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# SOCIAL TRUST – THE NORDIC GOLD?

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## ABSTRACT

Interpersonal trust is among the highest in the world in Scandinavia. Since everything in a society functions better with high trust lowering all transaction costs trustful Scandinavians is truly a Nordic Gold. However, results from Swedish studies going back to the 1980s and up to the present day indicate a possible small recent dip, and that there are some social and political groups with distinctly lower and in some cases diminishing trust levels. These groups tend socially to be welfare dependent and more vulnerable as well as politically distant from established society. We talk about groups like the unemployed, people with poor health, early retirees, and people supported by welfare benefits. Politically, sympathizers with the populist, nationalist Sweden Democrats as well as citizens without any party preference tend to have markedly lower levels of interpersonal trust. Explaining the results we propose a Corruption-Trust theory focusing on how people perceive how societal institutions function and public officials behave. People draw personal conclusions from the actions they observe – or think they observe - in others.

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## Introduction

In 2017 the Nordic Council of Ministers, which is the official body for intergovernmental cooperation in the Nordic region, published a report titled *Social Trust – the Nordic Gold*. The reason for this rather unusual name of an official report was the conclusion that one of the main reasons of the success of Nordic countries when it comes to quality of life, health care, low corruption, economic growth and good government is the very exceptionally high levels of social trust in these countries. Most studies of interpersonal trust around the world are topped by one or all of the Scandinavian countries. The report concludes: “...there is ample reason to call the high levels of social trust in the Nordic countries for a Nordic Gold – for individuals as well as for the society.” (Andreasson 2017).

Social science research is not known for its self-evident axioms. However, the thesis – or better the truth – that social trust builds good societies is a close candidate to be an axiom. If people in a society do not trust each other most things work more badly. High levels of interpersonal trust – sometimes called social capital – works like a lubricant making everything less unwieldy and less expensive (Putnam et al. 1993; Fukuyama 1995). Most decisions become more efficient, flexible and faster. Economists use to state that trust lower transaction costs while mistrust increases transaction costs. If most people in a society think that most other people can be trusted, more beneficiary transactions will be done – for the good of the concerned partners and for the good of the society as a whole (Uslaner 2018; Putnam 2000).

It is not quite obvious what people mean when they say that they in general trust or not trust other people. One possible interpretation is that people indicate how they perceive the moral standard to be in the society they live in (Uslaner 2002). If one regards morals to be deficient, most people will be very cautious in dealing with strangers and reveal low social trust in a survey. On the other hand, if one perceives the moral standard to be high – strangers are most often honest and reliable – then cooperating with unknown people is made much easier. And respondents will score high on trust questions in surveys (Holmberg and Rothstein 2017).

Given this approach, high social trust will be one of the determining factors for successfully implementing collective utilities like a welfare system, environmental protections and compulsory military service. Utilities of this sort are usually financed through taxes. If citizens do not trust that other citizens pay their share, willingness to participate goes down. Low trust can instigate a negative spiral, destroying solidarity as well as compliance in a society (Charron and Rothstein 2018; Povitkina 2018;

Levi 1998). Put shortly, people should believe in each other. If people, on the opposite, see most others as dishonest cheaters things look less promising for the good society.

However, the blessing of high average social trust diminishes if there are smaller groups in a society with markedly lower trust. It can create problems not only for the members of the relevant groups but as well for society as a whole. Low trust is like gravel in an engine. Welfare services involving low trusting groups risk becoming less efficient and more time consuming, causing decreases in trust and possibly a downward spiral (Rothstein and Uslaner 2005).

Ideally, social trust should be high overall with small differences across social and political groups. Women and men, old and young, immigrants and native born, employed and unemployed, people with good health and bad health, voters supporting different political parties, and citizens with divergent ideological leanings – all of them should in the best of worlds have high levels of social trust with minimal between-group differences. Furthermore, across time, the high levels of trust should remain high, and eventual group differences should diminish, not increase.

Thus, what we want under the best of circumstances is an even, stable and high social trust. Internationally, this is a very demanding goal. On average, the proportion of people in the World who claim that they in general trust other people is a meager 30 percent. And the trend is downward in many countries (Sønderskov and Dinesen 2014; Holmberg and Rothstein 2017). The question is if these demanding goals are met in to-day's Sweden?

Comparative studies performed by World Value Surveys (WVS) and the Quality of Government Institute (QoG) reveal drastic differences in social trust between countries around the world. In Scandinavia around 70 percent of citizens say that they in general trust other people. The comparative share is about 40 percent in countries like Germany, Canada and USA, less than 30 percent in Mediterranean countries, and even lower in many countries in Eastern Europe and the Balkans. In emerging democracies and authoritarian regimes, trust levels are sometimes as low as around 10 percent, for example in Malaysia, Zimbabwe, Philippines, Brazil, Peru, Colombia, Ghana, Iran (Uslaner 2018, Holmberg & Rothstein 2017).<sup>1</sup>

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<sup>1</sup> To the extent that we can believe in the results from authoritarian nations like China and Vietnam, their level of social trust is quite high, 64 and 52 percent respectively (WVS, wave 5 and 6, Holmberg & Rothstein 2017).

The Quality of Government (QoG) Institute has done extensive research on social trust among citizens in some two hundred regions in Europe. Differences turn out to be huge. Highest proportion of people reporting that they more generally trust other people is found in the Copenhagen region (80 percent). As a contrast, the lowest proportion of social trusters lived in a region in Slovakia (7 percent). Thus, a staggering tenfold difference in social trust is found between different regions within Europe (Charron & Rothstein 2018).

Focusing on high-trusting Sweden, our task in this article is to systematically test the hypothesis that social trust is not only high among Swedes but also evenly spread across social and political groups, and stable across time. Previous research has shown some cracks in the crystal. There are some segments of citizens in Sweden with clearly lower levels of trust. And there are groups where social trust is on its way down (Holmberg and Rothstein 2015). Based on trust data from the annual SOM surveys going back to the mid-1990s, the extent and seriousness of these cracks will be analyzed on the following pages.

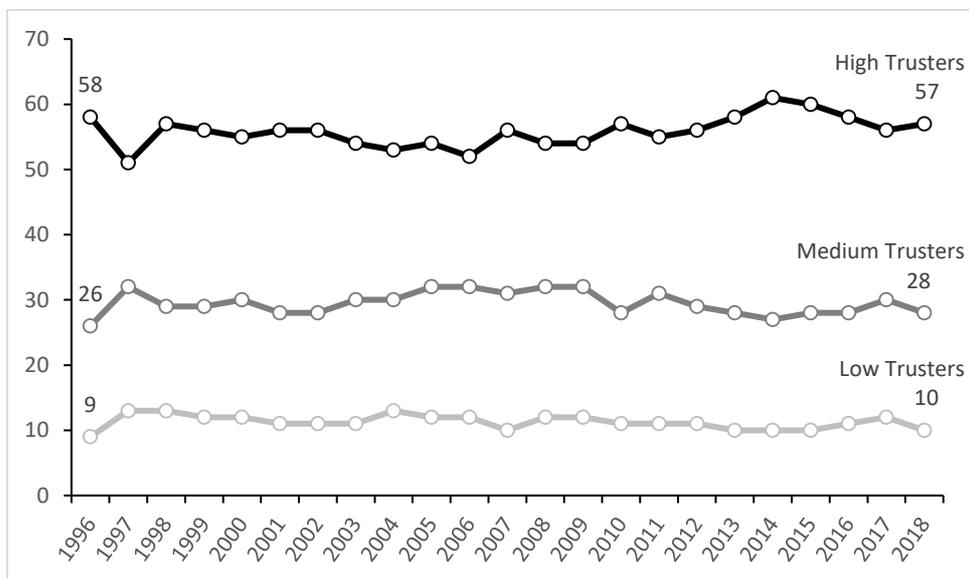
## **Social trust among swedes**

In the annual surveys done by the SOM Institute some ten thousand respondents from all over Sweden are asked about their trust in other people.<sup>2</sup> The rather crude dichotomous question used by WVS is not employed by SOM. Instead trust is measured on a more fine grained eleven point scale between 0 (one *cannot* trust people in general) and 10 (one can trust people in general). The question is introduced by: “According to your view, to what extent can one trust people in general?” Invented by Bo Rothstein (1997), the scale answers are divided into three categories – High Trusters (7-10), Medium Trusters (4-6), and Low Trusters (0-3).

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<sup>2</sup> In the earlier studies in the 1990s, the number of respondents were lower – around two to four thousand.

FIGURE 1, INTERPERSONAL TRUST 1996-2018 (PERCENT)



*Comment.* The question is phrased: “According to your view, to what extent can one trust people in general?” Answers are given on an eleven degree scale between 0 (one can not trust people in general) and 10 (one can trust people in general). Respondents answering 0-3 are classified as Low Trusters, 4-6 as Medium Trusters, and 7-10 as High Trusters. Respondents who have not answered the question are included in the percentage base (2-6 percent through the years).

*Source:* National SOM Surveys 1996-2018.

Ever since the start of the measurements in the mid-1990s, it has been possible to classify a clear majority of Swedish citizens as high trusters. The proportion of high trusters has varied between 55-61 percent. The latest result from the SOM-study in 2018 is 57 percent, somewhat lower than the record 61 percent from the year 2014. In the first study in 1996 the percent high trusters was 58 percent. The more tepid medium trusters are fewer, between 26-30 percent over the years. Least common are the low trusters with around 9-12 percent over the last twenty years. Noteworthy, though, is that a late measurement (2017) has shown the highest proportions so far of low trusters in Sweden (12 percent). Combined with the fact that the proportion of high trusters has slowly gone down since 2014 - maybe we see the beginning of a new less stable trend in high social trust in Sweden. An avalanche always starts slowly before picking up speed. It is going to be important to

follow future Swedish trust measurements closely. Are we seeing the first signs of the Nordic Gold eventually turning into sand in Sweden?<sup>3</sup> Or if not sand, at least turning out to be yellow mica!

## **Distinct and increasing group differences in social trust**

The normative hope for non-existent or at least very small group differences in social trust is not fulfilled. Certainly, results for some important groups reveal very limited differences in trust levels. Two examples are women and men, who have very similar trust results all through the years, and people living in the countryside or in big cities. Inhabitants in metropolitan areas tend to have somewhat higher social trust than dwellers in rural areas, although the difference is small.

Looking at other important societal groups, differences tend to be larger. Young people (16-29 years) stands out with lower trust, as do blue-collar workers, people with only basic education, and immigrants from outside Europe. In these groups, average proportion of high trusters is around 45 percent compared to around 57 percent among all Swedes.

For some other groups, social trust is even lower. Here we are focusing on vulnerable people in every welfare society – the unemployed, people in poor health, and people with sick-leave or disabilities. Average proportion of high trusters in these groups is only about 35 percent (see Table 1).

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<sup>3</sup> In a well-known song in the musical *Kristina från Duvemåla* (1995) gold turns into sand.

TABLE 1, HIGH TRUSTERS IN DIFFERENT SOCIAL GROUPS 1996 – 2008 (PERCENT)

	1996	1998	2002	2004	2008	2010	2014	2015	2016	2017	2018
All	58	57	56	53	54	57	61	60	58	56	57
Number of Respondents	1779	3561	6305	3606	3257	5005	6866	8249	9828	10812	10796
Women	60	57	55	52	56	57	61	61	58	57	58
Men	57	56	57	55	51	57	61	58	58	55	56
16–29 year	51	51	49	47	43	47	47	48	46	44	42
30–49 year	59	58	59	55	56	61	65	65	62	60	57
50–65 year	59	58	59	55	56	61	65	65	62	60	61
65+ year	57	56	57	49	50	54	61	60	58	57	62
Basic Education	51	48	48	46	41	45	47	47	46	43	46
Some Secondary	59	54	58	51	47	54	57	54	52	49	51
More Secondary	53	57	56	54	60	59	62	60	58	57	56
University	72	73	69	69	72	73	74	73	72	70	71
Blue Collar Home	53	49	50	44	47	48	52	50	47	45	47
White Collar Home	67	64	66	63	69	68	70	69	68	67	68
Higher White Collar Home	77	72	69	68	70	73	78	76	74	71	71
Entrepreneurial Home	50	57	57	56	46	55	61	58	58	57	59
Rural	56	57	53	53	45	55	61	59	57	53	57
Village	58	54	54	52	51	54	59	56	55	54	55
City	61	58	60	55	57	60	62	61	59	57	58
Big City	62	56	58	55	58	58	62	63	62	59	60
Raised in Sweden	60	58	59	56	55	59	63	62	61	58	59
in a Nordic Country	51	53	46	46	51	55	57	60	56	58	61
in Europe	51	38	40	32	46	44	41	41	44	43	42
Outside Europe	39	48	43	37	39	44	45	39	43	45	42
Employed	65	61	60	60	61	64	67	65	63	61	61
Unemployed	47	45	46	41	42	36	39	42	39	36	35
Sick-/Activity Compensation	56	46	47	38	41	40	37	39	35	34	35
Subjective Health:											
Bad (0–4)	-	44	43	28	33	34	35	33	35	31	35
In-Between (5–8)	-	57	56	53	52	56	61	59	57	55	36
Good (9–10)	-	57	66	67	66	70	73	73	68	66	62

*Comment: See Figure 1.*

*Source: National SOM Surveys 1996 – 2018.*

These relatively low trust results can be compared with results for the groups with the highest trust levels in Sweden. Here we find high-ranking white-collar workers, people with university education, and Swedes with the best subjective health. Among them the proportion of high trusters varies between 62 and 71 percent. It is obvious that the traditional class society is reflected in people's degrees of social trust. People upstairs trust more than people downstairs. Well-being plays a role as well. Healthy people tend to trust other people more than less healthy people.

These rather dismal results do not become less dismal when we investigate changes in trust over time. Overall, the proportion of high trusters in Sweden between 1996 and 2018 is remarkably stable – a downturn of only 1 percentage point. In most societal groups change is barely noticeable. The proportion of high trusters moves a few percentage points up or down in a not significant way. This random walk-pattern characterizes trust levels among women and men, among middle age and older people, among white-collar workers, among people living in the country side and in big cities, among immigrants from outside Europe, and among people with a good health.

However, this striking stability is not present in all social groups. There are segments where trust declines almost precipitously. The downward tendency is most noticeable among the most vulnerable citizens in the welfare society. Between 1996 and 2018, the proportion of high trusters have gone down by 23 percentage points among people on sick-leave and the disabled, by 9 points among people with poor health, and by 12 points among the unemployed. Signs of weakened trust are also observable among young people, among blue-collar workers, and among citizens with less than university education.

Differences in social trust between divergent political groups are less eye-catching (see Table 2). For example, citizens' ideologically to the left or to the right disclose about the same levels of trust.<sup>4</sup> Similarly, trust levels differ little between supporters of different parties. Yet, with an important exception. Voters for Sweden Democrats – a new social conservative, nationalist and populist party in the Swedish parliament – harbour much less social trust than the average Swede. The proportion of

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<sup>4</sup> The election of 2014 and the shift in government from a center-right to a center-left cabinet seem to have had some effect on social trust among people to the extreme left (increase in social trust) and to the extreme right (decrease in social trust).

high trusters among SD-supporters is only 38 percent in the 2018 SOM-study. The comparable result for the supporters of the other parties is distinctly higher, between 58 to 74 percent.

Besides sympathizers with the Sweden Democrats, there are two other political groups with clearly lower levels of social trust – people without any party leanings and supporters of minor parties outside of the Swedish Riksdag. In both these cases, the proportion of high trusters is only around 43 percent. Thus, social trust in Sweden is markedly lower among citizens outside of the establishment – among voters supporting the paria party Sweden Democrats and among people without sympathy for any established party. In to-day's Sweden, these outside groups comprise no small minority. Together they make up for about 25-30 percent of the grown up population. A sizeable minority not to be ignored!

TABLE 2, HIGH TRUSTERS IN DIFFERENT IDEOLOGICAL AND PARTY SYMPATHY GROUPS (PERCENT)

	1996	1998	2002	2004	2008	2010	2014	2015	2016	2017	2018
All	58	57	56	53	54	57	61	60	58	56	57
Number of Respondents	1779	3561	6305	3606	3257	5005	6866	8249	9828	10812	10796
Clear Left	67	59	61	51	55	57	62	64	67	62	66
Leaning Left	63	59	60	63	60	61	65	65	66	64	63
Neither nor	52	48	49	44	48	48	52	50	49	48	49
Leaning Right	62	65	62	62	57	64	66	66	64	61	61
Clear Right	63	59	55	53	55	57	63	58	55	50	51
Left Party	61	51	54	50	51	63	62	63	65	64	65
Social Democrats	61	56	57	55	53	52	59	61	60	60	58
Greens	53	55	49	53	67	65	70	69	70	67	74
Center Party	60	67	58	55	54	59	72	70	68	68	67
Liberals	70	78	66	60	64	67	73	73	73	67	66
Christian Democrats	66	59	56	56	55	63	66	67	71	54	59
Conservatives	62	60	57	57	59	62	66	66	63	57	59
Sweden Democrats	-	-	-	-	28	34	40	39	37	37	38
Feminist Initiative	-	-	-	-	-	-	68	60	71	55	61
Other Party	51	42	42	42	39	47	41	40	36	43	42
No Party	38	40	41	41	39	38	45	39	47	41	43

Comment. See Figure 1. Left-Right position is based on a self-classification question.  
Source: National SOM Surveys 1996-2018.

On a more positive note, trust levels do not tend to decline among people in the outside groups. For supporters of Sweden Democrats we can, on the contrary, notice a weak trend upwards. A possible explanation for this is that the party has grown dramatically in size and recruited many new voters with higher trust levels from the established parties, especially from the Social Democrats and the Moderates.

## Explaining social trust

With the publication of Robert Putnam's modern classic *Making Democracy Work* in 1993 and his following book *Bowling Alone* in 2000, the issue of social capital and social trust became a huge research industry. Defined as a combination of interpersonal generalized (a.k.a. social) trust and networks based on reciprocity, social capital is seen as a major asset for individuals as well as for groups and societies. Although, as he readily admits, Putnam was not the first to put forward the importance of social capital, it was clearly he who showed how it could be used in important (and very ingeniously designed) empirical research. Putnam's work came largely to be interpreted as putting the importance of civil society and voluntary associations on the agenda. By being active in voluntary associations, citizens would learn to develop social trust and understand the importance of positive reciprocity. By many, this gave arguments for a political agenda in which the responsibilities of the state for social welfare should be scaled back and replaced by an emphasis on the importance of voluntary associations. It was argued that one had reason to expect that with "big government" we should see a "crowding out" effect. The expansion of the responsibilities of the state should, it was argued, be detrimental to the development of a vibrant civil society (Ostrom 2000; Cohen and Arato 1993). Moreover, it was argued that in a society where the government takes on the responsibility for a large number of social needs, people do not have to develop and maintain trusting relations and invest in social networks (Cohen and Arato 1993). Social capital research has to a large extent been used to send a message to people that the bad things in their society is caused by too little volunteering (Putnam and Feldstein 2003; Winter 2002; Woolcock and Narayan 2000).

However, when the social capital and social trust research agenda went comparative, it came as a surprise for many that when the concept was being empirically researched the Nordic countries came out on top irrespectively of what measures were being used (Rothstein 2002). Much can be said about the Nordic countries, but not that they are countries with small and non-interventionist governments. In fact, available empirical studies show that interpersonal generalized trust is highest in the Nordic countries. Moreover, citizens in these countries are among the most active in voluntary associations (Sivesind and Selle 2010). In addition, according to available measures of corruption and other indices of quality of government the Nordic countries are among the "cleanest" in the world (Rothstein and Holmberg 2014, 2019)

The theoretical reason for why trust is important comes from "the problem with many names" in the social sciences: Among these names are social dilemmas, the problem of collective action, the

provision of public goods, the tragedy of the commons, social traps and prisoners' dilemma (Ostrom 1998; Rothstein 2005). Behind all these metaphors lies a problem that can be described as follows. A group of agents know that if they can collaborate they will all gain. However, this collaboration is not costless but carries economic burdens or other efforts for all involved. Without the contribution from all agents, the good will not be produced. The reason is that it makes no sense for an individual agent to contribute if she/he does not trust that everyone else will contribute. Moreover, what is going to be produced is by definition a public good and can thereby be consumed by everyone regardless of whether or not this agent has contributed. There is thus always a risk that agents will act opportunistically (a.k.a. free-ride) hoping that they can reap the benefits of the good without contributing. Without trust that most agents will refrain from such treacherous behavior, most agents will not contribute to the common good. The end result of this lack of trust is that everyone in the group stands to lose, although all know that if they could trust each other they would all be better off.

Examples of this problem are endless. It makes no sense to be the only one who recycles garbage, pays what is to be paid in taxes, does not abuse the social insurance system, follows the rule of law, abstains from participating in corruption, does not overuse the groups' common natural resources, or shows up well-prepared to the academic department's research seminar. Since trust is a psychologically delicate thing which is hard to repair once it has become truly damaged, we prefer the metaphor "social traps" since agents in a group that have lost trust in one another cannot easily mimic or fabricate the level of trust needed to ensure collaboration even if they all know that they would benefit if they could (Ostrom 1998; Rothstein 2005).

### **If that Important, then how can social trust be created?**

The problem in this research approach is that in the abundance of positive associations between generalized trust, social capital and various desired social and political outcomes, the *sources* of social trust have remained somewhat of a mystery. Simply put, if social trust/capital is such an important societal resource, we need to know more about how it is generated and maintained.

The social capital literature has been strongly divided on the question of the causes and origins of social trust. On the one side there are scholars who argue that variations in the amount of social trust can be explained primarily by *society-centered approaches* (Hooghe and Stolle 2003). In this Tocquevillian approach, the capacity of a society to produce social capital among its citizens is determined by its

long-term experience of social organization, anchored in historical and cultural experiences that can be traced back over very long periods. The society-centered approach views regular social interaction, preferably through activity in voluntary associations, as the most important mechanism for the generation of social capital. Following the Tocquevillian tradition, formal and informal associations and networks are seen as creators of social capital because of their socializing effects on democratic and cooperative values and norms.

A number of studies carried out in different democratic countries over the last decade have called into question the effect of participation in many voluntary associations directed at benevolent purposes on social trust and the willingness to cooperate outside of the specific group. While it is true that people who are “joiners” also generally trust others more, this seems to be an effect of *self-selection*. People who—for some other reason—score high on social ability to trust and cooperate with others join voluntary associations disproportionately. However, activity in such organizations does not add much to these desired traits, at least not for adults. Members become purely more trusting of their fellow members and they cooperate more for group purposes only (Stolle 2003). Thus the evidence that associational membership of adults *creates* social capital that can be used in the wider society has not survived empirical testing (Armony 2004; Delhey and Newton 2005; Dinesen 2013; Herreros 2012; Robbins 2012; Wollebæk and Selle 2003). To take one example, one large-scale empirical study aiming at explaining variations in social trust based on the World Values Study surveys and covering no less than sixty countries concludes that “perhaps most important and most surprising, none of the four measures of voluntary activity stood up to statistical tests, in spite of the importance attached to them in a large body of writing, from de Tocqueville onwards” (Delhey and Newton 2004, 27). Other types of social interactions might do the job, yet a second problem arises. Even if we accept the importance of voluntary engagement, not all associations serve a normatively desirable purpose. In fact, many associations are established to create distrust. Berman (1997) has shown that the Nazis in Weimar Germany used existing voluntary associations as vehicles for their “Machtübername” in 1933. Another study using quantitative measures show that the more dense the networks of civic associations in German towns 1919-1933, the stronger was the support for the Nazi party (Satyanath et al. 2013).

As a response to the failure of the society-centered approach, the *institution-centered* accounts of social capital theory claim that for social trust to flourish it needs to be embedded in and linked to the political context as well as to formal political and legal institutions (Sapsford et al. 2019; Robbins

2011; Rothstein and Eek 2009; Kumlin and Rothstein 2010; You 2018; Villoria et al. 2013; Richey 2010). According to this group of scholars, who base their research on historical case studies, experiments or large-n survey data, it is trustworthy, uncorrupt, honest, impartial government institutions that exercise public power and implement policies in a fair manner that create social trust and social capital. For example, Delhey and Newton conclude that “government, especially corruption free and democratic government, seems to set a structure in which individuals are able to act in a trustworthy manner and not suffer, and in which they can reasonably expect that most others will generally do the same” (2004: 28). Using survey data from 29 European countries, Bjørnskov (2004) concluded that a high level of social trust is strongly correlated with a low level of corruption. Another study, also based on comparative survey data, concludes that “the central contention ... is that political institutions that support norms of fairness, universality, and the division of power contribute to the formation of inter-personal trust” (Freitag and Buhlmann 2005, 580)

Using scenario experiments in low trust/high corruption Romania and in high trust/low corruption Sweden, Rothstein and Eek (2009) found that persons in both these countries who experience corruption among public health care workers or the local police when travelling in an “unknown city in and unfamiliar country” do not only lose trust in these authorities but also in other people in general. Another example is based on survey data from the European Social Survey carried out in 2008 that covers 29 countries in both Western and Eastern Europe (Svallfors 2013). This survey had questions related to corruption such as if people perceived that tax authorities or public health care gave “special advantages to certain people or deal with everyone equally?” The results are the following: Citizens that state in the survey that they have a preference for more economic equality but that lives in a country where they perceive that the quality of government institutions is low, will in the same survey indicate that they prefer lower taxes and less social spending. However, the same “ideological type” of respondent but who happens to live in a European country where he or she believes that government authorities are guided by norms such as impartiality and fairness, will answer that he or she is willing to pay higher taxes for more social spending. This result is supported in a study using aggregate data about welfare state spending and quality of government for Western liberal democracies (Rothstein et al. 2012) – the higher the quality of government, the more countries will spend on social services and benefits.

To summarize our interpretation of these studies – citizens that live in a country where they perceive that corruption or other forms of unfairness in the public administration is common are likely to be

less supportive of the idea that the state should take responsibility for policies even if they ideologically support the goals such policies have. One likely reason is that they lack trust in other citizens to a) pay their taxes and b) not overuse or abuse social insurances.

Another recent large-scale survey consisting of 84,000 citizens/respondents in 212 regions within 25 European countries give strong support to the theory that high levels of corruption/low levels of quality of government is a causal factor behind low social trust. In addition to the standard question about social trust, this survey have detailed questions about both *perceptions* and *experiences* of the extent to which three regional public services (police, health care, education) are seen as impartial, of high quality and clean from corruption which is made into a measure of Quality of Government (QoG) (Charron et al. 2013). Taking advantage of the extreme variation among European countries and regions in both levels of social trust as well as QoG, this study shows evidence for the impact of QoG on variations in social trust in European regions also when controlling for wealth. The effects of civic engagement, income inequality and ethnic diversity<sup>5</sup> are negligible while the effects of QoG is robust and strong (Charron and Rothstein 2013). Finally, a recent chapter in the newly published “Oxford Handbook of Social and Political Trust” summarizing the current state of this research concludes in the following way: “there is very strong and robust empirical evidence of the causal effect of corruption and institutional fairness on social trust .... Overall, the evidence for a causal effect from corruption to social trust seems to be stronger than that for a causal effect from social trust to corruption (You 2018, 486)

It should be underlined that these scholars find that social trust is not primarily related to what takes place on the “input” side of the representational democratic system, but to what goes on at the “output” side in the public administration, the police, the courts and the public services. The theoretical reason for why the confidence that people place in these two types of political institutions differs is the following. On the representational side, one of the main roles for political institutions is to be *partisan*. A political party that holds government power, or a majority in the Parliament, is supposed to try to implement its ideology in a partisan way. Thus, people that support the ideology of the ruling party (or parties) are likely to have confidence in them, while citizens that oppose their ideology are likely to report a lack of confidence. However, it is less likely that this type of partisan trust or distrust should influence one’s generalized trust in other people. There is to our knowledge no plausible

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<sup>5</sup> Ethnic diversity is measured as the percent of citizens in each region that are born outside the European Union.

causal mechanism linking these two phenomena and empirically the statistical correlations that come from surveys on these measures are insignificant (Rothstein and Stolle 2008).

What comes out of this research is that the major source of variations in generalized trust is to be found at the other side of the state machinery, namely the legal and administrative branches of the state responsible for the implementation of public policies. In several studies, the strongest correlations with social trust are trust in the rule of law institutions, that is, the police and the courts (Rothstein and Stolle 2008; Holmberg and Weibull 2014). A theoretical reason for this is that, compared to other political institutions that exercise public policy, the courts, the police and the other legal institutions of the state have a special task, namely to detect and punish people who, in game theory parlance, use *opportunistic* strategies (we prefer the term *treacherous*). In other words, the rule of law institutions are in the business of taking care of people who are better not to be trusted. Results from factor analyses of World Values Survey data as well as Swedish survey data largely confirm that people distinguish between trust in different government institutions and that this creates different dimensions of institutional trust (Rothstein and Stolle 2008).

## **The corruption-trust theory**

Social trust can be seen as an example of what North has defined as the informal institutions in a society, which are established systems of beliefs about the behavior of others (cf. North 1998). The effects of an informal institution such as social trust can be the following: In a group (or society) where most agents' default position is that most people can generally be trusted, transaction costs will be lower and many forms of mutually beneficial cooperation will therefore take place that would not have been possible if social trust was lacking. For example, in economic relations, lack of social trust will limit transactions between economic agents to people of the same ethnic clan or tribe while excluding members of disfavored or unknown groups, thus hindering economic efficiency (Svendsen and Svendsen 2004). Social trust as an informal institution is essential if groups/societies will succeed in establishing socially efficient formal institutions like the rule of law, impartial civil services and uncorrupt public administrations. The reason is that such formal institutions are "second order" public goods and thereby prone to the standard problems of free-riding as well as opportunistic and treacherous behavior. It is in these ways that social trust can be seen as a collective asset, a *social capital* (Coleman 1990). This implies that the outcome of social and economic interactions depends on how the real-life context has constructed the agents' mutual expectations about what kind of reciprocity

to expect and whether the other agents can be trusted or not (Fehr and Fischbacher 2005). As has been argued from the perspective of evolutionary game-theory, people cannot be expected to base their decisions about “how to play” in social dilemmas on perfect information about the others, because such information is impossible to get (Young 1998).

We believe that the major lesson we should take from non-cooperative game theory for this discussion is not about choice, strategy or individual rationality, but that we have good reasons to expect “dysfunctional results from individual rationality” (Miller 2000). However, as the huge variation in the level of social trust and levels of corruption between countries shows, the type of theory we need is not a general more or less structural-functionalist one, starting from some universal notion of human behavior. The reason for this is simple, namely that such a theory cannot explain the huge variation that exists

Similarly, the type of theories we need are not the ones that explain why all societies end up with socially efficient (or dysfunctional) institutions. Rather, the sort of theory we need is one that can explain the huge variation in social trust and levels of corruption and the quality of government that exists in the world today. Or in plain language, why, for instance, is corruption in Denmark lower than in Nigeria, social trust in Finland so much higher than in Romania, and why are the informal social institutions that embed market relations in Mexico different from those in Canada?

The epistemological approach known as scientific realism puts great weight on the construction of theories for how the *causal mechanisms* between variables operate (MacDonald 2003; Shapiro 2005). A great deal of research in social psychology has shown the importance of social trust for achieving a socially efficient outcome in “social traps” situations (Dawes and Messick 2000). There is also a lot of research in social psychology showing that procedural fairness has a positive impact on the willingness for individuals to accept outcomes that are substantially negative for them (Tyler 2003). However, as De Cremer et al. have argued, “although behavioral consequences as a function of procedural fairness ... seem logical from a theoretical point of view – amazingly little effort has been done to understand why such an effect could occur” (De Cremer et al. 2005, 395). The results they present in their study (based also on scenario experiments) show that “fair procedures” increase cooperation. This seems to be based on the following causality: Institutions that are perceived to be fair increase group identity and affiliation so that the goal of the group merges with the goal of the individuals. “Being treated fairly and respectfully will install among group members a feeling of inclusiveness” from

which also follows increased social trust (De Cremer et al. 2005, 402). This is in line with the experimental results from the so-called “horizontal trust game” that show that individuals who sense a higher affiliation to the group also trust that more others in the group will reciprocate (Ostrom 2005, 74).

It is not self-evident that people who live in highly corrupt societies should have low social trust. One could make the opposite argument, that in order to make life bearable in a very corrupt and/or clientelistic society, ordinary citizens have to develop a lot of informal social contacts that they can trust. However, this does not seem to be the case. Instead, they seem to develop mistrust, envy, pessimism and cynicism towards “people in general” (Csepeli et al. 2004). The type of trust they develop is what Uslaner (2002) calls “particularized” trust which implies that one only trusts very close friends and relatives but is distrustful of people outside one’s close circle. As Uslaner shows, this type of trust is actually the opposite of social trust which entails giving people you do not know the benefit of the doubt and having an optimistic outlook for your future interactions with “other people in general”.

The theory we propose starts from the presumption that when it comes to establishing beliefs about social trust, people *make inferences* from the behavior they encounter from public officials. Because it is impossible to know the trustworthiness of “most people” in a society, people must rely on “imperfect information” when they form their beliefs about social trust. Since social trust can be interpreted as people’s moral evaluation of the society in which they live, it makes sense that the behavior of public officials is one very important device that people use when forming beliefs about to what extent people in general can be trusted. In experimental non-cooperative game theory, this is known as “heuristics” which can be understood as the kind of clues people who lack perfect information use when they have to decide if they should or should not trust other people they have to deal with (cf. Ostrom 2005: 98). This *corruption-trust theory* consists of three interrelated causal mechanisms:

1. **The inference from public officials.** If public officials in a society are known for being corrupt, partial or untrustworthy, citizens will believe that even people whom the law requires to act in the service of the public cannot be trusted. From this, *they will make an inference that most other people cannot be trusted either.*
2. **The inference from people in general.** Citizens will be able to see that most people in a society with corrupt officials must take part in corruption and similar practices in order to obtain what they feel their rightful due. *They will therefore make an inference that most other people cannot be trusted.*

3. **The inference from oneself.** Since the individual will realise that to get by in such a society, he will himself have to take part in corrupt or clientelistic practices. Thus, self being an untrustworthy person leads to the same inference as in 1 and 2, namely that *most people cannot be trusted*.

The causal mechanisms specified imply that individuals make inferences from the type of information they have about how society works, which they to a considerable extent get from how they perceive the action of public officials. This information does not need to be correct, of course, and does not have to be related to personal experiences. Hearsay, rumors, collective memories, and the like are for sure part of this story. Simply put, individuals have no other choice than to form their system of beliefs from the imperfect information that is available to them.

The first mechanism implies that individuals reason something like this: “If it proves that I cannot trust the local policemen, judges, teachers, and doctors, then whom in this society can I trust?” The ethics of public officials become central here, not only with respect to how they do their jobs, but also to the signals they send to citizens about what kind of “game” is being played in the society. The following mechanisms are a logical outcome of the first. People draw personal conclusions from the actions they observe in others – and they also draw conclusions in the other direction.

### **Conclusions: no Alarm, but...**

Our ambition here has not been to carry out a full test of the theory outlined above. Instead, it has been to present a theoretical based argument for why analyzing the variation in social trust between different social groups within a society is important. Just comparing average measures of social trust between countries tends to hide the problem that increased social stratification and inequality may be important for understanding the changing nature of social trust within a specific society (Uslaner 2002). A high average level of social trust may, or may not, disguise a huge internal variation. While there are strong arguments for believing that a high level of social trust is a very important asset for a society, this may not be the case if there exists considerable variation in social trust between specific social groups. One reason for the variation in social trust that we find in Sweden - that supporters of the Sweden Democrats, at the extreme side of the political system, tend to trust less is that they have much less confidence in the political institutions and especially those that implement public policy. The reason why vulnerable people, for example those that are long-term unemployed, or on long-

term sick-leave or handicapped have lower social trust is that they are usually in contact with various selective and needs-testing authorities in the welfare state that have a lot of discretionary power. We do not for a moment believe that there is corruption in these parts of the Swedish welfare state, but the clients may, because of the needs-testing and the discretionary power from the “street-level bureaucrats” that follows, perceive that they are victims of public agencies whose decisions are difficult to understand and accept (Kumlin and Rothstein 2005).

The normative hypothesis that everything is alright with social trust in Sweden has *not* been supported by our empirical tests. The level of interpersonal trust is still high in Sweden; among the highest in the world. The limited decrease in trust noticed in the last couple of years has not changed that. Sweden continues to be a country of high trusters.

However, zooming in on trust in different groups, and on change in some socially and economically exposed segments of the population, makes the picture somewhat more nuanced. Social trust is distinctly lower among welfare dependent groups like people with poor health, the disabled and the unemployed. And among these groups trust is declining over time. A pattern of a divided and more fragmented society appears.

A very similar pattern is visible when we look at some political groups. Citizens without preferences for any party, or with party sympathies outside the traditional seven established parties of Sweden, tend to have much lower levels of social trust than the average Swede. Together these anti-establishment groups constitute a fairly large minority of about 25-30 in present day Sweden. Dominant here are supporters of the anti-immigrant, populist party the Sweden Democrats. A low trusting political grouping of almost a third of the population is a far too large minority to be complacent about and conclude that social trust in Sweden is without problems. *Au contraire*, all is not good when we unveil the beautiful cover of high trusting Sweden.

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