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Theories of social trust formation: a brief literature overview

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Introduction

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 emergence, ranging from those emphasizing ideological factors to those stressing country-level characteristics. In our opinion all approaches can be classified into two types. The first includes those theories relying on some individual-level characteristics and can hence be called ‘individual’. This individual-level approach to explaining trust determinants encompasses the network, socio-psychological, ideological, socio-demographic and life experience theories.

The second type consists of theories that emphasize the importance of country-level characteristics and can thus be named ‘societal theories’. The macro-level factors that condition trust accumulation and can explain cross-country variations of trust levels include income inequality, country wealth, institutional quality, religious composition, and fractionalization. The general logic of this typology as well as the subdivision of each type into specific theories is illustrated in figure 2.1. It also helps to identify the set of variables that should be controlled for when analyzing the relationship between welfare states and social trust.

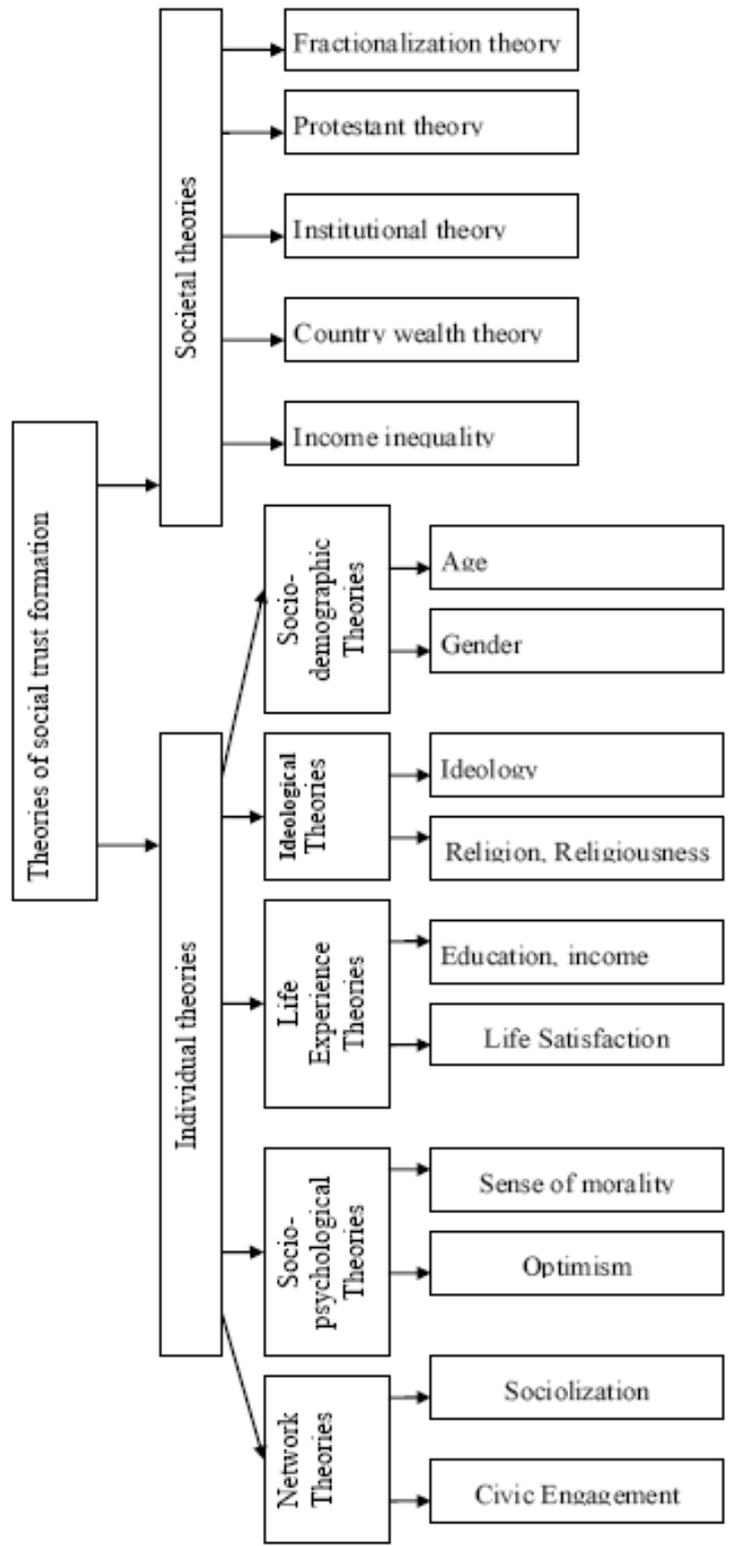


Figure 2.2.: Classification of theories of social trust formation

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 thesis 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, an individual develops 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 often supported by empirical evidence. Scholars usually find that members of associations are more politically active, more informed about politics, more sanguine about their ability to affect political life, more supportive of democratic norms, and more willing to trust others.

Recent studies however contest any impact that civic engagement conducts on social trust (Brehm and Rahn, 1997; Newton, 2001; Newton and Norris, 2000). 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. In line with them, Uslaner (2004) suggests that even if social trust is learned from various forms of civic engagement, there are two key constraints for the materialization of this effect. First, most people spend little time in any voluntary organization, at best a few hours a week. This hardly 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 can therefore enhance only particularized trust, which also occurs at the expense of out-group trust.

Many authors who admit the presence of interconnection between civic engagement and social trust often question the direction of causality between them. Some 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).

Network supporters also suggest 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. In addition some scholars claim that informal relations with friends and relatives can be more influential for trust than the civic engagement. A study conducted by Li, Pickles and Savage (2005) indicates that informal networks, especially those that arise from neighbourhood attachment, is of particular importance in generating social trust whereas civic participation can be relatively unimportant for trust levels. But, this statement holds true for particular social groups and cannot be generalized to the whole population. Informal neighbourhood 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 civic engagement.

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 dependent 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. In general, the mechanism of trust formation is based on the idea that, by fulfilling their promises to their children, parents provide reliable nurturing activities fostering the formation of trust beliefs among children. Mental representations of parent-infant trustworthy interactions thus constitute the building blocks of a child's trust beliefs in parents and others since reliable nurturing parents promote trusting relationships between themselves and their children and serve as role models for children's relationships with others. There are also scholars that differentiate the parents' role in a child's trust attitudes by emphasizing 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.

Another model of social capital formation rooted in individual morality is 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 compensates for this narrow focus and provides empirical evidence from anthropology and psychology which supports the proposition that human beings have a universal 'moral sense' that pervades their thinking and conditions their attitudes towards other people. The prevailing assumption 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.

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) who concludes that people that 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). In Uslaner's view, optimism 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 overwhelm most other predictors in the model which allows him to conclude that overall subjective measures matter a lot more than objective measures about economic circumstances.

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; Uslander, 2002a,b; Whiteley, 1999). There are many explanations that support the effects of life satisfaction on trust levels. Delhey and Newton (2005) 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.

The core idea of this approach is 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 relative to others that erodes social trust. An alternative explanation is 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.

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 distrust¹. Empirical analysis also shows that higher levels of income coincide with a strong probability of higher interpersonal trust from the part of the individual. An alternative explanation for the negative relationship between poverty and trust refers to the recent findings that indicate that poverty weakens an individual's incentive to act collectively and cooperate which has adverse effects on his or her confidence levels. By broadening the notion of poverty, Christoforou (2004) adds a new dimension in relationship between low incomes and trust. She explains that, along with absolute poverty, with its adverse effects on the physical ability of individuals to respond to their role as social actors in groups, there is also relative poverty, which create sentiments of discrimination and injustice, thus leading to distrust towards people, collective action and society as a whole.

Fukuyama (2000), Helliwell and Putnam (1999), Knack and Keefer (1997), and Knack and Zak (2001) regard education as a positive factor of social trust: 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 indicates 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 mean for attaining social status, which complements human capital in generating higher income. Education is thus seen as source for moral development and social

¹ 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.

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.

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) find that Protestant and Confucian societies are generally more trusting. 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 and provides two possible explanations for this phenomenon. One stresses that Protestantism is not a hierarchical religion. The 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. An additional side-effect of hierarchies in religions 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 second explanation emphasizes that in Protestantism, the responsibility of one's actions is individualized so that it is believed that actions that are considered morally wrong will somehow be penalized in the afterlife.² In contrast, 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.

² 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.

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 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.

In addition to religions and religiousness, 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.

5. Socio-demographic theories

There is also a group of socio-demographic characteristics which can significantly 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. The discussion is usually limited to references to empirical studies which show that older people tend to have higher trust indicators than younger people (Hall, 1999). In some cases, scholars (Espinal et al., 2006) find that the relationship between age and trust is nonlinear and it rather follows the exponential mode, meaning 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).

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, which ruins trust.

6. An empirical analysis of the effects of individual characteristics on social trust

By testing the existing theories about trust determinants, an empirical analysis will help us to identify which variables are essential for trust formation process. This is important for two reasons: first, one should know the whole range of variables which need to be controlled for when assessing the direct impact of the welfare state development on interpersonal trust. Second, there are theories that assert that trust is ruined by welfare states not in a direct way but through a number of intervening variables that are influential for the development of trusting attitudes. One hence should know these key variables that predetermine trust accumulation process.

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. We will use the data from the most

recent wave³. 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.⁴

We use a multi-level logistic regression for identifying effects of the individual-level variables on social trust. 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.

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. 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

³ The most recent wave of surveys at the time of this project was in 1999-2002.

⁴ 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.

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.

Responsibility is measured through two indicators. On the one hand, the approximation of an individual's sense of responsibility is done through a question that asks whether the respondent considers that responsibility as an important quality for his or her child. We admit that it is a very rough measure of the sense of responsibility for the respondent. But in the absence of any other indicators, one can use this survey question to assess the level of importance that the respondent assigns to responsibility in general and the extent to which he or she behaves accordingly in everyday situations. The value of one indicates that the respondent regards responsibility as an important quality for the child while the value of zero indicates the opposite opinion.

On the other hand, we are interested in studying the balance between one's responsibility in managing his or her life and the degree of responsibility one transfers to the state. This variable is operationalized through a question about whether the people or the government should take more responsibility for their lives. The answer is based on a ten-point scale basis with lower values indicating more emphasis on one's responsibility and higher values pointing to the need for the state to take on more responsibility for its citizens.

Morality is a multifaceted concept which is operationalized through three variables. For this purpose, we used a number of questions that ask whether or not the respondent considers justifiable

certain actions. Each of them is measured on a ten-point scale basis with the value of one being 'never justifiable' and the value of ten admitting as 'always justifiable'. By applying a factor analysis, we construct three variables that combine similar items. The first variable refers to the morals related to welfare states since it indicates one's attitudes towards claiming government benefits, cheating on taxes, lying, paying cash or accepting a bribe. The second measure is called traditional values-related morals and describes an individual's attitude towards abortion, divorce, euthanasia, suicide and having casual sex. Finally, third indicator reflects one's approach to justifying breaking laws and regulations. More specifically, it refers to whether or not an individual justifies adultery, driving under influence of alcohol, smoking in public cases, speeding over limit or manipulating food.

As far as the effects of the selected individual-level determinants for social trust show, their direction and strength are almost always in line with the theory. Higher levels of trust are found more often among people involved in voluntary activities, as well as among sociable individuals. Religiousness can be also considered a strong determinant for both forms of trust. The type of religion however influences differently interpersonal trust. Catholics have trust levels which are lower compared to people without any religion, as well as compared to Protestants. Protestants show higher levels of indexes compared to non-religious people for interpersonal trust. Other religions tend to have less confidence in other people compared to non-religious individuals.

With age people tend to become more trusting towards other individuals. Income also has a positive impact: better-off people show higher levels of interpersonal trust although the effects are not completely linear. The influence of gender is found to be statistically significant for all the cases. Males have more trusting attitudes towards other people than females. As it always appears in the literature, unemployment negatively affects the level of interpersonal trust. Education also conducts impacts on social trust indexes: more educated people show more positive attitudes towards other individuals.

But, morality and sense of responsibility are found to be the most influential variables that possess considerable explanatory power. Their inclusion in the equation increases the explanatory

power of the model to 49 percent. People who easily justify any violation of laws and regulations are less trusting than those who prefer to follow them. Cheating or lying also prohibits trust formation. Surprisingly, those, who justify modern approaches to family values and do not find it abnormal to divorce or do an abortion, usually have more trusting attitudes.

Responsibility also enhances trust-building. Individuals who consider that one should nurture the sense of responsibility and assign a considerable value to act responsibly with respect to others are usually more likely to trust. The shift of responsibility from the individual to the government does not undermine trust among people. By contrast, those who believe that the government should take on more responsibility in everyday life tend to have more positive sentiments about other people.

7. Societal theories

Interpersonal trust is influenced by an individual's characteristics. Since individuals do not operate in a vacuum but in a certain economic, political and social context, the process of trust-building can be dramatically changed by these contextual variables. Such characteristics include income inequality levels, wealth of the country, corruption levels, percentage of Protestants living in the country and fractionalization levels.

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. 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. As a consequence, 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 ruins these bonds among the population by making people on the lower end of the income spectrum feel at a disadvantage compared to upper classes.

Table 2.2.: Individual-level determinants of interpersonal trust

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Volunteering	0.612***	0.491***	0.513***	0.462***	0.462***	0.456***	0.268***	0.188***	0.212***	0.633***	0.587***
Sociability	0.450***	0.499***	0.499***	0.491***	0.492***	0.522***	0.513***	0.333***	0.454***	0.789**	0.687***
Religion											
Catholic			-0.515***	-0.660***	-0.670***	-0.689***	-0.824***	-0.992***	-0.947***	-0.936***	-0.400***
Protestant			1.180***	1.200***	1.203***	1.119***	1.364***	1.444***	1.322***	1.653***	1.410***
Other			-0.202***	-0.180***	-0.209***	-0.200***	-0.203***	-0.205***	-0.188***	-0.203***	-0.110***
Religiosity											
Gender				-0.062***	-0.063***	-0.060***	-0.038***	-0.078***	-0.064***	-0.025***	-0.150***
Age				0.102***	0.102***	0.099***	0.117***	1.117***	0.112***	0.070**	0.101***
15-29						Ref. category					
30-44						0.119***	0.243***	0.322***	0.084***	0.203***	0.400***
45-more						0.408***	0.642***	0.545***	0.641***	0.780***	0.800***
Education											
Lower						Ref. category					
Middle						0.098***	0.169***	0.169***	0.053***	0.065**	0.579***
Upper						0.817***	0.786***	0.786***	0.547***	0.646***	1.322***
Unemployed											
Income											
1 st qu.											
2 nd qu.											
3 rd qu.											
4 th qu.											
5 th qu.											
Responsibility											
Importance of responsibility											
Individual vs Welfare state responsibility											
Moral values											
Welfare state-related morals											
Traditional values-related morals											
Laws and regulations-related morals											
Number of cases at the country level	18	18	18	18	18	18	18	18	18	18	16
Number of cases at the individual level	25257	25257	25257	25257	25257	25257	25257	25257	25257	23174	15642
F. sq.	0.012	0.021	0.047	0.050	0.055	0.078	0.083	0.095	0.128	0.191	0.488

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-equals 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. 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 economic fractionalization as well as individual perceptions of this economic fractionalization.

The vital question here is whether one should control for income inequality when analyzing the effects of social policies on social trust. We argue that a reasonable approach to study the relationship between the welfare state and trust can be done by analyzing the impact of income inequality on trust indexes. The welfare state can be understood as an instrument that reduces various forms of economic inequalities and hence the level of equalities in income distribution of society contains to a large extent the effects of social policy. This can be also supported by a high correlation between income inequality and social spending which amounts to 0.70, while being also negative.

In addition, 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.

Furthermore, 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, Espinal et al. (2006) argue 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 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 impartiality of government institutions in order to extract special favours.

One reason for ‘most other people’ to be trusted is that they are generally known to refrain from such forms of behaviour (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.

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 complementarities 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.

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.

We will check the relevance of these macro-level characteristics for trust by calculating correlations between trust indexes and their operationalizations which are done in the following

way. Country wealth is measured through GDP in purchasing power standards per capita calculated as an average for 1995-2002 (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 – 2002 (source: Eurostat website, <http://epp.eurostat.ec.europa.eu>, Eurostat Structural Indicators, 19-05-2007). We operationalize corruption through the perceived index of corruption annually published by Transparency International (www.transparency.org, 19-05-2007).⁵ 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>).

Table 3: Macro-level determinants of interpersonal trust

	<i>Social trust</i>	<i>Institutional quality</i>	<i>Income inequality</i>	<i>Fractionalization level</i>	<i>Percentage of protestants</i>
Social trust	1	0.688***	-0.608***	-0.325**	0.697***
Institutional quality (corruption)		1	-0.309	0.053	0.741***
Income inequality			1	0.365	-0.425**
Fractionalization level				1	-0.165
Percentage of protestants					1

⁵ The index taken for 1999 has higher values for the countries with less corrupt behavior and low values for those with higher corruption levels.

This theoretical elaboration is widely supported by the data. There is a strong positive association between levels of income inequality and social trust. Those welfare states that spend more and, hence, have more economically equal societies are characterized with higher levels of trust. The correlation between corruption levels and social trust is found to be also high and is estimated at 0.688, which generally means that more trusting people can be found in less corrupt societies. There is an association between social trust and percentage of Protestants, which is positive and suggests that in Protestant societies, the overall level of trust is higher than in non-Protestant societies. The descriptive analysis generally confirms the theoretical argumentation about fractionalization impacts. 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. The estimated value of the correlation coefficients is found at -0.325.

The analysis of trust determinants provided above allows 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 permit to account for the effects of all the determinates found in the literature. 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.

Conclusion

In this paper, an overview of the theories on social trust formation is provided, which 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 links. On the other hand, an overview of trust determinants helps 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.

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