner, 2000) that emphasize the detrimental effects of income inequality on trust formation process.

Table 8.2.: The correlation between social trust and measures of universalism and categorization: an aggregated-level analysis

	Correlation between spending by institutional design and social trust	*Controlled for*				
		Fractionalization	**Wealth**	**Income Inequality**	**Corruption**	**% of Protestants**
Spending on non means-tested schemes						
1. Interpersonal trust	**0.132*****	**0.123*****	**0.136*****	**-0.024*****	**0.066*****	**0.051*****
2. Institutional trust	**-0.062*****	**-0.057*****	**-0.067*****	**0.112*****	**0.000**	**-0.011**
Spending on means-tested schemes						
1. Interpersonal trust	**-0.039*****	**-0.076*****	**-0.003**	**0.006**	**-0.093*****	**-0.045*****
2. Institutional trust	**-0.024*****	**-0.004**	**-0.064*****	**-0.075*****	**0.017****	**-0.025*****

Source: Own calculations based on the World Values Survey

The quality of public institutions expressed through corruption has a little effect in the case of non means-tested benefits since this way of delivering social provisions does not require intense interaction between public welfare institutions and the beneficiaries of social security systems.

When relating spending on means-testing benefit schemes and interpersonal trust indexes, one sees a negative relationship, which is fully in line with the results of recent research. It is hence possible to conclude that means-testing tends to erode interpersonal trust even when keeping most of country-level characteristics constant. Only when controlling for income inequality level does the negative effects turn neutral and lose their significance level. The effect of redistribution is smaller here than in the case of non means-tested spending. Controlling for corruption strengthens the negative influence of means-tested benefits on interpersonal trust. It is hence possible to conclude that what matters in the case of means-tested spending is not their redistributive effects but rather the quality of welfare institutions through which the provision of these benefits takes place. In corrupt systems, which are known to tolerate bribes and which do not adhere to any norms of impartiality, generalized trust cannot thrive (Rothstein and Stolle, 2001; La Porta et al., 1999; Putnam, 1993). It confirms the 'justice enforcement' argument that assumes the importance of impartiality for manipulating trust levels.

For institutional trust, the effects of institutional design develop their own pattern that substantially differs from interpersonal trust. Crowding-out effects are detected when linking spending on both non means-tested and means-tested schemes to institutional trust indexes. When talking about the relationship with non means-tested spending, the negative sign remains even after controlling for fractionalization, country wealth, income inequality, and percentage of Protestants. Out of these four covariates, income inequality can be defined as most influential since keeping redistributive effects constant substantially increases the absolute value of the negative coefficient measuring the direct relationship between non means-tested spending and social trust. What also matters for institutional trust is the corruption level. Corruption conducts a spurious effect on the relationship between trust and non means-tested spending. Hence, even if interaction with public welfare institutions is rare in universal welfare states, the quality of their performance essentially predefines the level of institutional trust in society. If corruption levels are controlled for, the direct effect of non means-tested spending on institutional trust is neutral, but not negative. Trust in public institutions is thus highly determined by the degree of credibility and the fairness of these institutions. This can again be considered proof of the justice enforcement argument. Although there are not so many studies elaborating on this association, we find a strong correlation (0.747) between institutional trust and corruption indexes.

The relationship between spending on means-tested schemes and institutional trust is also found negative and remains so even after keeping fractionalization, country wealth, income inequality level and percentage of Protestants constant. Although the ability of means-tested social provisions to reduce income inequality is low, their redistributive effects on institutional trust are large. A strong effect is again seen in the case of corruption, which is positive and statistically significant this time. For institutional trust, it is hence more important how public welfare institutions operate or how fairly they treat applicants for means-tested benefits. If institutions are characterized as 'not corrupt', the effect of means-tested spending on institutional trust is positive. It supports the argument provided by Rothstein and Stolle (2001) that suggests that institutional trust largely depends on how impartial, just, and fair social and political institutions, which are responsible for the implementation of public policies, are.

Thus, the results indicate that social spending, in any institutional form, can lead to the erosion of institutional trust, unless the corruption level in institutions through which social provisions are delivered is controlled for. With respect to interpersonal trust, this happens when welfare provisions are done through means-tested schemes while non means-tested schemes enhance interpersonal trust formation completely in line with the theory.

8.5. The institutional design and social trust: an individual-level analysis

When moving to an individual-level analysis, we again see mixed results that are not completely consistent with our expectations. Our expectations are:

Hypothesis 6.1.: Higher spending on non means-tested schemes in countries should be associated with higher levels of interpersonal and institutional trust among the population.

Hypothesis 6.2.: Higher spending on means-tested schemes in countries should be associated with lower levels of interpersonal and institutional trust among the population.

At the individual-level analysis, we see again mixed results not completely consistent with our expectations (see Table 8.3). The effects of the institutional design on social trust only partially coincide with the theory that asserts that crowding-out can be expected in the case of means-tested schemes, while crowding-in is usually the outcome when the analysis is focused on non means-tested schemes. In the case of interpersonal trust, it is true that hassle and control, which are the main characteristics of means-testing, tend to erode confidence levels while more universalistic approaches to granting social benefits on a universal basis tend to enhance trust levels. The positive impact of non means-tested schemes may also arise from the fact that the latter are more efficient in poverty reduction than means-tested benefits.

Table 8.3.: Impact of the institutional design of benefit schemes on social trust levels: an individual-level analysis

	Institutional trust		*Interpersonal trust*	
	Non means tested spending	**Means-tested spending**	**Non means tested spending**	**Means-tested spending**
Non means-tested spending	**0.076*** **		**0.043*** **	
Means-tested spending		**0.071*** **		**-0.064*** **
Volunteering	0.125**	0.122**	0.286***	0.247***
Sociability	0.416***	0.429***	0.361***	0.432***
Religion				
Catholic	0.225	0.602	-0.215***	-0.176***
Protestant	0.387	0.693	0.066**	0.029
Other	0.035	0.312	0.050	0.020
Religiousness	-0.157***	-0.160***	-0.025***	-0.028***
Gender	0.119**	0.124**	0.062**	0.063**
Age				
15-29	Ref/category	Ref/category	Ref/category	Ref/category
30 – 44	-0.133*	-0.136*	0.161***	0.169***
45 –above	0.170**	0.165**	0.172***	0.188***
Education				
Lower	Ref/category	Ref/category	Ref/category	Ref/category
Middle	-0.044	-0.057	0.085***	0.093***
Upper	0.118**	0.116**	0.690***	0.675***
Unemployed	-0.367***	-0.392***	-0.255***	-0.244***
Income				
1st qu.	Ref/category	Ref/category	Ref/category	Ref/category
2nd qu.	0.135*	0.132*	0.075**	0.079**
3rd qu.	0.079	0.086	0.230***	0.231***
4th qu.	0.088	0.094	0.437***	0.434***
5th qu	0.045	0.069	0.576***	0.582***
Variance at level 1	9.265 (0.111)	9.262 (0.111)	Not calculated	Not calculated
Variance at level 2	0.318 (0.022)	0.216 (0.014)	0.220 (0.014)0	0.206 (0.013)

Source: Own calculations based on the World Values Survey

More specifically, the coefficient values indicate that an increase in social spending on non means-tested schemes by one percent increases the odds of trusting other people by an average of 3.5 percent when other variables are kept constant. An increase in means-tested schemes by one percent leads to a decrease in the odds of trusting by an average of 6.2 percent when other variables are held constant. The coefficient on the ratio of non means-tested spending to means-tested spending is found to equal 0.007, which confirms that an increase in the provision of benefits on non means-tested principles should positively affect interpersonal trust indexes. Thus, complex and sometimes humiliating procedures of means-testing might cultivate the feeling of being at a disadvantage among those applying for benefits, leading to psychological closure of the personality and hence results in less trust in other people.

With respect to institutional trust, the relationship has a different nature. It seems that the institutional design matters little for institutional trust: regardless of whether or not the benefits are provided based on means-testing or not, they have a positive influence on trust levels. For institutional trust, the fact that the state provides individuals with financial support is hence more important than the mechanisms through which it does so. This thus supports the integration argument that assumes that if governments guarantee to keep an individual alive and in good health when he or she has difficulties, then the individual will feel integrated and as a result his or her perception of failing substantially decreases, which forms the necessary grounds for higher institutional trust (Szreter, 2002).

The coefficients point out that an increase in social spending on non means-tested schemes by one percent leads to an increase in institutional trust by an average of 0.076 units while an increase in means-tested spending by one percent is usually associated with an increase o 0.064 units in confidence in public welfare institutions. The coefficient on the ratio of non means-tested to means-tested spending is estimated at 0.035, which means that in spite of the fact that both types of spending lead to crowding-in, non means-tested provisions must have more positive effects on institutional trust.

Hence, the effects of institutional design may differ across trust forms, which has not been mentioned before in the literature. One should limit the theory of means-testing to generalized or interpersonal trust. Institutional trust develops a completely different type of relationship with means-tested social provisions. The effects remain positive even after making a distinction between means and non means-tested spending. Regardless of the principles the provision of social benefits is based on, they induce positive effects on institutional trust. The fact that public institutions give support to those in need positively affects the recipients of public aid and their confidence towards these institutions. What becomes important here is how the institutions operate. As the aggregated level of analysis shows, the level of corruption conducts an essential influence on the relationship between means-tested spending and institutional trust. If the institutions are perceived as fair and not corrupt, they gain high regards from the individuals who will have higher levels of confidence in them even in the case of means-testing.

8.6. Interaction of the institutional design with the functional dimension

It is an open question as to whether the effects of the institutional design are policy specific. To shed more light on this, we disaggregate total spending on means-tested and non means-tested schemes on functional a basis, thus obtaining the percentage of GDP spent on non means-tested and means-tested pension and unemployment schemes. An overview of these spending levels is summarized in the table below.

Table 8.4.: Variation of spending on means-tested and non means-tested unemployment and pension schemes by welfare regime type, in % of GDP

	Pension schemes		Unemployment schemes	
	Non Means-tested	Means-tested	Non Means-tested	Means-tested
Social democratic	9.28	0.48	3.09	0.22
Conservative	10.29	0.35	1.58	0.21
Liberal	5.84	0.78	0.19	0.25

The data suggest that with respect to pensions, countries tend to give preference to non means-tested schemes while means–tested schemes are used as a supplementary measure to the traditional way of supplying pensions. As expected, liberal welfare regimes take the lead in using means-tested scheme, where eleven percent of pension spending is dedicated to means-tested pensions. In the other two welfare regimes, this share is much smaller and barely exceeds five percent.

With respect to the institutional design of unemployment schemes, the variation of the share of GDP devoted to means-tested schemes is analogous. Here, governments tend to rely more on means-testing when providing the unemployed with financial support. In liberal welfare regimes, almost 57 percent of unemployment provisions are done through means-tested schemes. This percentage varies between six and twelve percent in social democratic and conservative welfare regimes.

Table 8.5.: The correlation between the institutional design of pensions and unemployment schemes and social trust: an aggregated-level analysis

	Correlation between spending by institutional design and social trust	*Controlled for*				
		Fractionalization	**Wealth**	**Income Inequality**	**Corruption**	**% of Protestants**
Spending on non means-tested pension schemes						
1. Interpersonal trust	**-0.141**	**-0.102**	**-0.010**	**-0.283**	**-0.028**	**-0.219**
2. Institutional trust	**-0.458**	**-0.546***	**-0.444**	**-0.676****	**-0.052**	**-0.518**
Spending on means-tested pension schemes						
1. Interpersonal trust	**0.058**	**0.191**	**0.287**	**0.303**	**0.075**	**0.117**
2. Institutional trust	**0.415**	**0.386**	**0.710**	**0.460**	**0.344**	**0.382**
Spending on non means-tested unemployment schemes						
1. Interpersonal trust	**0.318**	**0.292**	**0.188**	**0.303**	**0.203**	**0.178**
2. Institutional trust	**0.133**	**0.137**	**0.205**	**0.460**	**-0.031**	**-0.023**
Spending on means-tested unemployment schemes						
1. Interpersonal trust	**0.232**	**0.161**	**0.158**	**0.371**	**0.200**	**0.316**
2. Institutional trust	**0.053**	**0.097**	**0.101**	**0.106**	**-0.064**	**0.123**

Source: Own calculations based on the World Values Survey

The aggregated level of analysis failed to provide statistically significant results although the sign in the relationship between the institutional design of the selected provisions and social trust varies considerably. More specifically, a negative relationship is seen between non means-tested pension schemes and both forms of trust. A positive relationship is found in the case of means-tested pension provisions and social trust. The results are completely opposite to what the theory asserts.

The institutional design seems to matter little for unemployment benefits since the relationship between relevant types of unemployment spending and social trust is usually positive, although the relationship is not statistically significant in any case. Controlling for the five covariates changes the significance level of the relationship in question.

The individual-level effects of the institutional design on social trust provide evidence of a clear existence of policy specific effects. When analyzing institutional trust (see Table 8.6.), one comes to the conclusion that the institutional design matters. For pension schemes, we have results, which are opposite to those for total social spending. More specifically, non means-tested schemes are found to crowd-out institutional trust among pensioners, while means-tested pension schemes tend to boost confidence in public welfare institutions. For unemployment spending, the division between means-tested and non means-tested only partially supports the general hypothesis. The former is found to have neutral effect on institutional trust among the unemployed, while the latter increases trust levels among the direct recipients of unemployment benefits.

Table 8.6.: Policy specific effects of the institutional design on institutional trust[32]

	Pension spending		***Unemployment spending***	
	Non means-tested	**Means-tested**	**Non means-tested**	**Means-tested**
Relevant social spending **On pensions** **On unemployment**	**-0.167***** 	 **0.818*****	**0.536***** 	 **0.053**
Variance at individual level	9.985 (0.256)	9.987 (0.256)	10.688 (0.0542)	10.645 (0.540)
Variance at country level	0.495 (0.091)	0.495 (0.101)	0.168 (0.179)	0.588 (0.328)

Source: Own calculations based on the World Values Survey

In the case of interpersonal trust, only one of the effects is statistically significant (see Table 8.7.). For pension schemes, the effects of non means-tested pensions are in line with previous findings. Namely, they tend to negatively influence trust levels among pensioners. Means-tested schemes are found to boost interpersonal trust levels, although none of the coefficients is found to be statistically significant. For unemployment schemes, the

[32] The coefficients on control variables are not reported since they are similar to those in Table 8.3.

institutional design seems to matter since we have a positive relationship for non means-tested schemes and a neutral relationship for means-tested schemes.

Table 8.7.: Policy specific effects of the institutional design on interpersonal trust[33]

	Pension spending		***Unemployment spending***	
	Non means-tested	**Means-tested**	**Non means-tested**	**Means-tested**
Relevant social spending On pensions On unemployment	**-0.013**	**0.060**	**0.187*****	**0.519**
Variance at individual level	Not calculated	Not calculated	Not calculated	Not calculated
Variance at country level	0.172 (0.042)	0.206 (0.063)	0.413 (0.259)	0.369 (0.175)

Source: Own calculations based on the World Values Survey

Thus, the effects of institutional design on social trust can be considered policy specific. What comes as a surprise here is the negative impact of non means-tested pension spending on both interpersonal and institutional trust among pensioners, which coincides with the negative relationship found earlier between total pension expenditures and social trust among pensioners. Since social trust is an attitudinal variable we will try to explain the negative effects with the theory of attitude formation and change. The effects of recent changes in pension levels and conditions of delivery may ruin an individual's level of trust in national pension system and in public institutions in general. The latter in turn contributes to people's negative experience, which may also negatively affect their trust in other people.[34]

There are however other considerations for the negative impact of non means-tested pension spending on social trust. The reason for the negative effect could be a result of a purely technical problem. In order to obtain the negative correlation, there must be a situation in which lower pension spending is associated with higher trust levels and vice versa. This was the case for the selected countries. To explain the possibility of such a situation, one should recall pension system characteristics in the countries selected for the analysis. On the one hand, in Scandinavian nations, where trust is relatively high, spending on public pensions is relatively moderate (Norway -7 % of GDP, Finland -7% of GDP) since in northern

[33] The coefficients on control variables are not reported since they are similar to those in Table 8.3.
[34] Brehm and Rahn (in Rothstein and Stolle, 2003), for example, found that confidence in institutions has a large effect on interpersonal trust. Jamal (2007) as well argues that those individuals who feel existing political institutions are adequate in representing their interests are also more likely to feel trusting towards others. Because individuals feel that existing political institutions can protect their interest they are more likely to feel secure in trusting others. In other words, representative institutions can create the foundation for trust. When citizens feel their rights are protected through legal institutions for example they are more inclined to trust others.

countries they managed to build a two or three pillar system with public pensions offering only a basic income relative to occupational and private pensions. On the other hand, countries where trust levels are relatively low, public pensions sometimes constitute the only source of income and are the biggest spending item in social security systems. Such countries are France (10 %) and Italy (12% of GDP). This can be equally applied to Anglo-Saxon countries, which spend a lot on supporting the elderly and have moderate levels of trust (the UK- 10 % of GDP). This is due to the fact that in liberal welfare regimes, pensions constitute one of the largest items of social spending and supporting pensioners is integral to their social security system. They grant minimum pensions to everyone even if an individual paid contributions for a short period of time. This situation results in a negative correlation between pension spending and social trust levels.

There are some questions that arise here. The first is why the effects of non means-tested spending on social trust are different for the two social provisions. The first explanation lies in the distinct stratification mechanisms. Unemployment policy presupposes that income related benefits are paid within a short period of time after which an individual receives social assistance benefits. The liberal stratification mechanism hence prevails in the case of unemployment benefits. Pensions are almost always income related since they are calculated based on income levels or previous contributions to the system. This is directly related to income since how much you contributed during your work history depends on how high your income was. This state of affairs suggests that pensions have less of a redistributive effect than unemployment benefits. On the other hand, it may mean that pensions rest more on the conservative stratification mechanisms than unemployment benefits, which seek to preserve the existing class structure. Conservative stratification mechanisms are present with respect to pensions not only in conservative welfare state regimes, but also in liberal and socialist welfare states. Conservatism, as was demonstrated before, negatively affects institutional trust, which is completely in line with the results obtained that show a negative statistically significant correlation between non means-tested pensions and institutional trust among pensioners.

Another reason why pensions may negatively affect trust levels is the fact that in many countries, pension schemes are more segmented than unemployment schemes. They are usually status oriented social insurance schemes in every country regardless of welfare regime type. According to Scruggs and Allan (2006a), Finland has 7 occupationally distinct pension schemes, France has 9, Ireland has 3, Norway has 6, Italy has 7, etc. Such an approach creates different treatment outcomes. The segregation of pension schemes may lead to pensions that are tailored to specific clientele, which in turn has a negative effect on social trust. This is because social trust is very sensitive to singling out one group of the population and plotting it against another group. This makes people feel unequal, which erodes trust levels among pensioners.

Another other question that arises is why the effects of means-tested expenditures are different for the selected social provisions. It should be also noted that in the case of pension spending, the effects of means-tested schemes appear to be positive for interpersonal and institutional trust. This finding refutes what the theory usually asserts and can be explained by two factors. First, the vast majority of pensions are non means-tested. Means-tested pension schemes are mainly used for very poor elderly people for whom obtaining a source of income can outweigh the negative consequences of passing through bureaucratic procedures and the hassles inherent to means-tested benefits. Second, the complexity of means-testing might depend on society's perception of deservingness and retired people are considered to be most deserving of public help (Van Oorschot, 2006).

In the case of unemployment policy, positive effects of relevant social spending are found in both forms of social trust, although they are only statistically significant for non means-tested spending. The fact that the state provides the unemployed with financial support might reinforce their confidence towards public institutions. Receiving unemployment benefits allows them to keep the attained standards of living and not feel abandoned, which in turn helps maintain their trust in other people. Means-tested unemployment schemes however must imply more complex procedures (compared to means-tested pension schemes) since they show a neutral effect on the levels of interpersonal and institutional trust among the unemployed. Their complexity may be explained by less favorable (compared to pensioners) perceptions of the deservingness of the unemployed for state support (Van Oorschot, 2006), which results in more bureaucratic procedures of obtaining means-tested unemployment benefits.

Dissimilar effects of the benefit schemes design on interpersonal and institutional trust among pensioners and unemployed people can thus be explained by different perceptions of deservingness for state support between pensioners and the unemployed. This might determine the complexity of obtaining means-tested benefits and hence their influence on social trust levels.

8.7. Overview and concluding remarks

Institutional theory asserts that the institutional design of benefit schemes predefines its influence on social trust levels. Many studies conclude that non means-tested benefit schemes should positively influence interpersonal trust while means-tested ones are expected to be negatively associated with confidence in others. The main rationale behind this mechanism rests on the idea that the former is more effective in reducing income inequality and guarantying equality of opportunities than the latter.

Our cross-sectional tested this hypothesis for 18 OECD countries and provided evidence that only partially supported our expectations in the case of interpersonal trust. The aggregated-level and individual-level analyses confirm that means-testing usually erodes confidence in other people while non means-testing positively affects interpersonal trust levels. The spurious effect of redistribution is indeed larger for non means-tested spending although it is also present for social spending on means-tested schemes. What appears to matter more for means-tested provisions is the quality of the performance of public institutions as measured through their corruption level.

The results for institutional trust follow a completely different pattern. At the aggregated level of analysis, the institutional design of benefit schemes seems to play no essential role since both types of spending show a negative relationship to institutional trust indexes. This relationship changes considerably and turns positive (even more strongly for means-tested benefits) when the spurious effects of corruption are controlled for. Institutional trust thus depends on how fairly the institutions through which the provisions of public support occurs are. The individual level of analysis proves that whatever the institutional design of benefit schemes is, they tend to enhance confidence in public welfare institutions. This shows that the fact that the state supports individuals who are in need is more important for institutional trust than the mechanisms through which this support is delivered.

The analysis also indicates that the effects of institutional design can be policy specific. Disaggregating social spending on a functional basis may bring completely different results. For pension spending, means-testing is found to have a positive impact on both forms of trust. This effect is neutral in the case of unemployment means-tested spending. The difference in the effects can be explained by the different complexity of means-tested procedures, which in turn depends on the perceptions of how deserving those who apply for public support are.

What remains unexplained here is the negative effect of non means-tested pension spending on social trust among pensioners. This contradicts all theoretical reasoning and cannot be easily explained. This negative effect is in line with the argument of the 'crowding-out' hypothesis. But the question however remains why this crowding-out hypothesis does not hold true for non means-tested unemployment spending? And why is it that the sub-sample of pensioners triggers negative mechanisms of social spending effects? Finally, what is the exact mechanism of the effects of crowding-out of pension spending? It is possible to expect that each social policy develops its own relationship with social trust that goes through many direct and indirect links. These links thus require more theoretical and empirical analysis for the social sciences to be able to answer the questions raised above.

Chapter 9: SOCIAL POLICIES AND TRUST IN SOCIAL SECURITY SYSTEMS

9.1. Data source and method of analysis

This extended analysis investigates the relationship between social policies and only one element of institutional trust, namely trust in social security systems. The main scope of this investigation consists in comparing the patterns of the relationship with relevant social spending between institutional trust and trust towards social security systems. The data come from the European Quality of Life Survey which was launched by the European Foundation for the Improvement of Living and Working Conditions in 2003.

The survey covers a range of questions mainly aimed at assessing quality of life in 28 European countries from a different perspective. The survey examines the quality of life in core life domains covering a broad spectrum of circumstances in the surveyed countries. Generally speaking, the EQLS explores both subjective and objective aspects of quality of life in major areas that shape living conditions and opportunities for individuals. This survey also contains a traditional question on generalized trust and a question on the trust of individuals towards social security systems. We include in the sample only those countries which are present in the previous analysis. Moreover, the choice of countries is stipulated by the availability of data on different aspects of welfare state development. The final sample includes Austria, Belgium, Denmark, Finland, France, Germany, the United Kingdom, Ireland, Italy, the Netherlands and Sweden with the total amount of observations equal to 11,149.

The main research method used for the analysis is an ordered multilevel logit of the following form: $ologit = \beta_0 + \beta_1 X_{ij} + \beta_2 Z_j$, where X are the individual-level characteristics and Z are country-level characteristics. The final model will take the following form wthat again will only have one variable at the second level.

$$Ologit = \beta_0 + \beta_1 X_{ij} + \beta_2 Welfare\_State_j$$

Where X is the set of individual-level control variables and Welfare_State is the main independent variable at the second level that again will sequentially include measures of all three dimensions of the proposed multidimensional approach to describing welfare state development.

Operationalization of the dependent variables in the EQLS is done in the following way. Institutional trust is limited to trust towards social security systems and measured with the relevant question, with answers based on a four point scale, ranging from ‘great deal’ to ‘no trust at all’.

As in the previous case, we control for individual level characteristics that are selected based on the theory about social trust determinants provided in subchapter 2.2. as well as on the data availability in the EQLS. The final list of individual-level control variables includes gender, employment status, volunteering, religiousness, socializing, education level, income, age, optimism level, and the perception of safety in the living area.

To control for gender, we include a male dummy that takes a value of 1 if the respondent is male and 0 if female. Employment status reflects whether the respondent is unemployed or not. It takes a value of 1 if he or she is unemployed at the moment the survey was conducted and 0 if the respondent is employed. The education variable measures the highest degree of education the respondent has and is grouped into three categories: ‘primary’, ’secondary’, and ‘university’. Religiosity is defined on the basis of the self-rated frequency of church attendance ranging from 1 as ‘more than once a week’ to 7 as ‘never’. Optimism is operationalized on the basis of the self perception of an individual about his or her optimism level. The answers range from ‘agree completely’ to ‘disagree completely’. Socializing reflects how often an individual meets with friends and ranges from ‘more than once a day’ to ‘less than several times per year’. Volunteering is operationalized on the basis of a question about the time spent on volunteer activities and varies from ‘too much’ to ‘too little’. The age variable reflects the actual age of the respondent at the time the survey was conducted and is combined into three categories: ‘16 – 29’, ‘30 – 44’, ‘45 and more’. The income variable is grouped into four quintiles of OECD equivalent household incomes.

As in the previous case, we distinguish between the three dimensions formed around functional, outcome, and qualitative axes. The results of the analysis are summarized in the table below.

Table 9.1.: The effects of welfare states on trust towards social security systems in a multidimensional approach.

	Trust towards social security system
FUNCTIONAL DIMENSION	
*Total social spending	-0.025
*Pension spending	0.061
*Unemployment spending	-0.531**
OUTCOME DIMENSION	
Decommodification	

*benefit generosity index	-0.058**
Stratification	
*Liberalism	-0.025
*Social democratic	-0.040
*Conservatism	0.041
QUALITATIVE DIMENSION	
*Universalism	-0.887***
*Categorization	-0.007**
CONTROL VARIABLES	
Male dummy	-0.059
Unemployed dummy	0.000
Volunteering	-0.066
Religiousness	0.066***
Socializing	0.059***
Education	
Low	Ref/category
Middle	0.022
Higher	-0.288***
Income	
1st quintile	Ref/category
2nd quintile	-0.075
3rd quintile	-0.135**
4th quintile	-0.084
Age	
16 – 29	Ref/category
30 – 44	0.238***
44 and more	-0.150**
Optimism	0.456***
Safe	0.178***

Before proceeding to the analysis of the dimensions, one should say that the inclusion in the model of the proposed measures of welfare state development helps explain only a small portion of the total variance. This is possibly due to the fact that there is a small variance of social trust levels at the second level compared to the first level. More specifically, only 3.6 percent of the total variance is attributed to the country level, while the rest of the variation occurs at the individual (first) level. However, controlling for welfare state development helps reduce variance at the second level by 12 percent, which is a sufficiently large number.

When analyzing the proposed three dimensions, a straightforward conclusion is that welfare states are rather neutral in their influence on trust in social security systems since most of the coefficients on the measures of welfare state development are not statistically significant. However, this should be taken with some caution since the small number of cases at the second level, namely the number of countries included in our analysis, may contribute to the failure of their significance test. We hence refer to the coefficients' sign and values regardless of their significance level.

9.2. The functional dimension

The analysis of the functional dimension supports the plausibility of policy specific effects to some extent. Relating total social spending to trust in social security systems among the whole population points out that in general, crowding-in effects can be expected. Hence, social policy can be expected to generate confidence is social security systems. The support of an individual's wellbeing through a social security system tends to generate positive feelings not only among its direct recipients but also among the whole population. The redistributive effect of welfare state activities leads to less inequality and hence more trust towards such systems. Likewise, the replacement of lost sources of income by social provisions plays a crucial role in defining trust levels compared to the negative effects expected of from the traditional assumption about erosion of trust through volunteering.

When limiting the sample only to pensioners, the results partially support the idea about policy specific effects, although the significance test fails to prove them. Relating spending on pensions to trust in socials security systems among pensioners tends to erode trust levels. The fact that the state supports retired people through providing them with a source of income does not generate higher regards about the state or higher confidence in social security systems. The nature of these effects remains however unexplained while the negative mechanism of pension spending on social trust formation still constitutes a 'black box'. The recent instability in pension systems, especially in countries with high pension spending, the constant curtailment of pension funds, and a gradual shift to a multi-pillar system with an increasingly residual role for public pensions mostly likely undermines the level of trust in social security systems. It is hence possible to argue that recent changes in pension policy are the main reasons for the negative effects of pension spending on people's confidence in social security systems since pension reforms are more often discussed and implemented in the countries where pension spending is higher.

As far as unemployment spending is concerned, the results advocate for the presence of crowding-in effects which are also statistically significant. The fact that the state supports individuals when they have difficulties might play a crucial role in forming trust levels among the unemployed. Even recent changes in unemployment systems aimed at tightening entitlement conditions, reducing replacement rates, and shortening the period of payment for unemployment benefits do not negatively affect confidence of in the welfare state. The positive effect probably comes as well from the fact that the state does not simply try to reduce unemployment spending but rather focuses on reducing the duration of unemployment spells by replacing the traditional passive payment of unemployment benefits with active labor market policies.

The analysis of the functional dimension provides results that advocate for the presence of policy specific effects. Although the analysis on the basis of different data sources creates some controversy about the impact of total social spending on social trust among the whole population, the EQLS results in general support the previous findings based on the WVS. More specifically, pension spending may be detrimental to general trust in institutions and to trust in social security systems in particular, whereas unemployment policy tends to enhance trust levels among the unemployed.

9.3. The outcome dimension

The analysis of the outcome dimension provides results that differ slightly from what is found before. Decommodification tends to positively correlate with trust in social security systems. Moreover, the results are statistically significant, allowing for a statistical inference about the effects of decommodification on trust in social security systems. The results suggest that welfare state efforts increase confidence of people in social security systems.

The stratification function of welfare states is found to be rather neutral towards trust in social security systems since the case of statistical significance is not seen at all. Although the coefficients are not statistically significant, their signs and the values are in line with the effects of institutional trust in general. More specifically, preserving existing class structures tends to erode trust in social security systems. A universal approach aimed at guaranteeing individuals' independence enhances trust levels. The same impact is seen in liberalism with its stigmatizing approach to organizing welfare provision.

The analysis based on the EQLS advocates the positive impact that the level of decommodification and stratification may have on social trust. The supportive attitude of the state regardless of the type of stratification tends to enhance trusting behavior in society.

These results do not differ much from what was found on the basis of the WVS for institutional trust.

9.4. The qualitative dimension

The qualitative dimension again supports the results obtained for institutional trust in general. More specifically, the positive effects are present for both forms of the institutional design of benefits schemes. They enhance trust in social security systems regardless of whether they are non means-tested or means-tested. The positive effects are however stronger for non means-tested social spending compared to means-tested spending.

The analysis of the qualitative dimension therefore provides results that advocate the prevalence of crowding-in effects over crowding-out effects. Moreover, these results are consistent with the previous findings based on the WVS for institutional trust. It is hence possible to say that trust in social security systems shows a lot of conformity and consistency with institutional trust. The effects of the different measures of welfare state development on trust in social security systems are always in line with what is found for institutional trust.

As far as the individual-level control variables are concerned, we find results that are completely in line with the theory. More religious people tend to have higher scores on trust. Socializing with friends is also found to enhance trust levels. Education seems to have a strong impact on trust scores. Less educated and moderately educated people show almost the same levels of trust. Highly educated people have higher trust in social security systems. Income tends to have non-linear effects on trust. The effects tend to first increase as income goes up, reaching its peak in the third quintile and slowing down afterwards. Optimism can also be regarded as a determinant of trust: optimistic people show more trusting behavior towards social security systems. Trust is also influenced by the safety level in the area the respondent lives in. High regards of safety are associated with higher trust levels. Volunteering is found to have no impact on trust in social security systems. But this is probably due to the imperfect operationalization of this control variable. Employment status is found to have no effect on trust is social security systems. Gender has a certain influence on trust: men show more trust in social security systems than women, although this effect is not statistically significant.

9.5. Overview and concluding remarks

The main objective of this chapter is to analyze the effects of welfare states on trust in social security systems. The analysis is based on estimating the effects of all three dimensions on one specific element of institutional trust. The analysis thus demonstrates that there is strong conformity in the direction and the size of the effects of social policies between institutional trust and trust in social security systems. Both forms of trust develop the same pattern of relations with different measures of welfare state development.

Trust in institutions can therefore be considered a good proxy for trust in social security systems. Although it is a synthetic construct, institutional trust approximates possible changes in levels of trust in social security systems as the result of state intervention in society in the form of social policies. However, institutional trust must be regarded as a wider concept compared to trust in social security systems since it is based on confidence in various public welfare state institutions while including trust in social security systems as one of its elements.

Chapter 10: GROUP SPECIFIC EFFECTS OF SOCIAL POLICIES ON SOCIAL TRUST

10.1. The evidence of a gender gap in social capital

Research supports the general understanding that social capital is differently distributed across different social groups. Segregation occurs initially on the basis of gender, that is, significant differences in social capital appear between females and males. The studies on gender differences are concentrated primarily on analyzing the gender gap in membership in voluntary associations. Since volunteering is a strong predictor of both interpersonal and institutional trust, we include in the analysis an overview of literature on participation rates in voluntary organizations for men and women.

The early studies conducted in the 1950s and 1960s usually find some gender differences in the membership in voluntary associations. Scott (1957), for instance, suggests that more men, 75 percent, than women, 56 percent, are members of voluntary associations. Men also have more associational memberships than women: men average 2.09 memberships while women average 1.35 memberships. He also finds that women attend meetings more frequently than men. The frequency of attendance per membership average 1.23 times a month for women and 0.84 times a month for the men. The appeal of various associational types is nevertheless very different for each sex. The highest percentage of memberships for women is in religious associations, and the lowest is in labor organizations. The representation of men is found to be greatest in fraternal and to be least in cooperative and mutual benefit associations.

These results are confirmed by the study conducted by Babchuk and Booth (1969). They find that men and women differ considerably in their patterns of affiliation. Men are more likely to be affiliated with groups than women and have more multiple memberships as a rule. Moreover, they are more variable and less stable in their memberships, and belong to categorically different types of associations. Men become a member of a job-related group and fraternal-service groups more often than women. A greater number of women than men belong to recreational groups and they are more involved in church-related groups than men. Nevertheless, men and women are equally represented in civic political groups.

The vast majority of the recent research is focused on the gender differential in network diversity and size. By summarizing a great amount of relevant studies, Lin (2000a,b) argues that, despite the fact that men and women may have almost exactly the same number of memberships, the dramatic difference in the size and types of their organizations expose men to many more potential contacts and other resources than women. In other words, males have larger networks, are affiliated with larger associations and enjoy the benefits of associations with other males. The latter is an example of gender homogeneity, since males occupy higher positions in hierarchical structures. By contrast, females are affiliated with disadvantaged networks – smaller and less diverse networks, more female ties and ties lower in hierarchical positions. Since their associations and networks also tend to be homogenous, there is also a network closure and reproduction of resources, which leads to disadvantages among females. As the result, men's positions in the voluntary network are much more likely to provide access to information about possible jobs, business opportunities, and chances for professional achievement, while women's positions are more likely to expose them to information about the domestic realm. Lin (2000a,b) also emphasizes the effect of child-rearing on network size, which also appears to be gendered: having a child had no effects on men's network sizes, but has a significant negative effect on women's.

Hall (1999) analyzes the dynamics of gender difference in social capital over time. According to his statistics, there is a substantial gender gap in associational memberships in 1956. However, over the next thirty years, this gap completely disappears, so that by the 1990s, there is no difference in memberships between men and women. Hall (1999), too, investigates the gender differences in generalized trust. In 1959 he finds no gender gap: 56 percent of both men and women answer positively to the trust question. Yet a small difference appears by 1990. By that point in time, 46 percent of men report trusting attitudes. Only 42 percent of women report the same. The difference is not striking, but still suggests the existence of a small gender gap.

Lowndes (2000) criticizes Hall's results on the decreasing difference in voluntary association between men and women. He emphasizes that "increasing participation in the community is not explored further" and is defined solely in terms of formal associations. He further argues for the existence of important differences in the character of men's and women's involvement by referring to the statistics on voluntary participation. According to the latter, more than twice as many men as women undertake voluntary work related to sports and recreation (29 percent compared with 13 percent) Women, by contrast, are more active in voluntary work in the fields of health, education and social services. As for the specific roles assumed during this work, men are more likely to occupy committee posts, while women dominate in visiting and befriending activities.

Lowndes (2000) further argues for the existence of gender–specific patterns of activity in relation to informal sociability. The focus of informal sociability varies with women spending a third of the time spent by men in sports' activities and only half much time at social clubs. Men, however, spend only a third of the time devoted by women to visiting friends. Furthermore, he analyses the effects of child-caring activities on women's social capital. His argument clearly indicates that time spent on child-care is clearly compatible with, and could even promote, wider networks of sociability and community involvement. According to him, mothers of young children enjoy particularly robust patterns of social exchange and, in general, women are more strongly connected to neighbourhood networks than men.

Moore (1990) conducts an empirical analysis on the determinants of personal networks. On the basis of the results, he comes to the conclusion that women and men differ considerably in their network composition, though not in network size. Compared to men, women's networks are comprised of more kin and fewer non-kin. Most of these gender differences disappear or are reduced, however, when structural variables are controlled for. In particular, men and women have networks that contain similar numbers of non-kin of various types when work, family, and age are controlled. On the other hand, structural variables do not fully eliminate the effect of gender on kin ties. In their personal networks, women include more and larger proportions of kin as well as more diverse types than do similarly situated men, although the disparities are reduced to some degree when women work full time. Women may be disposed to focus more of their close ties on family members, whereas men focus more on ties to non-kin. However, he emphasizes that as more women move into paid employment, the gender's network composition can be expected to become more alike, with more close ties to non-kin, especially co-workers, and fewer ties to kin. Women still maintain a larger number of ties to kin than men do, however, as long as they remain the primary caretakers and kin-keepers in most families.

McPherson and Smith-Louvin (1982) also find substantial sex segregation in the voluntary sector, despite the fact that, according to their empirical data, men and women possess almost exactly the same number of membership. The dramatic gender differences concern foremost the typical size of voluntary organizations they belong to. They find that only ten percent of women's memberships are in organizations of over 200 members and that fully thirty percent of men's memberships are in such organizations. On the basis of this, they conclude that there are a large number of small, predominantly female organizations and a small number of large, predominantly male organizations.

Moreover, McPherson and Smith-Louvin (1982) find that these differences are greatest in organizations that are economically oriented. Furthermore, the differences are remarkably consistent across social categories: men tend to belong to larger organizations when compared with women in similar categories, whether of work status, age, education or marital status. Hence, men are located in core organizations, which are large and related to economic institutions, while women are located in peripheral organizations, which are smaller and more focused on domestic or community affairs. On the basis of these results, they conclude that even though men and women have almost exactly the same number of memberships on average, the dramatic differences in sizes and types of their organizations expose men to many more potential contacts and other resources than women.

In their further research, McPherson and Smith-Louvin (1986) analyze the sex composition of a great number of face-to-face voluntary organizations in ten communities. They come to the conclusion about the existence of substantial sex segregation in the voluntary sector. According to their calculations, nearly one-half of the organizations are exclusively female, while one-fifth are all male. In addition, their analysis shows that instrumental organizations (business related or political groups) are more likely to be sex heterogeneous, while expressive groups are more likely to be exclusively male or female. Furthermore, their analysis demonstrates that men's contacts are both more numerous and more heterogeneous. On the basis of these results, McPherson and Smith-Louvin (1986) conclude that there is little support for the sex integration hypothesis, although the sex heterogeneity of instrumental groups indicates that this pattern may change as women move into the labor force in increasing numbers.

Fisher and Oliker (1982) provide an analysis of personal relations between men and women. Their data widely support the findings mentioned earlier: women are more likely to be involved with kin and men with co-workers. However, they find numerous differences that interact with life-cycle stages. During early marriage and parenthood, women's friendships shrink relative to men's, but in post-parental years, men's shrink relative to women's. Further evidence suggests that this interaction effect can be explained by both structural and dispositional factors, the former working to reduce women's friendships relative to men's in the earlier period and the latter expanding their friendships later on.

Booth (1972) also contributed to studying the extent and quality of participation in friendship dyads, voluntary associations, and kin relations. Based on interview data from a sample of adults in two urban communities, he find that males have more friends than females, but at the same time, female friendship relations are affectively richer than that of men. He also provides evidence that men exceed women in voluntary association memberships but not in commitment of time to group activities. Moreover, extensive kinship resources are found to affect men's and women's affiliations differently. Females maintain more kinship ties than males, while their ties limit their participation in other social relationships, particularly those calling for strong affective investments, such as friendship. Moreover, females' kinship ties are found to be stronger than men's. In general, he comes to the conclusion that women are more spontaneous with friends and kin, and devote more time to the voluntary organizations to which they belong. Women also retain active membership longer than men, indicating a greater stability in their affiliations. Furthermore, the fact that they maintain a constant number of friendships through life, despite adversity, indicates that affiliative stability is not limited to voluntary associations.

Thus, research is predominantly concentrated on gender differences in voluntary memberships. Since voluntary participation is considered the main mechanism of trust formation, one may conclude that the latter may involve some gender differences in trust levels. Even if the recent evidence indicates that women and men do not differ in their memberships, but rather in the type of voluntary associations they participate in, it is possible to assume that this may also contribute to a gender cleavage in trust levels. The latter occurs mostly due to the fact that different voluntary associations have different potential in generating trust among their participants. Hence, differences in associations' types may entail differences in the outcomes, namely, trust levels among their members.

There are however studies that directly elaborate on the relationship between gender and trust levels. These are primarily conducted by economists who used the Investment Game Design to study gender differences in trust levels. Buchan, Croson and Solnick (2003), for instance, analyze in their research the existence of gender differences in trusting others, being trusted by others and being trustworthy (rewarding trust through reciprocation). They used the Investment Game to explore experimentally whether there are gender differences in trust behavior and whether those differences can be attributed to the gender of the trust-giver, the gender of the trustee or the interaction of the genders. Based on results from 377 pairs of subjects, they come to the conclusion that men are more trusting than women and that women are trustworthier than men.

Chaudhuri and Gangadharan (2002) obtain similar results. They, too, use the Investment Game to explore gender differences in trust and reciprocity. They find that men exhibit greater trust than women do whereas women show higher levels of reciprocity. Trusting behaviour, according to them, is driven strongly by expectations of reciprocation. They attribute the lower levels of trust among women to a higher degree of risk aversion. Innocenty and Pazienza (2006) conduct a similar study. Their results support a general assumption of trust games that women send less than men when playing as senders, and return back more than men as responders. They claim that this behavior can be better explained by the fact that women are more altruistic than men. Since trust mainly depends on risk aversion and trustworthiness in altruism, differences in altruism explain gender differences in the trust game.

Vyrastekova and Onderstal (2005) come to a different conclusion. They analyze gender differences in the trust game in a 'behind the veil of ignorance' design. They observe that on average men and women do not differ in trust, but, as in the previous research, they find that women are slightly trustworthier than men. In line with these findings, Croson and

Buchan (1999) find that the amount of trust exhibited in the game (the amount sent) is not significantly different between men and women. However, according to them, women exhibit significantly more reciprocity in this game by returning a higher proportion of their wealth. They explain this with the fact that women are more altruistic than men, and thus return a higher proportion of their earnings.

Bonein and Serra (2006) use a different game design, but also study the effects of gender on the relationship between trust and reciprocity. Their Investment Game consists of two stages: in the first stage, the participants did not know the gender of their partners and in the second stage, they were fully aware (sender as well as receiver) of the gender of their partners. The results obtained show great heterogeneity of the individual behavior. More specifically, knowing the gender of the partner by the sender does not affect the amount of money sent, even if the men seem to trust more to their partners than the women trust theirs. As far as the reciprocity is concerned, they discover a phenomenon, which they call ‘sex solidarity’: individuals have a tendency to trust more to partners of the same sex. The gender of the sender is, however, found to have a significant influence on the amount of return as soon as it becomes known to the responders.

The literature is therefore quite controversial with respect to the existence of gender differences in social capital, in general, and social trust, in particular. Nevertheless, much research is conducted on this topic, while the impact of social policy on eliminating the gender differences in social capital remains under-researched.

Our main objective is not to try to understand through which mechanisms the impact of social policy on social trust by gender goes; rather, it is to investigate the direction and size of this influence. Before proceeding to analyzing the coefficients, it is worth comparing levels of trust between men and women based on the WVS. The immediate conclusion that can be drawn is that women hardly develop less trust than men, despite all the negative moments mentioned above. In the case of institutional trust, both men and women show equal confidence in public welfare institutions, which is found at the level of 14.6 in both cases. Hence, despite the fact that males are found to be the main subject of welfare state application, females tend to cultivate deep trust in welfare state institutions. This allows us to assume that welfare state spending levels are not the main factor that determines confidence of people in public welfare institutions.

As far as interpersonal trust is concerned, the comparison on the basis of the whole sample suggests that trust in others equals 0.40 for women, compared to 0.42 for men[35]. Therefore, the average interpersonal trust level among women is only slightly behind that of

[35] The independent samples T-test revealed that, despite the fact that the difference in means of social trust between men and women is small, it is still statistically significant.

men. This difference is not that high to talk about substantial leg of trust among female population.

Empirical analysis based on introducing a gender dummy into equations however shows that in almost all cases, there is a small gender gap in social trust levels in favor of males when individual-level characteristics are controlled for. More specifically, the previous analysis demonstrates that men, on average, possess scores on confidence in public welfare institutions that are 0.122 points higher than those among women.

In the case of interpersonal trust, the same direction of prevalence is found. Levels of interpersonal trust among men are 7.3 percent higher than among women. These differences obtained for both forms of trust are not so large, but still advocate the existence of a certain gender gap in confidence towards both public institutions and other people. Moreover, the positive coefficients on male dummies are in almost all equations that embrace all three defined dimensions.

Table 10.1.: Gender differences in social trust by welfare regime type

	Institutional trust			***Interpersonal trust***		
	Men	**Women**	**Diff.**	**Men**	**Women**	**Diff.**
Social democratic	**11.3**	**11.3**	**0.0**	**0.63**	**0.64**	**- 0.01**
Liberal	**10.4**	**10.4**	**0.0**	**0.39**	**0.37**	**+ 0.02**
Conservative	**10.4**	**10.4**	**0.0**	**0.37**	**0.34**	**+ 0.03**

Source: Own calculations based on World Values Survey

Findings presented in the table above show that, on average, males do not differ from females in their confidence in public welfare institutions as far as the institutional trust is concerned. Women tend to display exactly the same level of institutional trust as men. With respect to interpersonal trust, a small, insignificant difference is found between the two sexes. More specifically, in Scandinavian nations, women show more trust in others whereas their interpersonal trust is 0.01 units higher compared to that of men. In two other welfare regimes, the opposite tendency takes place, reflecting that men are characterized with higher levels of trust compared to women. This gender difference amounts to 0.02 units in liberal welfare regimes and to 0.03 units in conservative regimes.

When moving to country case analysis, the picture changes dramatically, showing that the averaging of trust levels among countries may hide some gender differences. It is however difficult to find some logic in the level of change of social trust, especially in the case of institutional trust. The results provided in the table below show that among 18 OECD countries, one can find all three possible outcomes: those with no difference in levels of social trust between men and women; those where men display higher levels of confidence than women, and those where women possess higher levels of social trust than men. This tendency is found in the case of both interpersonal and institutional trust.

As far as institutional trust is concerned, there is no gender gap in trust in Belgium or Italy. Higher levels of trust for men are obtained for Austria, Denmark, the Netherlands, Sweden, and the UK. In Finland, France, Germany, and Ireland, the opposite situation is discovered, which is characterized by higher levels of institutional trust among women than men. One should emphasize that there is no general tendency which would explain the direction of gender differences in institutional trust across the selected OECD countries.

In the case of interpersonal trust, we obtain similar results that do not allow to extract any kind of dependency for the gender gap change across countries. Again, there are two major groups of countries that display positive or negative differences levels of in interpersonal trust between men and women. It should be noted that no difference is seen in any of the cases. However, the differences have very small values and hardly permit discussion about a substantial gap in interpersonal trust among men and women. Regardless of this fact, we report these differences. In particular, higher levels of interpersonal trust are found among men compared to women in Australia, Austria, Belgium, Canada, Denmark, Germany, Ireland, the Netherlands, New Zealand, and the United Kingdom. In other countries, the opposite situation is discovered that indicates that it is quite possible to find cases where women display higher levels of interpersonal trust than men. It should be also noted that a negative difference that reflects a higher level of interpersonal trust among women than men is predominantly found in Scandinavian countries (Finland, Norway, and Sweden) as well as in France, Switzerland, Japan, and the United States.

To summarize, the country case analysis of institutional trust reveals that all possibilities of gender differences can be found in 18 OECD countries. It is, however, difficult to say that there is a certain relationship in the distribution of this gender gap according to welfare regime types. As far as interpersonal trust is concerned, we find both positive and negative gender gaps between the two sexes. There is also certain logic in the sign of gender gaps with respect to welfare regime types. Social democratic regimes show that women have predominantly higher levels of interpersonal trust than men, whereas in liberal countries, men usually display higher levels of interpersonal trust than women. Finally, in continental welfare regimes, a mixed situation is found, in which both cases are possible: in some countries, men show higher levels of interpersonal trust and in other countries, women have higher levels of trust than men.

Table 10.2.: Gender differences in social trust for 18 OECD countries

Country	*Institutional trust*			*Interpersonal trust*		
	Men	**Women**	**Diff.**	**Men**	**Women**	**Diff.**
Australia				0.41	0.38	+ 0.03
Austria	11.6	11.3	+ 0.3	0.37	0.30	+ 0.07
Belgium	9.9	9.9	0.0	0.33	0.27	+ 0.05
Canada	-	-	-	0.40	0.36	+ 0.04
Denmark	11.7	11.5	+ 0.2	0.67	0.65	+ 0.02
Finland	11.2	11.6	- 0.4	0.55	0.59	- 0.04
France	10.0	10.1	- 0.1	0.21	0.22	- 0.01
Germany	9.8	10.0	- 0.2	0.36	0.33	+ 0.03
Ireland	10.7	11.0	- 0.3	0.41	0.30	+ 0.11
Italy	8.8	8.8	0.0	0.34	0.31	+ 0.03
Japan	-	-	-	0.42	0.44	- 0.02
Netherlands	10.8	10.5	+ 0.3	0.61	0.58	+ 0.03
New Zealand	-	-	-	0.50	0.48	+ 0.02
Norway	-	-	-	0.63	0.67	- 0.04
Sweden	11.0	10.7	+0.3	0.65	0.66	- 0.01
Switzerland	-	-	-	0.40	0.42	- 0.02
United Kingdom	9.9	9.6	+ 0.3	0.31	0.28	+ 0.03
United States	-	-	-	0.33	0.38	- 0.05

Source: Own calculations based on the World Values Survey

10.2. The gender dimension in social policies and social trust.

The character of public provisions affects women's material situations, shapes gender relationships, structures political conflict and participation, and contributes to the formation and mobilization of specific identities and interests. However, not enough is known about how and to what extent social security systems actually do vary in their gender content, how social provisions and other state institutions affect gender relations, and how the state's impact on gender relations is related to its effects on other social relations.

Orloff (1993) argues that the gender dimension is poorly accounted for in Esping-Andersen's welfare regime typology and in general criticizes the power resources analysts' understanding of citizenship and their analytic scheme for describing social policy regimes. Orloff highly criticizes all three dimensions defined by Esping-Andersen. She asserts that power resource analysts have given more attention to the division of labor between states and markets in providing welfare than to relations among states, markets and families. Families are generally ignored as private providers of welfare goods and services, while provision of welfare counts only when it occurs through the state or the market with women's unpaid work in the home being completely ignored. Furthermore, the sexual division of labor within states, markets, and families also goes unnoticed.

At the end of the discussion, Orloff (1993, 1996) proposes to include two new dimensions of welfare states. The dimension of *access to paid work* captures the extent to which women, particularly married women and mothers, are assumed employment, a significant source of economic and political power. The dimension of *women's capacity to form and maintain an autonomous household* permits the investigation of the extent of women's freedom from compulsion to enter or stay in marriages in order to obtain economic support.

Walby (2001) however argues that the criticism of Esping –Andersen's typology of welfare state regimes for neglecting gender is only partially correct. While it was not a central feature of his typology, gender, albeit conceptualized as 'family', was significantly present in the characterization of two of his categories. In the corporatist welfare state regime, the family takes a traditional form, while in the social democratic welfare state regime, individual independence is promoted. She does not say anything about the liberal welfare regime. But, she strongly criticizes the overgeneralization of decommodification effects, and asserts that there is more than one way that decommodification can be achieved: either corporatism involving the state, unions and church, or universal participation in the state based on universal employment. Again, the employment directly through the market inherent to liberal welfare regimes is omitted from the analysis. However, this is partially taken into account when she analyzes variations in ways that the shift from domestic to public employment occurs. The most important of these is contrast between the market and the state. She distinguishes that in some countries, this transition takes place principally through market-based mechanisms, and in others, principally through the state. Moreover, the author emphasizes that when the transition is mediated primarily through the market, the resulting inequalities, both between women and men and between women, are likely to be greater than when it is mediated through the democratic state.

Furthermore, she defines the common features of recent research on gendered welfare regimes, which consist of a focus on two main elements of welfare provisions by the state: first, that of the provision of care, especially child-care, and second, that of tax and benefit policies. This is set within a common analytical framework composed of three main elements: employment, family/care-work, and the welfare state, while continuity of gendered welfare patterns is seen as particularly rooted in cultural traditions of the family. She further emphasizes the need to broaden the understanding of gender relations, which should go beyond work and the state. In her opinion, the relationship between the welfare dimensions of the state and unpaid and paid work is only part of any model for understanding differences in patterns of gender relations. She conceptualizes a gender regime as composed of a set of inter-related domains of employment, unpaid work, the state, male violence, sexuality, and culture.

She distinguishes between two major forms of gender regimes: domestic and public while assuming the continuum between them. This continuum is articulated at both levels of the system as a whole and in specific domains. Thus, the comparison between the pole positions of domestic and public gender regimes includes the extent to which women are confined to the household, excluded from paid employment, represented in the state, restricted to one sexual partner for life, subject to male violence, and culturally represented as embracing subordination. Next, the author studies gender regimes by analyzing the change of women in civilian employment, divorce rates, births outside of marriage, fertility rates, and political representation of women in parliament. Her data suggest a considerable change over time, but at the same time, allow it to define clusters of countries that coincide to some extent with the welfare regime typology. More specifically, she distinguished between Nordic countries, former Soviet bloc central Europe, liberal Anglo-Saxon countries, middle or continental Europe, Southern Europe, and industrializing countries.

Lewis (1992) proposes another typology of gender regimes. The basis for the division within the typology lies in the extent to which there is a ‘male breadwinner’ model. This ranges from ‘strong male breadwinner’, ‘modified male breadwinner’ to ‘weak male breadwinner’ types. Ireland is regarded here as an example of ‘a strong male breadwinner’ model, Germany and France are seen as a ‘modified male breadwinner’, while Sweden is defined as a ‘weak male breadwinner’ model. Lewis stops at this point without elaborating on the possibility of extrapolating the male breadwinner models to gender welfare regimes. To some extent, this typology can be seen as coinciding with the four welfare regime types, with Southern Europe and Anglos-Saxon countries as the “strong male breadwinner” model, continental Europe as the "modified male breadwinner" model and Nordic countries as the "weak male breadwinner" model. This however remains unelaborated upon in the study.

Misra (2000) analyzes the role of women's movements in promoting the adoption of family allowances. She argues that for nations without large Catholic populations, strong working class movements and women's participation on the Left are necessary to the development of family allowance policies. In many of these nations, Leftist parties initially focus on increasing the wages of male workers, rather than developing the state support for families. Women activists who belong to these Leftist parties played key roles in lobbying for these family programs, and placing these programs on their party's political agenda. However, the direct impact of social policies on gender issues is not analyzed in this study.

The gender dimension in the welfare state is also discussed in Mandel's (2005) study of the impact of welfare state activities on the labor force participation of women and on gender occupational inequalities. His empirical analysis of 22 industrialized countries shows that the participation rate of women in the labor force tends to be higher in countries characterized by progressive welfare states. Apparently, expansion of family-oriented services, availability of public child-care and, a large public service sector provide women with better opportunities to become economically active. But, he concludes that the same welfare state activities that promote one dimension of gender equality appear to inhibit another dimension. Mandel emphasizes that once women become economically active, benefits to working mothers and high demand for female labor in the public sector services serve to restrict their occupational achievements. His data shows that in the countries characterized by a progressive welfare state system, women are disproportionately under-represented in managerial positions. This allows him to infer that family-friendly policies and employment practices assume the primacy of women's familial responsibilities. As such, they are designed to allow women time off for the care of young children through extended maternity leaves and support of part-time employment. These policies in turn discourage employers from hiring women for managerial and powerful positions, and foster attachment to female-type occupations and jobs with convenient work conditions.

Mandel's (2005) analysis of welfare regime types makes this argument clearer. Social democratic regimes promote women's integration into the labor market by providing them with convenient and flexible working conditions. However, this goal is achieved at the cost of greater occupational segregation and restricted opportunities for women to enter the most desirable positions. By contrast, liberal regimes neither restrict nor support women's economic activities and no special work arrangements are mandated for mothers. In liberal market economies women, like men, are expected to work continuously and on a full time basis. These conditions may not meet the justified desire of many women for family-supportive arrangements. At the same time, women who become economically active are in a better position to compete for higher-status managerial jobs than their counterparts in social democratic countries.

Thus, the analysis allows one to demonstrate that welfare states may affect women in a different way compared to men. This provides the necessary grounds to expect that social trust among females may be subject to a different pressure of change than it is among males. In the next section, we will try to find theoretical explanations for what kind of differences one can expect.

10.3. Justifying gender differences in the impact of social policies on social trust

Based on the analysis provided above, it is possible to expect that effects of welfare states will be different for men and women. One can assume that welfare states affect men and women in a different way, initially, due to the existence of an emphasis primarily on men's well-being and the relative ignorance to women's, or the inferior position of women as subject to social policy regulations. The analysis of a possible explanation of why trust among women may be differently affected by welfare state activities, as compared to trust among men, provides the following results.

(1) Different emphasis on employment. Theories of trust formation emphasize the importance of employment and social networks built between co-workers as generators of social trust. Social policies in their majority put a greater emphasis on men's employment, while women are often regarded as caretakers or housewives, whose duties consist of keeping the household and doing a greater share of domestic work. The domestic work tends to be ignored in most of the analysis, or underestimated in its impact on the family's, as well as society's, well-being. This is true for many countries and for many decades with the exception of Scandinavian nations, where the individual freedom from both markets and families is promoted through welfare states. The inferiority of women's employment is especially obvious in continental and south European countries, where men are regarded the breadwinner, whereas women are assigned to the role of running the household. This in turn leads to limited networks of women and induces a feeling of inferiority or playing a secondary role in the development of society or a community. The latter strongly affects trust among women and drives down their levels compared to men. The same tendency may also be present in Scandinavian nations, where, regardless of the higher emphasis on women's employment, the labor market remains highly segregated with women occupying mostly secondary positions and rarely achieving higher managerial jobs. This may lead to feelings of being at a disadvantage when compared to men, which strongly influence females' levels of trust, leading to their decline.

(2). Differences in levels of social benefits between men and women. Another important predictor of trust is the income level available to an individual, which defines his or her living standards. Securing minimum or maintaining living standards when the source of income is lost, is one of the main functions of social policies. Again, one can argue that this function takes different forms for men and women. First, entitlements to social benefits are mostly guaranteed to those working full time, while part-time workers remain outside of generous welfare state provisions. Since women are overrepresented in the category of part-time workers, they are relatively poorer (compared to men) with respect to the amount and level of social benefits available to them.

Second, as Orloff (1993) emphasizes, women are the main recipients of social assistance programs, while men are more likely to be eligible for social insurance benefits. This allows them to assume the existence of a huge difference in levels of benefits, since social assistance programs usually perform the function of securing minimum living standards. Social insurance programs, by contrast, tend in their vast majority to ensure the acquired living standards. As a result, the latter is more generous than the former, having as a consequence the situation in which women are less financially supported by the state than men.

(3). Different treatment during the application for and monitoring of social benefits. This argument is related to the previous one, which reveals the overrepresentation of women in social assistance programs as compared to men. The difference between social assistance and social insurance programs is not only the level of benefits, but also the kind of treatment of those applying for benefits. It is widely known that social assistance benefits are primarily means-tested, which requires a complex application procedure and the regular monitoring of an applicant's behavior and income. The latter is associated with more bureaucratic hassles and control, as well as with a kind of stigmatizing of those applying for social assistance programs. As theory asserts, social trust is ruined as the result of experience with means-tested procedures. Since women are overrepresented in means-tested schemes, their social trust levels can hence be lower when compared to men, who are overrepresented in social insurance schemes.

(4). Higher poverty rates among women than among men. As the result of inferior treatment of women by welfare states, poverty rates are much higher among women, and especially among single mothers, as compared to men (Huinink and Schröder, 2008). Poor social rights of part-time workers, overrepresentation of women in social assistance programs, and entitlement to social assistance based on motherhood or marriage all contribute to the fact that women are at a higher risk of poverty than men. Inequality leads to the reality that people feel at a disadvantage to the others, which in turn leads to lower levels of trust. The redistributive function of social security systems is thus more effective in the case of men than in that of women. It is subsequently possible to expect that social security systems more positively affect men than women, which which entails higher levels of trust among the former when compared to trust levels among the latter.

(5) Different treatment of men and women by social insurance. Orloff (1993) refers to the fact that social insurance programs may not treat men's and women's work-based claims equally, either. Gaining eligibility for social insurance programs is often more difficult for working women than for working men. For example, until recently, married women had to be unable to perform housework and paid work to claim work-related disability benefits under Britain's social insurance system. Under U.S. unemployment insurance programs, claimants may be declared ineligible because they are unable to work at any time or place because of child care responsibilities or the spouse's work commitments. Furthermore, she argues that even if entitlement to welfare states is based on universal citizenship, the range of needs covered by such benefits often betrays a gender bias. For example, benefits claimed on the basis of paid work receive funding priority, while the public services that women depend on are not funded sufficiently to serve all those eligible. This different treatment of men and women, which reflects setting higher entitlement requirements for women than for men, and putting more pressure on the former than on the latter, allows one to assume that women are differently affected by welfare states than men are. It is hence possible to expect that the effect of welfare states on men's trust levels will be stronger and more favorable than that of women.

(6) Reproduction by welfare states of the subordination of women to men. The secondary role of women in the family is to some extent perpetuated by the welfare state arrangements. The fact that women are entitled to state support mostly as mothers or wives limits the freedom and independence of females as an individual, and points out the inferior position of females compared to males. Furthermore, the state perpetuates the old-fashioned or traditional gender division of labor in a variety of ways. For instance, gaining entitlement to social assistance sometimes requires women to demonstrate homemaking skills. Other public mechanisms – from tax systems to the absence of services to alleviate domestic responsibilities – also maintain the traditional division of labor. This secondary role of women as the clientele of welfare states and emphasis on maintaining the traditional division of labor, or even power, in the families may entail feelings of inferiority, and reproduce subordination of women to men. The latter in turn serves as a negative factor for their confidence in public welfare state institutions, forming the necessary precondition for a bad experience, which results in lower levels of interpersonal trust.

(7) Unequal division of caring activities between men and women. As was shown before, socializing constitutes one of the main determinants of social trust accumulation. Frequent informal contacts with neighbors, friends or colleagues usually generate a higher stock of social capital, in general, and social trust, in particular. The difference in the intensity of social trust accumulation is mediated here by differing involvements of men and women in caring activities. Caring responsibilities in their own right appear to divorce people from extensive social engagements (Platt, 2006). Caring does increase risks of infrequent visits and of people going out more infrequently, suggesting that caring responsibilities keep people predominantly at home (Platt, 2006), which hinders social capital creation. Hence, it is possible to conclude that caring activities can be regarded as one of the negative factors of social capital accumulation. Since women are more often involved in caring compared to men, and since welfare states mostly perpetuate this state of order by providing fewer opportunities for caring outside the family or by not rewarding women's caring activities within the family, it is plausible to say that women's stock of social capital will be less than that of men. In other words, one may expect that the effects of social policies are less positive on women than on men.

The analysis provided above, therefore demonstrates that one may expect that the effects of social spending on social trust may differ between men and women. This difference consists first of all of the different direction and strength of the impact of welfare states on trust levels among males and females. The hypothesis can be formulated as follows: *with respect to both forms of trust, the effects of welfare states on social trust are more favorable for men than for women.*

Men thus tend to show more trust when compared to women, which is confirmed empirically. The following questions arise here: first, it is not clear whether social security systems affect men and women differently. Second, one should analyze to which extent social security systems are responsible for the existence of this gender gap.

The below given table demonstrates the empirical results of the gender differences in welfare state effects on social trust.

Table 10.3.: The effects of social spending on social trust by gender

	Institutional trust		*Interpersonal trust*	
	Men	**Women**	**Men**	**Women**
Total social spending	**0.084******	**0.065*****	**0.012****	**0.014*****
Volunteering	0.153*	0.129*	0.210***	0.311***
Sociability	0.380***	0.504***	0.337***	0.419***
Religion				
Catholic	-0.784	0.031	-0.129***	-0.199***
Protestant	-0.144	0.199	0.098*	0.039
Other	-0.392	-0.241	-0.020*	-0.020
Religiousness	-0.177***	-0.135***	-0.025***	-0.030***
Age				
15-29	Ref/category	Ref/category	Ref/category	Ref/category
30 – 44	0.043	-0.291***	0.095	0.211***
45 – more	0.481***	-0.147	0.114**	0.222***
Education				
Lower	Ref/category	Ref/category	Ref/category	Ref/category
Middle	0.110	-0.230***	0.055	0.149***
Upper	0.282***	-0.055	0.717***	0.681***
Unemployed	-0.452***	-0.308***	-0.325***	-0.201**
Income				
1st qu.	Ref/category	Ref/category	Ref/category	Ref/category
2nd qu.	0.162	0.120	0.085	0.041
3rd qu.	0.151	0.035	0.214***	0.240***
4th qu.	0.152	0.072	0.487***	0.396***
5th qu.	0.065	0.090	0.554***	0.631***
Variance at level 1	9.593 (0.166)	8.900 (0.148)	Not calculated	Not calculated
Variance at level 2	0.339 (0.042)	0.686 (0.070)	0.289 (0.029)	0.263 (0.036)

Source: Own calculations based on the World Values Survey

As far as the first question is concerned, the empirical results show that there is indeed a gender difference in the effects of welfare states on social trust. As the coefficients indicate, men are more strongly affected by welfare state policies than women in the case of institutional trust. Their trust coefficients show some difference in values, although both of them are statistically significant. More specifically, an increase in welfare spending by one percent leads to an increase in institutional trust level by 0.084 units among men and by 0.065 units among women. In other words, the effects of welfare states are about 23 percent stronger for males' than for females' trust. The latter can be explained by the fact that social policies are less favorable towards women than they are towards men. Their indirect assignment towards welfare states as wives or mothers, along with the heavy emphasis on means-tested schemes and less generous benefits as compared to those for men, all contribute to the situation characterized by a less positive impact of social policies on institutional trust. This impact is still found positive, regardless of less favorable approaches used by the state towards women in securing their well-being. It seems that the fact that the state secures at least some support for the female population outweighs the negative impact of the mechanisms through which the delivery of state support is done.

In the case of the interpersonal trust, no gender difference in the welfare state effects is found. For both men and women, the coefficients are positive and almost equal in values, indicating that there is a crowding-in happening in confidence in others as a result of state activities. The effects are estimated at 0.012 for men and 0.014 for women, which indicates an increase in the odds of trusting by 1.2 percent for men and by 1.4 percent for women when total social spending increases by one percent. The effects are not large, but still confirm the presence of crowding-in in interpersonal trust for both females and males. The small value of coefficients can also be interpreted as inferior power, which welfare states have in defining levels of confidence in other people. Most probably, there are other, more important variables coming into play when an individual's propensity to trust others is formed.

Interesting conclusions can also be drawn about the gender differences in the effects of individual-level variables on social trust levels. Volunteering is more important for interpersonal trust formation among women than it is for men. In the case of institutional trust, though, it is the other way around. Socializing with friends is also more important for inducing pro-social behavior among women, although the strength of influence of this determinant is also big for men. Religion is found important for both, especially in the case of interpersonal trust. The effects of frequency of church attendance also differ between men and women, but this gender gap is almost negligible. Unemployment seems to affect men's trust levels more strongly than those of women. Income is important in trust building for both sexes, especially in the case of interpersonal trust. Certain gender differences are seen in the effects of age and education. In the case of institutional trust, older women tend to have lower trust levels. For men, the influence of age is positive by contrast, especially for those over the age of 45. In the case of interpersonal trust, the effect of age goes into the same direction, indicating that older people have on average more confidence in other individuals than younger people have. As far as education is concerned, the effects differ across trust forms.

For institutional trust, more educated men have higher trust levels, while women's trust scores drop as their education levels increase. For interpersonal trust, the effects of education are positive for both sexes, indicating that more educated individuals possess higher confidence in other people.

Our analysis does not stop here, but takes as the next step the investigation of gender differences in each welfare state regime. The main objective of this analysis is to see whether the effects of social policies on social trust among men and women differ across welfare regimes. The results obtained represent certain peculiarities. With respect to institutional trust, the results are rather surprising. In two out of three welfare state regimes, we find crowding-out effects for men as well as women, which are statistically significant for both groups.

Table 10.4.: Institutional trust among men and women by welfare regime type[36]

	Social democratic		***Liberal***		***Conservative***	
	Men	Women	Men	Women	Men	Women
Total social spending	**-0.129*****	**-0.166*****	**-0.186****	**-0.224*****	**0.213*****	**0.267*****
Variance at level 1	7.497 (0.282)	6.889 (0.263)	11.170 (0.549)	10.345 (0.472)	9.898 (0.211)	9.106 (0.185)
Variance at level 2	0.016 (0.027)	0.017 (0.032)	0.012 (0.018)	0.344 (0.021)	0.313 (0.049)	0.433 (0.067)

Source: Own calculations based on the World Values Survey

More specifically, in social democratic welfare states, an increase in total social spending by one percent is associated with a decrease in institutional trust by 0.129 units for men and 0.166 units for women. The negative effect of social policies is larger for females than it is for males. This is indeed surprising since social democratic policies heavily emphasize women's independence, equal division of domestic work, wide employment in public sector, and large-scale organization by the state of caring services. It is unexpected that these social policies may produce crowding-out effects in confidence of people in public institutions, especially for women.

A similar situation is found in the case of liberal welfare regimes. There, an increase in total social spending by one percent leads to a decrease in institutional trust by 0.186 units among men and by 0.224 units among women. The negative effect is again larger for women when compared to the effect on men. Moreover, the crowding-out effect is statistically significant for both groups. It seems that segmented and stigmatizing welfare state provisions

[36] The coefficients on control variables are not reported since they are similar to those given in Table 10.3.

in liberal welfare states lead to an erosion of institutional trust in both sexes. Most surprising is the fact, that regardless of differences in the quality, methods and principles of organizing welfare provisions between social democratic and liberal welfare states, their effects on institutional trust of women are similar in sign and almost identical in strength.

Conservative welfare states represent an exception, but are also characterized by the existence of gender differences in welfare state effects on institutional trust. For both men and women, the effect is positive and statistically significant. According to the data, an increase in total social spending by one percent leads to an increase in institutional trust by 0.213 units for men and by 0.267 units for women. The positive effect for women is stronger as compared to that for men.

In summary, the effect of welfare state development is always less positive for women than for men with respect to institutional trust. The latter is fully in line with our expectations and confirms that less favorable, less generous, and more strict treatment of women by welfare states leads to their trust towards public welfare state institutions being more negatively affected by social policies than men's. In social democratic and liberal welfare states, the effects are even negative and highly significant.

To some extent, similar results are found in the case of interpersonal trust, which sends a similar message: there is an obvious gender difference in social policy effects.

Table 10.5.: Interpersonal trust among men and women by welfare regime type[37]

	Social democratic		***Liberal***		***Conservative***	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Total social spending	**0.009**	**-0.063*****	**0.020**	**-0.037****	**-0.021*****	**-0.031*****
Variance at level 1	Not calculated	Not calculated	Not calculated	Not calculated	Not calculated	Not calculated
Variance at level 2	0.001 (0.008)	0.012 (0.037)	0.193 (0.066)	0.261 (0.078)	0.228 (0.037)	0.247 (0.042)

Source: Own calculations based on the World Values Survey

This time it is obvious for all the three welfare state regimes that the effects are less positive for women than for men. More specifically, in liberal welfare regimes, an increase in total social spending by one percent leads to a decrease of women's odds of trusting by 3.7 percent. For men, the effect of social spending is positive, but not statistically significant. It can be explained by the fact that a stigmatizing approach in liberal welfare states dominates in

[37] The coefficients on control variables are not reported since they are similar to those given in Table 10.3.

designing and providing welfare to both men and women. Stigmatizing generally lies deep at the roots of organizing social policy here. It is possible to assume that women are more prevalent as welfare states' clients, and hence come into contact with welfare institutions more often than men. Logically, they more often experience the negative effect of stigmatizing, which leads to a stronger erosion of their interpersonal trust as compared to men.

A similar effect is found in the case of conservative welfare states, where the gender difference is present, which is again in favor of men over women, although the coefficients are negative in both cases. An increase in total social spending is associated with a 3.1 percent decrease in the odds of trusting among women and a 2.1 percent decrease in the odds of trusting among men. These results are also statistically significant and fully confirm our expectations that conservative welfare states are designed to support men rather than women, which results in more negative effects for women.

In this respect, Scandinavian countries do not constitute an exception here, since they represent a welfare state regime, where the effects of social spending on interpersonal trust are positive for men and negative for women. More specifically, an increase in total social spending by one percent is associated with an increase in the odds of trusting by 0.9 percent among men and a decrease in the odds of trusting by 6.2 percent among women. Furthermore, there is a clear gender difference in welfare state effects on interpersonal trust in favor of men, which is fully in line with our expectations.

To summarize, the effects of welfare states on interpersonal trust differ among men and women and this occurs in a similar manner across welfare state regimes. In the case of all three welfare regimes, we receive evidence that supports our expectations, suggesting that men's interpersonal trust is less negatively affected by welfare states than women's trust indexes.

Overally, it is possible to assert that there is a certain consistency in the effects of welfare states on social trust. We find that the gender gap in the effects of welfare states has a similar nature for institutional and interpersonal trust. Our expectations are generally confirmed that less favorable treatment by the welfare states of women as compared to men leads to more negative effects for women than for men.

10.4. The effects of social policies on gender differences in social trust

Another question that should be analyzed is whether welfare states may chnage the gender gap in social trust. The main objective is to see whether social policies have some influence on the gender gap in social trust by broadening it or, by contrast, eliminating it. The recent policies implemented by many welfare states are basically aimed at mobilizing women and their inclusion in paid employment. The latter must, in theory, positively affect women by enhancing their social trust and thus making the difference in trust levels among men and women narrower. Policies aimed at mobilizing the female workforce have two political agendas, each representing cognitive and more normative founded aspects. The first agenda consists of more cognitive oriented policies, enabling women, particularly mothers, to reconcile work, and family and thereby intends to improve national productivity, growth and competitiveness by enhancing women's participation in paid work. The second agenda relates to equal opportunity policies that encourage both woman and men towards a more equal sharing of the provider and caring roles in order to advance social justice. It exemplifies attempts to transform policy-makers and the general public's ideological perception away from the male breadwinner/female housewife model, towards an adult worker society, where both men and women are seen as equal workers and carers (Larsen, 2005). The latter should positively affect women's trust levels, leading to the elimination of the trust gap between the two sexes.

The analysis of the effects of welfare state activity on the difference in trust between men and women reveals that the mixed results can be obtained. In the case of institutional trust, when analyzing this relationship on the basis of the data for the whole population, the results reveal that total social spending has no effect on the gender gap. More specifically, the coefficient on social spending indicates that an increase in total social spending by one percent leads to an increase in institutional trust by 0.139 points. The analysis however shows no difference in institutional trust between two sexes. The coefficient on male dummies indicates that in the case of zero social spending, men's levels of institutional trust would be 0.119 points higher than women's. Yet, this difference is not statistically significant. The interaction between total social spending and male dummies is not statistically significant, either. However, it is positive and it could be interpreted that an increase in total social spending tends to increase the difference in social trust between men and women. Social policies thus do not eliminate the gender gap in social trust, but, on the contrary, tend to broaden it.

Table 10.6.: The impact of welfare states on gender differences in institutional trust[38]

	Institutional trust			
	Total	**By welfare state regimes**		
		Social democratic	**Liberal**	**Conservative**
Total social spending	**0.139*****	**-0.180*****	**-0.242*****	**0.288*****
Male	**0.119**	**-0.560**	**-0.345**	**0.868**
Male*total social spending	**0.009**	**0.060**	**0.085**	**-0.030**
Variance at level 1	9.264 (0.111)	7.248 (0.144)	10.809 (0.361)	9.525 (0.140)
Variance at level 2	0.046 (0.008)	0.128 (0.002)	0.198 (0.015)	0.273 (0.028)

Source: Own calculations based on the World Values Survey

When moving to the analysis of the relationship between social spending and the gender gap in institutional trust by welfare regime type, we obtain interesting differences. For Scandinavian nations, welfare state development erodes institutional trust. An increase in total social spending by one percent tends to decrease institutional trust by 0.180 points when other variables are constant. Here, there is also a substantial gender gap in favor of women, suggesting that women have institutional trust levels, which are, on average, higher than those of men by 0.560 points. The interaction term between social spending and male dummies is positive, indicating that an increase in total social spending leads to a decrease in institutional trust differences between the two sexes. The latter allows one to draw conclusions that the erosion of institutional trust among men occurs at a slower pace than among women, which is consistent with the results obtained in the previous sub-chapter.

In liberal countries, the results are different. More specifically, there is an obvious crowding-out effect in institutional trust caused by welfare state development, which is also statistically significant. An increase in total social spending by one percent decreases institutional trust by 0.242 points, when other variables are constant. Male dummies are also negative, indicating that women usually have higher levels of trust than men, although it is not statistically significant. The interaction term is positive, which suggests that as welfare state spending increases, the institutional trust difference between the two sexes increases in favor of men. However, this happens at a very low pace so that the overall effect is not

[38] The coefficients on control variables are not reported since they are similar to those given in Table 10.3.

statistically significant. Regardless of the non-significant coefficients, the result allows one to assume that as in the case of Scandinavian nations, welfare state activities erode institutional trust among women at a higher pace than among men, which is in line with the results obtained in the previous sub-chapter.

In contrast to liberal and Scandinavian countries, one finds obvious crowding–in effects in the case of conservative welfare regimes. The coefficient indicates that an increase in total social spending by one percent tends to increase institutional trust by 0.288 points, which is also statistically significant. Neither the male dummies nor the interaction terms are statistically significant here. The male dummies indicate that in conservative countries, women usually have institutional trust levels that are 0.868 units lower than those of men. But, this gender gap in institutional trust lessens as social spending increases, which can be deduced from the negative interaction terms. This effect is however not statistically significant. Yet, it does allow one to say that the crowding-in effects are slightly stronger for women than for men which is completely in line with the results obtained for conservative welfare regimes in the previous sub-chapter.

In the case of interpersonal trust we obtained results that are slightly different.

Table 10.7.: The impact of welfare states on gender differences in interpersonal trust[39]

	Interpersonal trust			
	Total	**By welfare state regimes**		
		Social democratic	**Liberal**	**Conservative**
Total social spending	**0.042*****	**-0.046****	**0.034****	**-0.065*****
Male	**0.088**	**-0.849**	**-0.077**	**0.241**
Male*total social spending	**-0.001**	**0.028**	**0.012**	**0.013**
Variance at level 1	Not calculated	Not calculated	Not calculated	Not calculated
Variance at level 2	0.352 (0.023)	0.074 (0.063)	0.181 (0.041)	0.247 (0.029)

Source: Own calculations based on the World Values Survey

More specifically, on the basis of data for the whole population, one may conclude that there is a crowding-in effect in interpersonal trust caused by welfare state development. On the other hand, there is no gender difference in levels of interpersonal trust, and there is no

[39] The coefficients on control variables are not reported since they are similar to those given in Table 10.3.

interaction between social spending and gender variables. Despite the fact that male dummies and their interaction terms with social spending are found to be not statistically significant, we will report and interpret the results since the coefficients on them represent some interest.

The analysis however reveals no statistically significant differences in interpersonal trust between two sexes, although the values of coefficients on male dummies are found to be large. It indicates that men usually have the odds of trusting which are 8.9 percent higher than those of women. The interaction term between two variables of interest has a negative sign, indicating that the difference in trust levels between men and women decreases as total social spending increases. This happens however at a very low rate – by 0.1 per cent as the result of an increase in total social spending by one percent. The insignificance of interaction terms also reflects the fact that the social spending affects men's and women's interpersonal trust in the same way, which was obtained in the analysis conducted in the previous chapter.

When analyzing the relationship of interest by welfare regime type, the results generally support what is found in studying the differences in effects of social spending on interpersonal trust between men and women. In the case of Scandinavian welfare regimes, the results show an interaction between social spending and interpersonal trust. An increase in total social spending by one per cent tends to erode the odds of trusting by 4.6 percent. Nevertheless, there are substantial gender differences in interpersonal trust, which indicates that in Scandinavian nations, women have levels of interpersonal trust that are higher than that of men. This, however, is not statistically significant. There is also an interaction between social spending and the gender variable. The sign of the coefficient on the interaction term is positive that suggests that existing differences in trust levels between men and women tend to decrease as social spending increases. This happens at quite a rapid pace: by 2.9 percent per one percent increase in total social spending. This supports the results obtained in the previous sub-chapter that indicate that the erosion of interpersonal trust by welfare state polices happens mostly among women.

A similar relationship is found in the case of conservative welfare regimes: the effects of total social spending on interpersonal trust are statistically significant, with the coefficients on gender dummies and their interaction terms being not statistically significant. More specifically, an increase in total social spending by one percent tends to erode the odds of trusting by 6.3 percent. There is an obvious gender gap in interpersonal trust levels in favour of men. Women have on average the odds of trusting that are lower by 21.5 percent than those of men. This difference tends to become larger as social spending increases: an increase in total social spending by one percent increases the gender gap in interpersonal trust by 1.3 percent.

In liberal welfare regimes, the situation is different. Stigmatizing social policies surprisingly tend to enhance interpersonal trust. There is no statistically significant gender gap in interpersonal trust although the coefficients on male dummies have high values, indicating that men tend to have scores on interpersonal trust that are lower by 7.5 percent than those of women. The elimination of this gender gap however happens at a very low rate. As a result, the coefficient on the interaction term is not statistically significant: 1.2 percent per one percent increase in total social spending.

Therefore, the regime case analysis advocates that social spending affects social trust mostly in a negative way, which means that there is an obvious crowding-out effect in the relationship between total social spending and social trust. Statistically significant differences in levels of social trust between men and women are found in none of the cases when the interaction term is introduced. Although being not statistically significant, the gender gap in social trust levels is almost always in favor of women. Nevertheless, these differences tend to become smaller as the result of welfare state activities. The latter suggests that the erosion of social trust among women occurs at a higher rate than among men. This in turn supports the results found in the previous sub-chapter and reveals that social policies affect women and men in a different way. Women are found to be more negatively affected by welfare states as measured through total social spending.

To some extent, our findings are surprising, since they demonstrate that females usually have higher trust scores than males. According to the literature, the opposite situation is primarily discussed, while the analysis is limited to a cross sectional research for a number of countries. Our approach to disaggregate the analysis and shift it to welfare regime levels for discussing the relationship between social trust and social spending allow us to obtain completely different results than those based on the pooled sample for all selected countries. For this reason, isolation of welfare state regimes appear to be plausible and demonstrates that the gender differences in trust levels and as the effects of welfare state development on social trust are regime specific. The latter suggests that the existing gender differences can be interpreted as a result of cultural specificities embedded in each welfare regime type that reflect the path of their historical development and formation of society's values.

On the other hand, small effects of social policies on the gap in social trust between men and women can be attributed to their poor performance in combating the 'pro-male' mode of welfare provisions. As Larsen (2005) demonstrates, the current transformation towards an adult worker model remains at an early stage. Recent reforms tend to follow the logic of the male breadwinner model, as they lack incentives for families to pursue a more equal gender division. Most work-family life policies support women as carers rather than workers and less attention is paid to men's rights and obligations, and their potential role in informal child-care. Policies tend to rest on the argument that justifies their attempts to mobilize the female workforce and legitimize their work-life balance policies in terms of the efficient use of resources and mobilization of the labor force, operating in terms of instrumental rationality. They do not seek to legitimize an adult worker discourse, based ultimately on values of social justice and gender equality in outcomes, by demonstrating its appropriateness in terms of transforming national values. For these reasons, recent reforms do not represent a radical policy discourse that presages a move towards the adult worker society. The discourse, in which policy reforms are discussed, is much more likely to relegate women to the position of secondary worker available to take the chief role in relation to child and elder care responsibilities, rather than promoting genuine equality in the labor market (Larsen, 2005).

10.5. Overview and concluding remarks

Chapter ten elaborates on the existence of a gender gap in social trust and on the differences in the effects of social policies on social trust between men and women. Although according to the data, there are no statistically significant differences in trust levels between men and women, they seem to be differently influenced by social policy. The research shows that there is no gender dimension in social policy, but it allows one to conclude that women are usually treated by the welfare state in a less favorable manner than men. The latter includes differences between the two sexes in the following aspects: emphasis on employment; social benefits levels; treatment during the application for and monitoring of social benefits; poverty rate levels; treatment by social insurance; and in general, the reproduction by welfare states the subordination of women to men. It is plausible, therefore, to expect that the effects of welfare states on social trust must be different for men and women. The empirical analysis proves this hypothesis only for institutional trust when analyzing the pooled sample. When investigating social policy effects on social trust by welfare regime type, one obtains evidence of a more negative impact of social spending on trust women rather than on that of men. This is also in the case of interpersonal trusts. In the following the interaction between gender variable and social spending is studied. The results obtained suggest that a gender gap in social trust in favor of women can be found in some welfare regimes. This however tends to be gradually eliminated as welfare spending increases. This is completely in line with the previous findings that show that welfare state activities as usually more negative towards females than towards males.

It should be more theoretically elaborated how and why welfare states may affect the gender difference in social trust levels. It remains unclear why in some welfare regimes, social spending enlarges the gender gap in social trust, while in other regimes, it reduces the gap. It also remains under-researched in which ways social policies may potentially promote gender equality in trust.

Moreover, the analysis of group specific effects should not be limited only to gender. It is possible to argue that there are other social characteristics that can divide society into groups and, hence, presuppose that the effects of social policies differ across these groups. The easiest example here is age and education in addition to the gender of an individual. The analysis of effects of these social characteristics on social trust lies beyond the scope of this research. Further research, however, should account for the possible existence of group-specific effects of social policies.

Chapter 11: CONCLUSIONS

The main objective of this research is to analyze the relationship between welfare states and social trust. The main contribution to this research field consists of introducing a multidimensional approach to measure the degree of welfare state development. The multidimensionality is formed along three axes: functional, outcome and qualitative. Each axis is assumed to reflect the specificity of welfare state organization and the degree of its development.

The functional axis allows one to defining the functional dimension, which is based on decomposing total social spending on a functional basis and relating relevant social expenditures to social trust among their direct recipients. The empirical analysis confirms the plausibility of such an approach. On the other hand, it demonstrates that the effects of social spending on social trust are policy specific, which means that some social policies may enhance social trust formation, while others, on the contrary, discourage social trust.

It should be also noted that apart from being policy specific, the effects of social spending are also group specific. The analysis for the gender variable does not directly prove this hypothesis when analyzed at the aggregated level. When moving to specific welfare regimes, the results provide evidence that supports this assumption. More research is however needed to explore and explain why in some welfare regimes the welfare state is less favorable to women in its impact on social trust than to men. It may possibly stem from the fact that men and women use a different basis for building trust: men use a monetary basis whereas women use a non-monetary one.

The outcome axis, around which the outcome dimension is formed, is defined based on the outcomes of social policies. More specifically, we take into account decommodification levels and the type of social stratification to analyze their effects on social trust. The results allow us to conclude that both outcomes have a certain relationship with social trust levels, while in most cases, we are able to infer about the existence of their positive effects on social trust. Moreover, some evidence is found with respect to a certain interaction between the outcome and the functional dimensions. The strength of the impact of decommodification differs across social provisions, although none of them reveals a negative correlation with social trust indexes.

Finally, the qualitative dimension is aimed at describing the effects of institutional design of benefit schemes on interpersonal and institutional trust. The analysis proves that non means-tested benefit schemes usually enhance confidence towards other people, while means-testing usually negatively affects interpersonal trust indexes. In the case of institutional trust, we find that regardless of institutional design, social policies tend to enhance trust levels.

However, these effects are found to be policy specific, which confirmed the existence of an interaction between the qualitative and the functional dimensions.

The main objective of this chapter is to summarize the analysis and provide some predictions of how recent trends in welfare state restructuring may affect social trust levels.

11.1. Summing up the relationship between welfare states and social trust

To see how the changes in welfare state provisions will affect social trust levels, it is necessary to recall the kind of relationship between social trust and levels of social provisions, as well as the characteristics of social benefit design. The table below summarizes the kind of relationship between social trust and welfare states in light of the multidimensional approach.

Table 10.1: The relationship between welfare states and social trust in a multidimensional approach

	Correlation between	
	Institutional trust	**Interpersonal trust**
THE FUNCTIONAL DIMENSION:		
Total social spending	Positive	Positive
Pension spending	Negative	Negative
Unemployment spending	Positive	Positive
THE OUTCOME DIMENSION:		
Decommodification level	Positive	Positive
Stratification		
(a) conservatism	Negative	Positive
(b) liberalism	Positive	Negative
(c) socialism	Positive	Positive
THE QUALITATIVE DIMENSION:		

Non means-tested schemes	Positive	Positive
Means-tested schemes	Positive	Negative

Source: Own calculations based on the World Values Survey

Summarizing the relationship in question shows some peculiarities. The results however seem to be inconsistent to fully explain the kind of influence welfare states have on social trust. What is possible to infer is that the total effect of social policy on social trust has a complex nature, consisting of a number of simultaneous effects, which sometimes have an opposite direction.

For institutional trust, the effect of total social spending is positive. However, when taking into account the functional dimension, the effect turns to be negative in the case of pensions, but still remains positive in the case of unemployment benefits. The only conclusion that can be drawn on the basis of these results is that the effects of social policies on trust formation are policy specific.

The outcome dimension also provides mixed results. In line with the positive effects of total social spending, decommodification levels seem to crowd-in institutional trust. The impact of stratification has its own peculiarities. The conservatism tends to crowd-out institutional trust, while the liberalism and the socialism conduct a positive influence on confidence in public welfare institutions.

The analysis of the qualitative dimension provides evidence that advocates the crowding-in effects regarding institutional trust. Non means-tested schemes have positive effects on institutional trust according to the results based on the WVS. Surprisingly, means-tested social provisions have the same influence on institutional trust.

What seems to matter for institutional trust is the fact that the state provides an individual with financial support when he or she has difficulties. How this support is provided has little importance for trust in public welfare institutions.

For interpersonal trust, the effects of welfare states are found to be in some cases quite different from institutional trust. The functional dimension shows the presence of policy specific effects. As in the case of institutional trust, the impact of the total social spending is positive, while pension spending is found to be negative in their effects on interpersonal trust according to the WVS. Unemployment spending has positive effects on confidence in other individuals.

The analysis of the outcome dimension reveals results similar to those obtained for institutional trust. Decommodification levels have a positive impact on confidence in others, which is in line with the positive impact of total social spending. In the case of social stratification, a negative impact is obtained for liberalism, while positive effects are found in the case of socialism and conservatism.

For the qualitative dimension, the effects advocate for a negative impact in some cases. Universalism and selectivity are both found to affect interpersonal trust indexes in a way that is in line with the theory. Non means-tested schemes show a positive correlation with interpersonal trust scores, while means-testing can be regarded as a reason for crowding-out effects in confidence in other people.

11.2. Predicting possible outcomes of welfare state transformation on social trust levels

Before proceeding to the analysis of possible effects of recent changes in welfare states on social trust levels, it is worth giving a general overview of the main directions in welfare state transformation, which may potentially affect social trust levels. The recent changes in welfare states can be summarized as follows.

1. As the result of external and internal pressure, a new political discourse may appear, which favors the introduction of a more flexible and de-regulated European social model, while policy debates about the future of welfare states are often focused on restructuring and retrenchment (Moreno and Palier, 2005). Therefore, it is possible to expect that the overall trend in welfare state spending will involve lowering social expenditures over the next decades (Pierson, 1996; Taylor-Gooby, 2002, 2005a,b)[40]. This trend may negatively affect the approach of the middle class towards social security systems (Svallfors, 2002).
2. National developments evolve –albeit gradually- towards a similar approach for social policy reforms. The measures adopted to meet new risk challenges are analogous in the four welfare regimes. They consist of retrenchment defined as cuts in public welfare programs, which will result in residual welfare states, because the cuts undermine the redistributive aims of social policy. In general, many countries are moving towards a more liberal social protection system (Aust and Arriba, 2005; Kananen, 2005; Trampusch, 2006).
3. The debates are focused on adopting the liberal principles in organizing welfare state provisions. The latter will concern the fact that welfare states will be directed in minimizing decommodification levels and maximizing self-reliance in providing welfare.

[40] This is contested by some scholars (see for instance Adelantado and Cuevas, 2006)

This will also have implications for the stratification function of welfare states. If the liberal approach is supported in the future, the reliance on the market and the stigmatizing function of welfare states will be the main characteristics of the social stratification process.

4. The pressure on labor markets and greater economic openness make it more difficult for governments to pursue standard post-war employment policies, which relied on Keynesian demand management and social transfers to regulate the supply of jobs and ensure the income of those out of work. This excludes the redistributive discourse from the policy agenda and complements and legitimizes a policy shift of some actors towards increased conditionality in social assistance and unemployment benefits (Aust and Ariba, 2005).

5. The change in employment discourse entailed the fact that there was a drastic reduction in the level of unemployment benefits, while an essential restructuring of principles of their delivery occurred in parallel to this. The latter mainly consisted of linking unemployment benefits to activation measures, which are supposed to lessen the unemployment span and assist in a gradual transition from unemployment to employment. As a result, there was a shift from passive to active measures to support a greater flexibility in labor markets.

6. Considerable changes were also introduced in the provision of pensions. European countries have pursued broadly similar measures to control pension spending, such as taking into account longer working lives and applying actuarial criteria for the calculation of benefits. The most common feature of pension policy reforms is the implementation of private pensions as a supplement to the state scheme (Bönker, 2005).

7. An emphasis on the liberal ideas and a gradual scaling down of welfare state administration may involve a gradual shift to means-testing as a key principle of welfare state provisions. Many countries (among which, Scandinavian countries are also often found) recently introduced means-tested benefits schemes. This process is especially famous in welfare states that rely on social assistance and welfare states, where great discretionary power is given to the local welfare actors.

One should however be very careful in assessing the final effects of recent changes on social trust levels. There is not a single trend in their effects: rather, the final outcome will be a result of the simultaneous effects and interactions among many trajectories in interpersonal and institutional trust dynamics. On the other hand, the effects of these change in welfare state characteristics and levels of their intervention may entail some changes in social trust levels that are not immediately evident. It is hence possible to expect that the immediate effects may differ from the final effects in their size, direction, and strength.

The recent trend towards retrenchment will most probably bring controversial results. Cuts in social expenditures will first negatively affect institutional trust. The retrenchment will contribute to spreading uncertainty among the population, especially among those experiencing any of the social risks or those on the margins of labor markets. The fact that the state leaves the unfortunate to their own fate without providing them with any support or providing with insufficient support will contribute to feelings of being unprotected, as well as increased uncertainty among the population. This forms the necessary grounds for believing that such a state of affairs may undermine trust in public welfare state institutions.

This negative experience of individuals with public institutions may be considered a ground upon which negative effects on interpersonal trust build as well. Moreover, increased uncertainty and pessimism resulting from retrenchment will be additional factors that lead to a reduction in interpersonal trust levels. Another factor that contributes to a decrease in both levels of trust is poverty. Curtailment of social spending will result in less redistribution and lead to higher poverty rates within the population. It is reasonable to judge that the reduction in levels of social spending will, in the short-term, result in a decrease in interpersonal trust. But, it is quite possible to expect that interpersonal trust may increase in the long-term due to expanding volunteering and an increase in socializing of individuals with friends and families. This happens due to the fact that poverty enhances collectivism as the result of an increased reliance on social ties and fellow in-group members (Simpson, 2006). On the other hand, an increase in the role of the voluntary sector can be deduced from the recent changes in welfare state principles, which consist of the shift from government to governance on all scales. This new approach to welfare provisions is based on decreasing social spending, but increasing regulation of welfare provisions by alternative actors, among which the voluntary sector is one of utmost importance. Moreover, it is widely assumed that this new regime leaves more room for creativity and local innovations (Bode, 2006), which presumes more space for acting on the part of the voluntary organizations.

The shift to relying mainly on the liberal principles in welfare state provisions will also have its impact on social trust levels. The latter will mainly stem from decreasing decommodification levels and the gradual shift to liberalism in the social stratification process. A decrease in decommodification levels will lead to a decrease in both forms of trust since the relationship between them is positive. It is hence possible to assume that the recent trend in reducing decommodification levels may result in a negative impact on trust.

With respect to the stratification effects, the results obtained contradict the logic, especially in the case of institutional trust. Based on this kind of relationship, one should expect that the shift to liberalism would result in an increase of institutional trust. It seems that a stigmatizing-like approach in social stratification will not have a negative effect on institutional trust levels. It is likely that trust in institutions is less affected by the stigmatizing principles in organizing welfare benefits, which is also confirmed by the positive relationship between selectivity measures and institutional trust scores. What matters here is that the state supports the 'unfortunate' through a range of social policies, even if they are based on isolating these from the rest of the population. Moreover, the use of means-tested schemes may enhance this tendency, since they show a positive correlation with institutional trust scores among the whole population. Hence, these stigmatizing-like principles are of little importance, when discussing institutional trust levels.

In the case of interpersonal trust, one should also expect a decrease in its levels as a result of decreasing decommodification levels. This occurs as a consequence of increased poverty and uncertainty, as was discussed above. This must happen in the short-term, while the results may differ in the long-term.

Expanding liberalism will also lead to a decrease in confidence in other people. The liberal approach to isolating the needy from the rest of the population will negatively affect their trust levels, as well as trust among the rest of the population. In the liberal practice of organizing welfare, the needy are usually stigmatized and almost always stamped as socially inferior or as 'others' with other types of social characteristics and needs. This has negative consequences for an individual's self-respect and confidence, leading to less trust among these people. Moreover, if some citizens are singled out as special or 'problem' cases, it seems plausible that the majority of citizens might not trust them (Rothstein and Stolle, 2001). This tendency is also supported by the impact selectivity has on interpersonal trust. The relationship is negative, which confirms that the increased reliance on means-tested schemes will lead to a reduction in interpersonal trust scores.

The change in the employment discourse will have mixed effects. A reduction in unemployment benefits should lead to a drop in trust levels of both forms. It seems that increased uncertainty, combined with the tendency to overestimate the risk of unemployment, will lead to a negative shift in confidence in public institutions. The latter will also form the necessary grounds for a decrease in levels of interpersonal trust, too. However, it should be noted that the drop in institutional trust that results from a decrease of unemployment benefits can be off-set by an increase in spending on active labor market policies. This can be explained by the fact that the latter will precipitate the transition from unemployment to employment, which is associated with positive effects on institutional trust levels.

Recent trends in the reduction of pension levels will have surprisingly positive effects on interpersonal and institutional trust among pensioners. The positive effect may result from the fact that the reduction in public pensions will be accompanied by an increase in private provisions, which will be associated with less uncertainty concerning levels of pensions. On the other hand, it is possible to expect that in the long-term, the shift to private pensions may entail losses in both forms of trust. It is plausible to assume that the spread of private pensions will bring more inequality. Higher income inequality is certainly an expression of stronger segmentation of society into various groups that do not live in similar life circumstances, thereby ruining social trust levels.

It is difficult to define one single trend in the dynamics of social trust as a result of the changes in welfare state provisions. Welfare states constitute a multifaceted concept that has many characteristics and is under the impact of many interrelated and interdependent processes of change. The final outcome will be a result of interactions of different trajectories, whose effects in the short-term may significantly differ from those in the long-term. In general, one should expect that recent changes in the level and structure of welfare state provisions will result in a decrease of levels of institutional trust. The dynamics of interpersonal trust is less clear: it seems that in the short-term, the tendency will be negative as a result of increased poverty; but in the long-term, it must be reversed by greater reliance on volunteering and socialization as the substitutes for state support.

11.3. Theorizing the relationship between welfare states and social trust

The analysis of the Welfare State Trust Nexus allows us to deduce that the relationship between them is complex. Apart from being multi-dimensional, it can be considered multi-level as well, since it happens at three societal levels: macro, micro and meso. The general structure of this relationship can be visualized as follows:

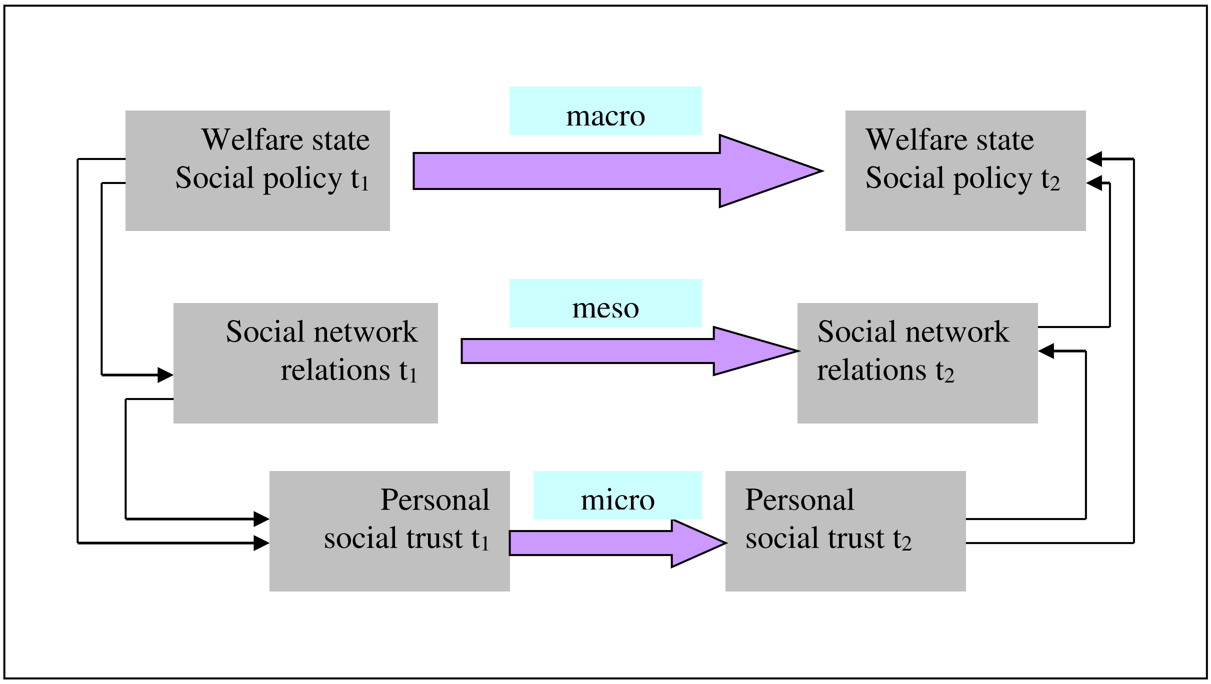

Figure 11.1: Welfare states and social trust: a multi-level approach

The relationship is based on several principles:

(1) The principle of *simultaneous* effects, which means that all selected concepts are interrelated and conduct an influence on each other, whether in the same time period or with a delay.

(2) The principle of *self-reflexivity,* which means that social processes may reinforce each other, which makes it difficult to determine what the causal link between them is.

(3) The principle of *reverse* effects, which conveys the fact that the relationship between the selected concepts goes not only from concept C_1 to concept C_2 but can also be reversed. The complexity of social processes allows the influences to go in both directions. It should be however noted that the reverse effect may come with a certain delay.

(4) The principle of *feedback* effects, which expresses the fact that there is room for new social relations that appear as a result of the feedback coming from actors who are involved in these social relations.

(5) The principle of *hierarchical* relations, which reflects that there is a certain hierarchy among actors participating in social relations. This, however, is not excluded that an actor of a lower order can influence an actor of a higher order.

According to the principle of hierarchical relations, it is possible to distinguish three societal levels in social trust relations: macro, which represents welfare states; micro, which represents an individual; and meso, which embraces social networks. The principle of simultaneous effects allows that they all influence each other when taking part in social processes.

Welfare states influence both levels: micro and meso. By implementing social policies, the state determines the extent of development and type of social networks. On the one hand, they may encourage the development of family-based networks, as happens in Mediterranean countries. In this welfare regime, the delivery of the welfare rests on the premise that family constitutes the main source of support and, therefore, entitlements to social benefits are done on a family basis. This forms a basis for the strong development of familial networks. The effects of the state on networks may take a different form. As it happens in liberal welfare regimes, the state may encourage the grass-roots creation of volunteer organizations, which are then regarded as equal partners for delivering support to individuals.

On the other hand, the state may substitute the third sector. The direct provision of benefits for those experiencing social contingences leaves no room for volunteer organizations, whose role then declines as welfare states expand. The erosion of volunteering by welfare states is a classical assumption that is widely contested and was framed in the crowding-out hypothesis. For this reason, the state may have a double effect on social networks. First, it may substitute social networks and, second, it can create a legal and social environment for them to flourish.

Welfare states also affect an individual, which happens directly and indirectly. The indirect impact rests on the assumption that social networks are an important source for social trust. Since social networks are heavily influenced by social policies, the ability of an individual to trust, and especially to trust other people, is also influenced. Thus, the state creates room for social relations within social networks, it exerts an essential influence on the degree of the development of social trust.

Besides the indirect effect, the direct impact of welfare states on social also occurs, which is grounded in the integration argument. This positive effect is double: first, its magnitude is defined by the degree of redistribution resulting from the state intervention in societal arrangements. As the empirical analysis shows, the higher the redistribution is, the higher its positive effect is. Second, social trust is influenced by the quality of public institutions, in which welfare state functions are embedded. The better the quality of these institutions and the less corrupted they are, the higher the degree of social trust is. Also, the institutional design of social provisions defines social trust levels. In universal welfare states, which treat all people equally and do not pit one group against the other or isolate the 'problem' people, social trust levels are usually higher. It should be however noted that the direct effect of welfare states on social trust could be based on the selectivity principle, which assumes that not all social groups are affected by social policies linearly. In addition, it is true that not all social policies affect social trust in the same way; the effects are policy specific, instead.

The effects described above may have a reverse nature as the principle of reverse effects assert. As it is argued in the literature on the topic, trust may affect the creation of social networks, since more trusting people are more often members of social networks. Conversely, individuals may influence the development of welfare states. In trusting societies, they may delegate more functions to the state, including the support of individuals in the case of experiencing any contingences.

Furthermore, social networks may promote welfare state formation. It can happen based on the subsidiarity principle: those functions that cannot be arranged by family or social networks are delegated to welfare states. Moreover, social networks may complement welfare states: under the conditions of low intervention of welfare states, social networks may flourish. This happens due to the fact that poverty increases collectivism as a result of increased reliance on social ties and fellow in-group members, as was mentioned before.

It is difficult to say which social process takes place in the first period and triggers the feedback mechanism, and which comes as a result in the later period. It is also hard to argue what happens in the first period and what takes place in the second, but it can be accepted as true that all processes taking place between the state, networks and individuals are self-reflexive, as the principle of self-reflexivity assumes. It means that they reinforce each other, leading to the results from which it becomes almost impossible to disaggregate the effects and argue what comes first and what follows next.

11.4. Overview and concluding remarks

This chapter is focused on analyzing recent trends in the evolution of welfare state approaches to securing an individual's well-being and predicting their effects on social trust, given the relationship between relevant social spending and social trust obtained from the empirical analysis. The overview of the literature on welfare state transformation shows that under pressure of external and internal factors, social policies undergo a deep restructuring concerning both the level of spending and the character of social benefits provisions. These trends are diverse, but have one feature in common - they are usually derived from the increasingly used liberal paradigm, leading to minimizing the state intervention and maximizing an individual's motivation to be re-commodified in the labor market.

Based on the observed relationship between welfare states and social trust, it is difficult to define one single trend in the dynamics of social trust resulting from changes in welfare state provisions. Welfare states constitute a multifaceted concept that has many characteristics and is under the impact of many interrelated, as well as interdependent, processes of change. For this reason, it is possible to say that the final outcome will be the result of interactions of different trajectories, whose short-term effects may significantly differ from those in the long-term.

Our analysis also indicates the lack of theory, which may explain the effects that each social policy has on social capital. It seems that there are many direct and indirect links between the two variables of interest, through which the effect materializes. It is difficult to restrict their causal mechanism to the traditional assumption about reciprocal ties and civic engagement, as well as to a more recent one about the reduction of inequality. They might be specific for each policy and in turn, involve multidimensional effect structures. Therefore, additional theoretical and empirical research is still needed to explore and explain the causal mechanism in the relationship between welfare state development and social capital formation within the framework of multidimensionality in social spending.

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Appendix

Table A 1: Change in confidence in civil services

Country	*Share of people having 'a great deal' or 'quite a lot' confidence in civil services.*			
	(1) 1981 - 1984	**(2) 1989-1993**	**(3) 1994 - 1998**	**(4) 1999-2004**
Australia	**47.3**	**-**	**37.9**	**-**
Austria	**_**	**41.9**	**-**	**42.5**
Belgium	**46.3**	**42.3**	**-**	**46.3**
Canada	**51.3**	**49.6**	**-**	**51.6**
Denmark	**47.0**	**51.3**	**-**	**54.9**
Finland	**-**	**33.3**	**34.2**	**40.2**
France	**52.0**	**49.2**	**-**	**45.9**
Germany	**-**	**30.4**	**44.6**	**37.8**
United Kingdom	**46.9**	**45.6**	**-**	**46.1**
Ireland	**54.4**	**59.4**	**-**	**62.1**
Italy	**26.8**	**25.1**	**-**	**33.2**
Japan	**30.7**	**33.6**	**-**	**-**
Netherlands	**44.4**	**45.6**	**-**	**37.1**
New Zealand	**-**	**-**	**29.0**	**-**
Norway	**58.1**	**43.7**	**51.0**	**-**
Sweden	**45.6**	**43.9**	**45.2**	**48.2**
Switzerland	**-**	**-**	**50.0**	**-**
United States	**58.2**	**59.6**	**51.0**	**55.2**

Source: Own calculations based on the World Values Survey

Table A 2: Change in confidence of people in parliament

Country	*Share of people having 'a great deal' or 'quite a lot' confidence in parliament*			
	(1) 1981 - 1984	**(2) 1989-1993**	**(3) 1994 - 1998**	**(4) 1999-2004**
Australia	**55.3**	**-**	**40.5**	**-**
Austria	**--**	**41.2**	**-**	**40,2**
Belgium	**38.3**	**42.0**	**-**	**39.1**
Canada	**43.1**	**37.3**	**-**	**39.6**
Denmark	**36.2**	**42.0**	**-**	**48.6**
Finland	**-**	**34.2**	**31.3**	**42.3**
France	**54.8**	**48.3**	**-**	**40.4**
Germany	**-**	**46.6**	**23.0**	**37.2**
United Kingdom	**40.1**	**44.1**	**36.2**	**-**
Ireland	**52.0**	**50.3**	**-**	**33.0**
Italy	**30.0**	**30.6**	**-**	**34.1**
Japan	**27.8**	**28.8**	**26.3**	**21.7**
Netherlands	**44.5**	**53.1**	**-**	**54.3**
New Zealand	**-**	**-**	**15.1**	**-**
Norway	**77.7**	**58.8**	**69.4**	**-**
Sweden	**46.2**	**47.1**	**44.7**	**50.6**
Switzerland	**-**	**-**	**46.9**	**-**
United States	**52.2**	**44.9**	**29.8**	**38.0**

Source: Own calculations based on the World Values Survey

Table A 3: Change in confidence of people in the police

Country	*Share of people having 'a great deal' or 'quite a lot' confidence in the police*			
	(1) 1981 - 1984	(2) 1989-1993	(3) 1994 - 1998	(4) 1999-2004
Australia	**80.4**	**-**	**75.8**	**-**
Austria	**-**	**67.8**	**-**	**75.2**
Belgium	**63.5**	**51.3**	**-**	**55.0**
Canada	**84.9**	**84.2**	**-**	**80.0**
Denmark	**84.4**	**89.2**	**-**	**90.9**
Finland	**-**	**76.1**	**85.7**	**90.2**
France	**63.5**	**66.5**	**-**	**66.9**
Germany	**-**	**57.5**	**61.3**	**71.1**
United Kingdom	**85.4**	**76.8**	**-**	**68.8**
Ireland	**85.8**	**85.6**	**-**	**86.2**
Italy	**64.6**	**64.9**	**-**	**67.2**
Japan	**68.2**	**58.5**	**78.4**	**50.4**
Netherlands	**72.3**	**72.9**	**-**	**64.3**
New Zealand	**-**	**-**	**80.5**	**-**
Norway	**89.0**	**87.9**	**85.6**	**-**
Sweden	**79.9**	**74.4**	**81.0**	**75.1**
Switzerland		**-**	**69.8**	**-**
United States	**79.9**	**74.7**	**71.3**	**72.2**

Source: Own calculations based on the World Values Survey

Table A 4: Change in confidence in the justice system

Country	*Share of people having 'a great deal' or 'quite a lot' confidence in the justice system*			
	(1) 1981 - 1984	**(2) 1989-1993**	**(3) 1994 - 1998**	**(4) 1999-2004**
Australia	60.5	-	34.7	-
Austria	-	58.4	-	68.1
Belgium	57.8	46.6	-	36.7
Canada	64.4	54.0	-	-
Denmark	79.1	79.5	-	78.4
Finland	-	66.3	68.7	66.7
France	56.4	57.5	-	46.3
Germany	-	55.9	43.8	57.3
United Kingdom	65.8	52.5	-	47.1
Ireland	57.4	47.2	-	55.6
Italy	42.4	31.8	-	31.5
Japan	69.4	62.4	79.5	-
Netherlands	65.1	62.9	-	47.5
New Zealand	-	-	46.7	-
Norway	83.9	75.1	69.5	-
Sweden	73.2	55.9	62.6	60.8
Switzerland	-	-	67.7	-
United States	53.2	56.8	36.7	-

Source: Own calculations based on the World Values Survey

Table A 5: Social expenditures averaged over 1990- 2000 by welfare regime type

Country	*Social expenditures, % of GDP*	
	Mean	**St. deviation**
Social democratic	**27.40**	**3.549**
Liberal	**17.58**	**2.217**
Conservative	**22.45**	**4.908**

Source: own calculations based on OECD[41]

[41] http://www.oecd.org/statisticsdata/ 20-04-2007

Table A 6: Changes in social expenditures in 18 OECD countries

Country	*Social expenditures, % of GDP*				
	1980	**1985**	**1990**	**1995**	**2000**
Australia	**10.9**	**13.0**	**14.1**	**17.1**	**17.9**
Austria	**22.6**	**23.9**	**23.7**	**26.6**	**25.3**
Belgium	**23.5**	**26.2**	**25.0**	**26.4**	**25.3**
Canada	**14.1**	**17.3**	**18.4**	**19.2**	**16.7**
Denmark	**25.2**	**24.2**	**25.5**	**28.9**	**25.8**
Finland	**18.4**	**22.8**	**24.5**	**27.4**	**21.3**
France	**20.8**	**25.8**	**25.3**	**28.3**	**27.6**
Germany	**23.0**	**23.6**	**22.5**	**26.6**	**26.6**
United Kingdom	**16.6**	**19.6**	**17.2**	**20.4**	**19.1**
Ireland	**16.8**	**21.8**	**15.5**	**16.3**	**13.6**
Italy	**18.0**	**20.8**	**19.9**	**19.8**	**23.2**
Japan	**10.3**	**11.2**	**11.2**	**13.9**	**16.1**
Netherlands	**24.1**	**24.2**	**24.4**	**22.8**	**19.3**
New Zealand	**17.1**	**18.0**	**21.8**	**19.0**	**19.1**
Norway	**16.9**	**17.9**	**22.6**	**23.5**	**22.2**
Sweden	**28.6**	**29.7**	**30.5**	**32.5**	**28.8**
Switzerland	**13.9**	**14.8**	**13.5**	**17.5**	**18.0**
United States	**13.3**	**12.9**	**13.4**	**15.4**	**14.6**

Source: OECD[42]

[42] http://www.oecd.org/statisticsdata/ 20-04-2007