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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.

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, corporatist, 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 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 2.: The correlation between decommodification levels and social trust, controlling for country-level characteristics¹

	<i>Correlation between decommodification indexes and social trust</i>	<i>Controlled for</i>				
		Fractionalization	Wealth	Income Inequality	Corruption	% of Protestants
<i>Benefit generosity index</i>						
1. Interpersonal trust						
2. Institutional trust	0.535**	0.732**	0.451*	0.019	0.408*	0.518
	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

¹ * - 10% , ** 5%, *** 1% and less

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 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 renders 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 1.: in social democratic welfare regimes, the level of social trust will be lower than in conservative and liberal regimes,

Hypothesis 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 3.: Interpersonal and institutional trust by welfare regime type

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

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 due 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 it 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 4.: Influence of decommodification levels on social trust indexes ²

	<i>Institutional trust</i>	<i>Interpersonal trust</i>
	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.

² The coefficients on the control variable are not reported since they are given in Table 7.3.

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 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).³

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.

³ Own calculations based on Bambra (2006)

Table 5.: Decommodification levels for pension and unemployment policies and social trust: an aggregated analysis.

	<i>Correlation between decommodification indexes and social trust among their direct recipients</i>	<i>Controlled for</i>				
		Fractionalization	Wealth	Income Inequality	Corruption	% of Protestants
<i>Decommodification of pension policy</i>						
1. Interpersonal trust						
2. Institutional trust	-0.109	0.030	-0.052	-0.394	0.030	0.085
	0.330	0.406	0.354	0.189	0.429	0.373
<i>Decommodification of unemployment policy</i>						
1. Interpersonal trust						
2. Institutional trust	0.420	0.326	0.225	-0.035	0.473	0.374
	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 6.: Policy-specific effects of decommodification for two social provisions⁴

	<i>Institutional trust</i>		<i>Interpersonal trust</i>	
	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

⁴ The coefficients on control variables are not reported since they are referred to in Table 7.3

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 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. 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: Bamba (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 7.4 are 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.

3. Stratification and social trust levels

Many welfare state scholars focus 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 extraordinarily 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 ghetto 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 unlikely 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 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 to some 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 renders the relationship negative, which is only statistically significant for interpersonal trust. In conservative welfare regimes, social policy hence affects 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 9.: The correlation between stratification indexes and social trust, controlling for country-level characteristics

	<i>Correlation between stratification levels and social trust</i>	<i>Controlled for</i>				
		Fractionalization	Wealth	Income Inequality	Corruption	% of Protestants
<i>Conservative</i>						
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
<i>Liberal</i>						
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
<i>Social democratic</i>						

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 10.: The influence of stratification on trust levels: an individual-level analysis⁵

	<i>Institutional trust</i>			<i>Interpersonal trust</i>		
	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

⁵ The coefficients on control variables are not reported since they coincide with those in Table 7.3.

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. 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 clients 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.

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.

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