Making and Breaking Social Capital: 
The Impact of Welfare State Institutions

Staffan Kumlin and Bo Rothstein

Staffan.Kumlin@pol.gu.se
Bo.Rothstein@pol.gu.se

Department of Political Science
Göteborg University
Box 711
SE 405 30 Göteborg
Sweden

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ABSTRACT

Ever since the start of the debate about the importance of social capital and civil society for the quality of democracy, Scandinavia has been causing problems. In particular, observers have been bewildered by an allegedly paradoxical co-existence of a wealth of social capital and extensive welfare state arrangements. According to some theorists, large welfare states should have made engagement in voluntary associations unnecessary thereby making the production of social capital more difficult. However, empirical research shows the Scandinavian countries to have comparatively high levels of social capital. To solve this paradox, we present a theory for how the causal mechanism between variation in the design of welfare state institutions and social capital works. The empirical analysis, which is based on Swedish survey data, supports the idea that the specific design of welfare state policies matters for the production of social capital. Contacts with universal welfare state institutions tend to increase social trust, while experiences with needs-testing social programs undermines it. The policy implication is that governments, by designing welfare state institutions, can invest in social capital.
BIOGRAPHICAL SKETCH

Staffan Kumlin is Researcher at the Department of Political Science, Göteborg University. He has been Visiting Fellow at Social Science Research Center Berlin (WZB) and Robert Schuman Center for Advanced Studies, European University Institute, Florence. He is the author of *The Personal and the Political: How Personal Welfare State Experiences Affect Political Trust and Ideology* (Palgrave–Macmillan, 2004).

Bo Rothstein holds the August Röhss Chair in Political Science at Göteborg University. He has been a Visiting Scholar at the Russell Sage Foundation, Collegium Budapest and at the Center for European Studies at Harvard University. Among his publications are *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* (Cambridge University Press 1998) and *The Social Democratic State* (Pittsburgh University Press 1996).

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The theory of social capital and the Scandinavian puzzle

Ever since the start of the debate about the importance of social capital and civil society for the quality of democracy, Scandinavia has been causing problems. In particular, observers have been bewildered by an allegedly paradoxical co-existence of a wealth of social capital and extensive welfare state arrangements.

The size and nature of the Scandinavian welfare states is well known. In a comparative perspective the Scandinavian welfare states are big along several dimensions. One is their proportion of GNP, another is the proportion of citizens that are covered by various social programs. A third dimension is the many different situations and phases in life in which average citizens are in personal contact with public services and welfare state programs (Kumlin 2004).

Why would large welfare states hamper the accumulation of social capital? As we see it, this common contention originates in a fundamental assumption made by mainstream social capital theory. The assumption is that the most important prerequisite for social capital to accumulate, and for democracy to work, is the prevalence in society of “norms of reciprocity and networks of civil engagement” (Putnam 1993, 171, cf. Coleman 1988, 302ff). Moreover, according to some observers, if social capital is generated by people engaging themselves in voluntary associations built on norms of reciprocity, the existence of large welfare state programs could make such voluntary reciprocity harder to create (Boli 1991; Zetterberg & Ljungberg 1997). Instead of organizing themselves in associations that reach out to support fellow citizens in distress, or that build strong reciprocal ties, citizens in large welfare states would refer their more unfortunate sisters and brothers to the broad system of social and welfare programs (and morally abjure themselves by referring to the high level of taxes they are paying).
In this spirit, the American sociologist Alan Wolfe has argued that the Scandinavian type of welfare state “squeezes families, communities, and social networks.” (Wolfe 1989:142). His argument is that an historical irony may exist here: When social obligations become public, intimate ties will weaken and “so will distant ones, thus undermining the very moral strengths the welfare state has shown.” According to this argument, then, in societies where people are protected “from-the-cradle-to-the-grave” by the big state, civil society and norms of reciprocity are “crowded out” (p. 142). This crowding out effect is also a recurring theme in the literature on civil society that emerged at the same time as the concept of social capital became a central topic (cf. Cohen & Arato 1993; Lundström & Wijkström 1997; van Oorschot 2003).

But these arguments are not very compatible with comparative empirical evidence. For example, in the light of these arguments it seems strange that by almost all measures the Scandinavian countries show high levels of social capital. This is shown by various comparative measures on social trust and also by studies of civic engagement (Rothstein & Stolle 2003). Moreover, neither comparative nor longitudinal studies show traces of crowding out effects in the Scandinavian countries. In fact, both support for the welfare state as well as trust in other people has remained high in all three Scandinavian countries (Svallfors 1996; Rothstein & Stolle 2003, Torpe 2003). Yet other studies have reported that Swedes are more likely to be voluntarily regularly assisting others that are sick, handicapped or elderly than the British (Busch-Zetterberg 1996). Finally, if “big government” really were “bad government”, then Scandinavia would score low not only on social capital, but also high on measures of corruption as a sign of widespread distrust and dishonesty in a society. But what is puzzling is that available data show exactly the opposite: According to the recent report on Human Development by the United Nations Development Program, the Scandinavian countries are the least corrupt and some of the most respectful countries when it comes to the of the rule of law principles (UNDP 2002).
So the plot thickens: How can such large welfare states coexist with so much social capital? This article sheds light on precisely this problem in social capital research by focusing on one of the Scandinavian “troublemakers” – Sweden. The argument to be developed is that welfare state institutions are not necessarily detrimental to the production of social capital. On the contrary, the theory and data presented suggest that the high level of social capital in the Scandinavian countries can be partly explained by the particular design of their welfare state policies.

**Purpose of the study and its place in the literature**

The general notion that well-functioning political institutions have positive effects on citizens’ willingness to comply and cooperate in society has already received empirical support. For example, drawing on World Value Study data from 25 countries, Letki (2003) finds that the extent to which citizens are trustworthy and law-abiding is not affected by the extent to which people live in a context marked by a vibrant civil society. Rather, what seems to matter is the extent to which central elements of democratic and bureaucratic institutions are perceived to perform well, as well as on the extent to which institutions perform well as measured by “objective” indicators. Letki (2003, p. 21) thus concludes that “the trustworthiness of efficient institutions influences individuals’ attitudes and behaviour […] Of course, the question how to create trustworthy institutions is a separate issue - and a very complicated one.”

We investigate this complicated but important issue. We focus on how the welfare state institutions that citizens encounter are actually designed and organized, and find support for the idea that contacts with some welfare state institutions tend to mobilize social trust while experiences with other institutional designs tend to undermine it. Thus, our argument is not just the opposite of the crude “crowding out” hypothesis. Rather, we argue and empirically support the notion that – depending on how they are designed – welfare state institutions have a capacity
for both making and breaking social capital. In other words, if we are correct, some type of welfare state programs and institutions can be seen as investments in social capital, while yet other welfare state designs function in exactly the opposite way.

Our task is in line with the way social capital research seems to be developing. For instance, while the by now large social capital literature seems to confirm the basic existence of the correlation predicted by the theory (i.e. that aggregate civic participation correlates with aggregate social capital), there is little agreement on how the causality actually operates (Hooghe & Stolle 2003; Uslaner 2002). This problem now seems to be giving rise to a host of new questions that broaden the horizon of the research field. For example, is the amount of social capital in any given society determined by historical, sociological, political, psychological or any other type of variable? Or is it social capital that causes changes in politics by determining choices of historical pathways at particular moments in history? And what happens for instance, with immigrant groups that move from a society with low to a society with a high level social capital (Togeby 2003)?

One particularly difficult problem seems to be to discern the role of the state in relation to social capital (Levi 1996; Inglehart 1999). On the one hand, social capital is said to produce more democratic and efficient government institutions. On the other hand, it may be the existence, in the first place, of well-functioning and legitimate government institutions that makes it possible for people to trust their fellow citizens. This problem is by no means solved in current research. On the contrary, it seems as if this will become a real controversy within this research paradigm (cf. Hooghe & Stolle 2003). The lack of knowledge about the relation between government institutions and social capital is acknowledged in a recent publication by Robert Putnam who states that “(t)he myriad ways in which the state encourages and discourages social-capital
formation have been under-researched [...] Such questions represent some of the many unexplored frontiers in social-capital research.” (Putnam & Goss 2001, 17)

This problem has become accentuated because Putnam’s results about the erosion of social capital in the United States do not seem to apply to other Western countries. The main result of an international project on the development of social capital (led by Putnam) is that the sharp downturn in interpersonal trust and participation in voluntary organizations/networks that has occurred in the United States since the 1960s has no counterpart in the other Western countries (including Sweden). The project seems to show that when it comes to the increasingly popular habit of “bowling alone,” the situation in United States is an exception (Putnam 2002). This could give ground to the reverse hypothesis, namely that when the welfare state crawls back, social capital goes down. Thus, instead of “crowding out”, there may be a “crawling back” effect. But then again, a more subtle institution-driven hypothesis is that the causal relation between the welfare state and social capital is not a primarily a question of welfare state size, but of welfare state design. This is the approach we have chosen. The argument is that it is not how big the welfare state is, but what type of welfare state we are dealing with, that is important.

Our task is consistent, not only with the way social capital research is going, but also with how research on political behavior and democratic citizenship is developing more generally. As nicely explained by Mettler and Soss (2003), it has been common to divide this gargantuan research field into three broad theoretical perspectives: There is the “sociological” tradition, which explains political orientations and behavior in terms of communication and socialization within social groups and contexts; there is the “psychological” tradition that looks more to individual values and identifications; and there is the “economic” tradition which focuses on self-interest and individual rationality. In spite of their many differences, these three perspectives have an important feature in common: they try to explain behavior and orientations in terms of
factors that are exogenous to political institutions and public policies. There is little room in these schools of thought for “policy feedback,” that is, the possibility that the social groups, values, and interests that structure citizens’ thoughts and actions on the input side of political system are in turn partly products of the outcomes of previous democratic processes. Therefore, Mettler and Soss (2003:1) argue, “aside from some notable exceptions, political science has had little to say about the consequences of public policy for democratic citizenship.” They try to remedy this problem by discerning a more “political” explanatory perspective, a perspective that after several years of mainly theorizing (see Pierson 1993; Ingram and Schnieder 1997; Rothstein 1998) has recently inspired a number of empirical studies (see Soss 1999; Mettler 2003; Mau 2003: Kumlin 2002, 2004).

This, then, is the broader background of our study. It begins by looking at the development of social trust for our empirical case (Sweden). We then highlight some theoretical and empirical question-marks surrounding social capital theory as it stands. These question-marks serve as a backdrop as we develop a number of theoretical propositions about how people’s experiences with different welfare state institutions may make or break social capital. These propositions are subsequently tested empirically using primary Swedish survey data. The concluding section outlines the implications of the argument and the findings for the comparative study of social capital.

**Social Trust in a Large Welfare State**

As a prelude to our case study, let us take a look at the Swedish development. Since 1996, the so-called SOM surveys conducted at Göteborg University have asked about people’s degree of trust in other citizens. Respondents have indicated on a scale from 0 to 10 the extent to which they believe that in general other people can be trusted.
The data show a remarkably stable picture of the degree of trust among people living in Sweden. The earliest such study in Sweden was conducted in 1981. In the 20 years since then there has been no noticeable reduction in the degree of trust, but rather a slight increase. It should also be taken into consideration that Sweden and the other Scandinavian countries are at the top of comparable international surveys on interpersonal trust. While in Sweden around 66 percent responded affirmatively when asked if they thought “most other people can be trusted,” the figure is 48 percent in the United States, 38 percent in Germany, 23 percent in Portugal, and 10 percent in Turkey, to mention some examples (data from World Value Studies 1990-93, Inglehart 1997).

A further question of interest here is whether crucial causal assumptions made by mainstream social capital theory can be supported empirically. At the aggregate level the theory in fact stands quite strong, at least when the unit of analysis is smaller than the nation-state. If one finds a village, a city, a region or a country with a vital organizational life and considerable other social interactions among citizens, chances are that you will also find that it has a well-functioning democracy and a growing economy (Woolcock 2001, Krishna 2002). But of course, a correlation at the aggregate level does not necessarily prove much about how causal mechanisms actually operate. In order to interpret such a relationship as a reflection of causality, there should be traces of it at the individual level as well. More exactly, there are two requirements here: a theory of how the social mechanism on the individual level is to be understood and explained and, of course, some form of empirical observations supporting such a theory (Elster 1983, Hedström and Swedberg 1998, Esaiasson et al., 2001, ch. 5). These are the topics to which we now turn.
Empirical and Theoretical Problems in Social Capital Research

The theory of social capital has always been closely attached to civil society. A strong, dense, vital civil society where citizens engage in various voluntary associations is seen as the most fertile ground for the accumulation of social capital. In various organizations, citizens would learn to trust each other and thus become skilled in the noble art of overcoming various problems of collective action (Putnam 1993, ch. 6). However, an increasing number of empirical studies have come to question whether there actually is a strong empirical relationship between participation in various organizations/networks and an increased tendency on the part of the individual to trust other people. So far, researchers who have worked with these questions have found it difficult to verify this causal link (Stolle 1998; Stolle 1999; Uslaner 2002; Whiteley 1999, Newton 2002, Wollebaek & Selle 2002, Togeby 2003). Participating in voluntary organizations and networks may certainly be good for many reasons, but it does not appear to increase trust in other people (Wollebaek & Selle 2003). In fact, the cross-sectional correlation between high levels of participation in organizations and higher trust seems to be created by “reversed causation.” In this vein, Stolle (1998) analyzed panel data and seriously questioned whether the correlation between measures of civic voluntary engagement and interpersonal trust is really created by the former causing the latter (and not the other way around). Such results indicate that the correlation between participation and social trust is created in a self-selection process where people who are already high social trusters are more likely to join and become active in organizations/networks. However, the actual participation itself does not seem to increase people’s tendency to trust others.

On top of this, a theoretical problem is that many voluntary organizations and networks are in fact based on the idea of distrust, rather than trust. This applies not only in extremely clear
cases, where Hell’s Angels bikers to distrust the Bandidos, or where protestant Rangers supporters in Glasgow have no warm feelings whatsoever for catholic Celtic fans. In fact, there are many other voluntary organizations that are of a religious, political, ethnic, or nationalist nature and base their existence in part on a logic of “distinction,” that is on the idea of establishing exclusion, hostility and distrust toward members of competing organizations/networks. In fact, it could be argued that this is a large part of the foundation of organizing. Not all voluntary organizations are like the PTA or bird-watching clubs; some are about competition and separation, ideas that are hardly net-generators of interpersonal trust (Berman 1997). In this vein, Margaret Levi (1996) has aptly made a distinction between social and “unsocial” capital. Or as a colleague from Bosnia stated at a conference: “Our problem has been that we have had too much social capital.”

A Theory of Social Capital and Welfare State Institutions

Putnam’s theory offers a sociological explanation for how social capital is created and destroyed. Interpersonal trust is seen as something that is built up by citizens “from below” through the culture that permeates the networks of civil society. Because of this sociological focus, the social capital debate has sometimes lost sight of political and institutional factors. As clarified by Mettler (2002:363) in her study of policy effects on civic engagement and political participation, “The lively debates over civic engagement have focused, to date, too exclusively on social determinants […] It is time to “bring the state back in” to the study of civic life. Government fosters political learning among citizens through a myriad of policies. The question is what kinds of lessons and messages public rules and provisions convey, and through which mechanisms of policy design.”
Furthermore, just like there seems to be bright and dark sides of voluntary organizing, we suspect that the state can both create and destroy social capital by designing public institutions and policies. In advanced societies this is, we suspect, particularly true of institutions that comprise important parts of welfare state policy. Citizens in developed welfare states frequently come into direct personal contact with many different types of public agencies and services. Social insurance, childcare, benefit systems, public healthcare, unemployment insurance, eldercare, and public education are but a few examples of this variation. In many cases, such institutions can be pervasive factors in people’s daily lives, probably at least as pervasive as any voluntary organizations. We suspect that people’s views of the society around them and of their fellow human beings are partly shaped by their contacts with such public welfare state institutions. In fact, the data we will present indicate that they are more important to social capital than the degree of involvement in organizations and civil society. To construct this argument, we build upon what social psychological research calls procedural justice. This research has shown that people are concerned not only with the final results of personal contacts with public institutions (“Did I get the allowance?”; “Was I convicted in court?”; “Am I satisfied with daycare?”). They are frequently at least as interested in whether the process that eventually led to the final result was fair (see Thibaut and Walker, 1975; Lind and Tyler, 1988; Tyler 1998). The importance of procedural justice has also been demonstrated in comparative historical research (Levi 1988).

There are numerous aspects of procedural justice involved in citizens relations with the welfare state. These may involve questions of whether the individual was received with respect and dignity, whether he or she was able to communicate opinions to the civil servants, if there are signs of discrimination or corruption, and cheating (see Tyler 1998). To secure political legitimacy, political philosophers such as Ronald Dworkin have underlined the importance of
citizens being treated with “equal concern and respect” by government institutions (Dworkin 1977, 180ff, cf. Rothstein 1998). In this case, the central empirical question is the following: How do people react when they believe they have not been given fair and equal treatment in their personal contacts with the agencies of the welfare state? Recent studies indicate that positive perceptions of procedural justice in contacts with the institutions of the welfare state tend to increase general political trust (operationalized via survey questions on “trust in politicians” and “satisfaction with the way democracy works”, Kumlin 2004; see also Soss 1999). Thus, as argued by Dworkin and supported by this empirical research, the legitimacy of the political system appears to depend in part on the system’s ability to create procedural justice in concrete encounters between citizens and public institutions responsible for implementing public policies.

Of course, we are interested in how trust among citizens can be influenced by the extent to which the goal of procedural justice is achieved by government institutions (cf. La Porta et. al. 1999). Hence, what we need is a theory that elucidates how different types of institutional designs can affect the degree of differential treatment, arbitrariness, partiality, finagling, corruption, etc. in the public administration and, in turn, the degree of interpersonal trust.

**Needs Testing, Universalism, and Social Capital**

How should the encounter between citizen and public institution be designed so that the principle of procedural justice can be maintained and the suspicion of discrimination and cheating can be avoided? We take as our starting point the distinction between selective and universal forms of public service (Rothstein, 1998). Selective public service is service that is provided to individuals only after an individual needs test. Citizens must meet a number of more or less specific conditions to qualify for a benefit or service. These conditions may be of an economic nature, as in the case of social and housing allowances. Such conditions may also be related to the
individual’s health or ability to care for himself (in order to qualify for a disability pension, various types of eldercare, or various kinds of active labor market measures). However, what distinguishes the Scandinavian welfare states in a comparative perspective is that they are dominated by universal programs. This means that access to many social programs (such as old-age pensions, health care, child-care, child allowances, and health insurance) are not targeted to “the poor,” but instead cover the entire population (or easily defined segments) without consideration of their ability to pay for themselves (Rothstein 1998).

The problem with needs testing from the perspective of procedural justice is that it places great demands on both public employees, as well as on citizens seeking assistance. The public employee must actively interpret a general body of regulations and apply them to each individual seeking to qualify for a public service. The difficulty is that the regulations are seldom so exact that they provide completely unambiguous direction as to what is the right decision in an individual case. As Michael Lipsky (1980) shows in Street-Level Bureaucracy, “grassroots bureaucrats” must develop their own practice in interpreting the regulations in order to deal with this difficulty. This interpretive practice is frequently informal and less explicit in nature and, consequently, the bureaucracies applying the needs tests are easily suspected of using “prejudice, stereotype, and ignorance as a basis for determination” (Lipsky 1980:69). In other words, programs based on needs-testing implies a great scope for bureaucratic discretion. The citizen, for her part, has an incentive and opportunity in this situation to withhold relevant information from the bureaucrat and to try in various ways to convince the latter that she should qualify for the service in question. This easily escalates into a vicious spiral of distrust from the client leading to increasing control from the bureaucrat (who, moreover, is equipped with a large scope of discretion) that in its turn results in still more distrust from the client, and so on (Hermansson 2003).
Because of these complex and controversial decision-making processes, needs testing and bureaucratic discretionary power are often more difficult to reconcile with principles of procedural justice, compared to universal public services. Since selective welfare institutions must test each case individually, they are to a greater extent subject to the suspicion of cheating, arbitrariness, and discrimination, compared to universal public agencies.

What is the causal link between procedural justice and interpersonal trust? We believe that there may be three psychological mechanisms at work here. First, people may draw inferences about others’ trustworthiness from how they perceive public service bureaucrats. If social workers, local policemen, public health workers, etc. act in such a way that they can not be trusted, then why should people in general be trusted? Second, if citizens, in order to get what they themselves deem necessary from the public services, have to engage in cheating, distorting vital information, and other forms of dishonest behavior, then why should people in general be trusted? Third, if you yourself, in order to get what you deem fair from public services, have an interest in engaging in questionable behavior, then not even people like yourself can be trusted, and then why should “other people in general” be trusted?

In summary, needs-tested public services may more readily give rise to suspicions concerning poor procedural justice and arbitrary treatment than do universal agencies, and this may influence citizens’ views on the reliability of both public employees and other people. Universal programs, on the other hand, may give rise to a sense of equal treatment and that the “rules of the game” in society are based on principles of fairness. These assumptions give rise to two related hypotheses on needs testing, universalism, and social capital. First, if these assumptions are correct it may be expected that personal experiences with selective, needs-tested welfare state institutions will have more negative effects on interpersonal trust than other welfare state experiences. Second, by a reversed logic, personal experiences with universal welfare state
institutions, which make it more likely that bureaucrats and citizens behave in a trustworthy and “correct” manner, should have less negative, or even positive, effects on interpersonal trust.

The Welfare State and Social Capital: An Empirical Study

To test our hypotheses, we use a survey conducted in 1999 in Western Sweden\(^2\) by the SOM Institute at Göteborg University (see previous footnote). This study contains a wealth of information on the respondents’ personal contacts with various kinds of public services (c.f. Nilsson, 2000). In the 1999 study, for example, the respondents were asked to indicate whether they had personally been in contact with one or more of the following institutions, which mainly provide needs-tested services marked by bureaucratic discretion in the decision of whether or not the client is entitled to the service/allowance: housing allowances, social assistance, transportation allowances for disabled persons, disability pensions, disability care, active labor market measures, eldercare.\(^3\) A variable was created that registered how many of these institutions each respondent had been in contact with. Table 1 shows the frequency distribution of this measure.\(^4\)

Approximately two thirds (68 percent) of the respondents had not been in contact with any of these primarily selective institutions, while 24 percent had been in contact with one of them. Only 8 percent had experienced two or more selective agencies. These figures underline the universal nature of the Swedish welfare state (Esping-Andersen 1990). Assistance and services are usually distributed to citizens in accordance with universal principles, not just to those who are below a certain income level or standard of living. The majority of the people do not come into contact with needs testing.
Based on the same type of information, a measure of the extent to which people come into contact with universal, non-needs-tested public services was created. More specifically, Table 2 shows how many of the following services the respondents use personally: public transportation, municipal childcare, library, sports facilities, child healthcare center, healthcare center, hospital, cultural activities, recreational activities, and national dental service. The table further underlines the universal, non-selective nature of the Swedish welfare state. A very small minority (6 percent) have no contact with any universal institution. Over half of them use four or more of these services. The mean value is 4.0.

[Table 1 and Table 2]

We can now begin to examine how social capital is influenced by personal contacts with welfare state institutions. Tables 3 and 4 show the average values along the trust scale among respondents with various degrees of contact with the two types of institutions. These bivariate data support our predictions. Table 3 supports the hypothesis that contacts with needs tested welfare institutions are problematic for interpersonal trust. Average trust among the majority who had not been in contact with selective institutions is 6.7. The figure drops to 6.0 in the group that has experience with one of the selective institutions included in the data material and to 5.7 among those who have been in contact with two or more of these organizations. The correlation (Pearson’s r) between the degree of contact with selective welfare institutions and interpersonal trust is –0.14.

Table 4 supports the related hypothesis that contacts with universal welfare institutions – which do not face the same problems regarding the suspicion of cheating and arbitrariness – are better at facilitating the accumulation of social capital. In fact, the effects of experiences with universal institutions on trust are positive. The average trust among the majority who had not been in contact with any universal institution is 5.9. The figure rises gradually to around 6.8
among those who are in contact with six or more universal welfare institutions. The correlation (Pearson’s r) between the degree of contact with universal welfare institutions and interpersonal trust is 0.10.

[Table 3 and Table 4]

One obvious problem in the analysis to this point is that, in addition to differences in types welfare state experiences, there are also other differences between the various categories. These factors, in turn, can affect interpersonal trust. The potential threats here include background factors such as social status and class affiliation or attitudes of various kinds. The real challenge is of course to isolate the effects of experiences with institutions from these other factors. To accomplish this, an OLS regression model was estimated, where the effects of contacts with selective and universal institutions were controlled for a number of possible spurious variables (Table 5).

[Table 5]

Much of the association between trust and contacts with welfare institutions remains in the multivariate analysis. For each additional contact with a selective welfare institution, average interpersonal trust drops by -.26 along the 11-point trust scale. Conversely, trust rises for each additional contact with a universal institution (.07). These statistical effects differ significantly from zero and apply when the other variables in the model are held constant. In other words, the covariation between the institutional variables and trust does not appear to have been mainly created by spurious influences of the control variables in the regression model. The institutional variables and trust also covary among people of the same age, level of education, subjective class affiliation, income, level of activity in civil society, political interests, job sector, degree of satisfaction with life, left-right ideology, and labor-market status.
Of course, one can always object that there is some socio-economic or demographic variable that has been left unspecified, and that its inclusion would wash away the institutional experience effects. Our response is twofold. First, it would appear that the model is actually quite well-controlled. Not only do we include four socio-economic/demographic control variables (education, class, income, employment status), but we also simultaneously hold constant four of the attitudinal, perceptual and behavioral causal mechanisms through which socio-economic/demographic factors may exercise an impact on trust (civil society activity, interest in politics, political values, and subjective life satisfaction). The fact that a considerable chunk of the institutional experience effects remain even controlling for these eight potentially status-related variables arguably means that our hypothesis has passed a tough empirical test.

Our second response would be that we welcome future research that tests our hypotheses using data that offer opportunities for (even) tougher statistical controls, or that perhaps uses even experimental data. We obviously think that our causal interpretations are correct, but then again the opposite is always possible, especially when using non-experimental data. Regardless of the outcomes of such future studies, however, we would then say that scientific progress has been made, and that the results presented here were part of that progress, as they were a step towards finding out something we did not previously know about social capital formation.

Finally, looking at table 5, most control variables also have a statistical effect on the dependent variable. We can see that higher age and education, middle-class affiliation, greater income, higher level of activity in civil society, and a greater satisfaction with life have independent positive effects on interpersonal trust. Right-wing ideology and unemployment, on the other hand, covary negatively with trust.

Thus far, then, we have found support for our hypotheses concerning how the design of the welfare state can either make or break social capital. Interpersonal trust seems to be influenced by
the types of welfare institutions with which one is in personal contact. The effects are relatively respectable in the sense that they are not significantly smaller than the effects of variables that represent other theoretical perspectives. In particular, contrary to what would be predicted by Putnam’s theory of social capital the institutional welfare state variables appear more strongly related to social trust than participation in voluntary organizations.

**Looking for Causal Links**

Let us now take a step further and test an implication that has so far played the role of an untested assumption. We are thinking about the causal mechanism in the causal chain between different types of experienced institutions and trust. More specifically, our first question is whether it is true that people with more experience with selective welfare, and less experience with universal welfare, actually perceive themselves as having been mistreated to a greater extent.

One of the questions in the 1999 West Sweden survey was: “If you think of your own contacts with the following agencies during the past 12 months, to what extent do you believe you have received the service and help to which you are entitled?” The respondents answered for agencies concerned with each of the following services: healthcare, childcare, social assistance, transportation service for disabled persons, employment exchanges, and housing allowances. Those who had been in contact with the agency in question used a scale running from 1 (did not receive the service and help to which I am entitled) and 5 (received the service and help to which I am entitled). To a certain extent, this question should be able to capture citizens’ views of equal treatment or discrimination relative to existing regulations and practice. Univariate information about the variables can be seen in Table 6.

[Table 6]
The hypothesis seems to be supported in that the three universal welfare state institutions healthcare, childcare, and public transportation are given rather high marks. The high positive balance measure indicates that most people are actually leaning toward the idea that they have received the service and help to which they are entitled. The mean value along the five-point scale is just over four. This bright picture is darkened somewhat when we look at perceptions of the three selective welfare institutions social assistance, employment office, and housing allowances. The balance measure for these services is between +10 and +34 and the mean values are just over the midpoint of the scale (3). On the whole, there appears to be empirical justification for the prediction that people with experience with selective welfare and less experience with universal welfare will to a greater extent perceive themselves as having been mistreated.\(^6\)

The next step in the theoretical causal chain predicts that people’s views of how they have been treated will, in turn, affect interpersonal trust. In other words, their perception of their treatment forms the causal link between differences in institutional contacts and trust. Table 7 presents six regression analyses, specifically, one for each of the six institutions in the previous analysis. The dependent variable is the 11-point trust scale, and each model is estimated only among those who use the institution in question. The key independent variable is people’s view of the extent to which they have received the service and assistance to which they are entitled. Each regression model also contains three control variables: degree of activity in civil society, education, and satisfaction with life.\(^7\)

[Table 7]

This setup makes it possible to test an implication of the theoretical framework that is not immediately obvious. If it is true that it is people’s views of equal treatment that comprise the causal link between institutions and trust, then the minority who actually feel they have been well
treated in their contacts with selective institutions should demonstrate greater trust than the majority who do not think so. Conversely, the minority who in contacts with universal institutions feel that they have not been treated well should demonstrate lower trust than the majority who have positive experiences. This is also the main empirical pattern that appears. For four of six institutions (healthcare, public transportation, social services, and the employment office) people’s views of whether they received what they perceive as fair have a significant effect on interpersonal trust. For one additional institution (childcare) there is a certain effect in the right direction, but it is not quite significant ($b=.12; p\text{-value}=.17$).

(Un)social Capital from Vittula

What are we to believe? Can it really be true that contacts with welfare state institutions shape our views – not just of institutions, but also of our fellow human beings? And, if so, what is it more specifically that occurs during experiences with various types of institutions? We believe that our results and interpretations take us a good bit of the way to a more complete understanding.

However, most serious researchers always have trouble shaking the sneaking feeling that research results may be, in part, artifacts that are born of the researchers’ own analytical tools and that the results reflect theories and data foreign to reality, rather than reality itself. Thus, before the concluding discussion we would like to draw attention to a very anecdotal but very illuminating piece of evidence. More specifically, we turn to modern literature in order to avoid, to a certain extent, the suspicion that our theories and results are valid only in the ivory tower. Mikael Niemi’s award-winning novel *Populärmusik från Vittula* [Popular Music from Vittula] contains a scene that appears quite plausible in the light of our research. This immensely popular
novel, which has to date been bought by some 7 percent of the Swedish population, and which
purports to be partly autobiographical, is about a young boy growing up in Pajala in the
northernmost part of Sweden in the 1960’s. The following scene takes place one Saturday
evening, while father and son are taking their customary sauna bath.

“This evening was different. In retrospect, I came to understand that Dad had planned it
all. There was something in the air. Nervousness. We sat down in the dressing room where the
washing machine stood in one corner. Mom hurried out. It was clear she wanted to leave us
alone…. Dad cleared his throat, but remained silent for several minutes….

“Now that you are no longer a little boy…” he finally began, speaking in Finnish...

“You have probably wondered from time to time … asked yourself some questions…”

Surprised, I gave him a furtive glance and saw the muscles of his jaw throbbing.

“Asked yourself…. about life … about people … Now that you are bigger, you should
know…”

He paused, took another drink, and avoided looking at me. I was thinking, now comes the
sex education. Condoms.

“This has to stay between the two of us. In confidence. Man to man…. There are two
families in town that have wronged us greatly and that you must hate from here on out. The
first case goes back to a perjury trial in 1929. The second involves haymaking rights on the
bog that a neighbor cheated out of your grandmother’s father in 1902. You will avenge both
of these wrongs by every means possible as soon as you have the opportunity, until those
bastards have confessed, paid, and gotten down on their knees and apologized.”
Dad summarized the various twists and turns over the years. There were suits and countersuits, false testimony, bribery of authorities, fistfights, threatening letters, vandalism, attempts at extortion, and in one case a promising elkhound was kidnapped and marked in the ear with a knife, like a reindeer. There was no limit to the cruelty these lunatics used to persecute us and, even though we got revenge as best we could, we were still a long way from evening the score… He told me the families’ names and gave a detailed account of their various branches and intermarriages, where in some cases their family name had changed, but their blood was just as venomous as before…. I memorized them and Dad quizzed me on them, since nothing was to be forgotten or forgiven out of pure negligence. …He recommended that I seek a career within the local government administration, since that would provide a position of power from which I could make life a living hell for them and, what is more, they could not get rid of me there and, with the skillful use of nepotism, I could pull enough strings to get family members into local government, so it would be impossible for these perjurers and land thieves to live here (p. 173ff, our translation)."

This little story contains concrete examples of several of our theoretical ideas. We see the “dark,” “unsocial” side of social capital: two families in which, to be sure, an impressive amount of internal social capital has accumulated, but that nevertheless hold a strong distrust for their fellow human beings outside the family. But we also see some rich examples of how public institutions, by setting aside fundamental principles of equal treatment, are seen as potentially capable of further breaking the already fragile social capital.
Conclusions and Implications

We have found empirical support for the idea that welfare state institutions have a capacity for both making and breaking social capital. An indication of the latter is provided by the finding that personal experiences with selective, needs-tested welfare state institutions seem to reduce interpersonal trust. An indication of the former is provided by the finding that experience with universal institutions, on the other hand, tends to build trust. One important link in these causal chains appears to be people’s views on fair treatment in their contacts with public agencies. If our theoretical interpretation of the correlations is correct, we may have come across one explanation for why Sweden and the other Scandinavian countries have such high levels of interpersonal trust: relatively few Scandinavians experience selectively distributed public welfare and service, while many encounter universal agencies. The creation of universal type institutions can thus be seen as a way for governments to make investments in social capital.

This result is of interest, considering the current processes of change in European welfare states. One of the main trends is that selective welfare solutions appear to be becoming more popular. As a result of pressure from external globalized world markets and internal demographic population changes, focused, needs-tested welfare solutions have gradually become more common (Ferarra and Rhodes 2000).

Sweden is one example of this trend. In particular, the crisis of the 1990’s brought many Swedes into contact with such things as social assistance, housing allowances, and disability pensions (SOU 2001:790). In this context, paraphrasing Goodin and LeGrand (1987), Svalfors (1996) has written about a “creeping selectivization” of the Swedish welfare state. In addition, individualized and locally individually adapted welfare solutions have become more popular, for example in the social insurance office’s individual-oriented rehabilitation work. Lindkvist and
Borell (1998) speak in terms of the “heterogenization” of the welfare state to describe a trend in which detailed management by regulations by the central government has gradually given way to management by objectives and local, individually adapted service solutions.

Of course, these changes away from universalism can have some advantages. But they also place considerable demands on street-level bureaucrats, who are given great power to shape concrete welfare policy. They must apply general objectives in the individual case while, at the same time, they must fulfill the individual’s expectation of equal treatment. “The outcome of welfare policy,” Lindqvist and Borell (1998:18) write “is determined on the one hand by the client’s ability to find his bearings and ‘serve himself’ in the labyrinths of welfare policy and, on the other hand, by what professional groups and other employees do when they study social needs, diagnose medical problems, or approve or deny applications for economic subsidies.” To the extent that street-level bureaucrats can be suspected of being at odds with the principle of fair and equal treatment in this process, there is a risk that both the legitimacy of the system and interpersonal trust will be undermined (see also Kumlin, 2002).

In conclusion: If our theory should prove valid in future empirical tests, the implications are considerable. First of all, the “Scandinavian puzzle” in social capital research pointed out above could be partly solved. One reason why these big welfare states do not produce “unsocial capital” is their strong reliance on universal social programs. Second, light could potentially be thrown on how trust can be established in ways other than participation in organizations – participation that can just as easily create distrust as trust in other people. Moreover, policies supposed to enhance social capital should not necessarily be aimed at supporting various voluntary organizations or informal networks (cf. Henderson 2002). Instead, if governments want to invest in social capital, it is the quality of political institutions that must be increased, not least those that are responsible for the direct implementation of policies. If this theory of social capital is correct, it also scuttles
some of the romanticism of popular movements that permeates much of the current thinking on how to improve democracy in both developed and yet-to-be-consolidated democracies. The important thing is not necessarily to increase participation in various voluntary organizations, as such participation may be more a symptom of interpersonal trust than a cause. Of course, the implications are also significant for policies toward poverty and lack of democracy in Third World countries. In this case, investing in support for various voluntary organizations to create social capital may have the opposite effect if, in practice, these organizations nurture tribalism, mistrust, nepotism, and corruption in public administration, as is the case with (un)social capital in Bosnia and in Vittula.
Figure 1  Interpersonal Trust in Sweden 1996-2002

*Question (translated from Swedish):* "According to your opinion, to what extent can people in general be trusted?". Please answer on the scale below.

*Comments:* Data from the yearly national SOM surveys 1996-2002. The scale goes between 0 and 10, where 0 indicates "you can not trust people in general" and 10 "you can trust people in general." "No responses" varies between 1 and 6 percent.
Table 1 Number of selective, needs-testing public service agencies used by the respondents (percent)

<table>
<thead>
<tr>
<th>number of institutions</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>68</td>
</tr>
<tr>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>2 or more</td>
<td>8</td>
</tr>
<tr>
<td>Total percent</td>
<td>100</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>3615</td>
</tr>
</tbody>
</table>

Comments: The data come from the 1999 West Sweden SOM survey. The number of respondents with values over 2 is approximately 3 percent.

Table 2 Number of universal, non-needs-testing public service agencies used by the respondents (percent)

<table>
<thead>
<tr>
<th>number of institutions</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>8 or more</td>
<td>7</td>
</tr>
<tr>
<td>Total percent</td>
<td>100</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>3685</td>
</tr>
</tbody>
</table>

Comments: The data come from the 1999 West Sweden SOM survey. The number of respondents with values over 8 is less than 3 percent.
Table 3 Personal contacts with selective, needs-testing welfare institutions and interpersonal trust

| Number of selective welfare institutions with which the individual has been in contact |
|---------------------------------|-----|-----|-----|
|                                  | 0   | 1   | 2 + |
| Average trust (0-10)             | 6.7 | 6.0 | 5.7 |
| Number of respondents            | 2411| 829 | 294 |

Pearson’s r -0.14

Comments: The data come from the 1999 West Sweden SOM survey. In this study, interpersonal trust is measured in the same way as in National SOM 2001 (see Figure 1). See text for more information on the independent variable (number of selective welfare institutions with which the individual has been in contact).

Table 4 Personal contacts with universal welfare institutions and interpersonal trust

| Number of universal welfare institutions with which the individual has been in contact |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|                                  | 0   | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8+  |
| Average trust (0-10)             | 5.9 | 6.2 | 6.2 | 6.3 | 6.4 | 6.6 | 6.9 | 6.8 | 6.7 |
| Number of respondents            | 192 | 289 | 459 | 587 | 593 | 517 | 398 | 296 | 250 |

Pearson’s r 0.10

Comments: The data come from the 1999 West Sweden SOM survey. In this study, interpersonal trust is measured in the same way as in National SOM 2001 (see Figure 1). See text and Table 1 for more information on the independent variable (number of universal welfare institutions with which the individual has been in contact).
Table 5 Effect of contacts with selective and universal welfare institutions on interpersonal trust (unstandardized OLS coefficients)

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Interpersonal trust</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(0-10, higher value = greater trust)</td>
</tr>
</tbody>
</table>

| Number of needs-tested institutional contacts (0-2) | -.26*** |
| Number of universal institutional contacts (0-8) | .07*** |

| Age (15-80) | .006* |
| Education (1-3) | .32*** |
| Subjective class affiliation (1= middle class) | .27** |
| Family income (1-8) | .08*** |
| No. of memberships in organizations in civil society | .09*** |
| Interest in politics (1-4) | .00 |
| Employed in public sector | .12 |
| Satisfaction with life (1-4) | .63*** |
| Left-right ideology (1-5) | -.17*** |
| Unemployed | -.28 |

| Intercept | 6.40*** |
| Adjusted R-squared | .10 |
| Number of respondents | 2543 |

* p<.10  ** p<.05  *** p<.01

**Comments:** The data come from the 1999 West Sweden SOM survey. For information on the dependent variable, see Figure 1 and the text. For information on the top two institutional variables, see Tables 1 and 2 and the text. The education variable is coded 1= elementary school, comprehensive school, 9-year compulsory school, folk high school, two-year senior high school, vocational school, 2= girls’ school, lower school certificate, min. 3 years of senior high school, 3= studied at college/university. Subjective class affiliation is based on a question where the respondents described their own family and it is coded 0= working-class family, 1= farm family, civil servant’s family, academic family, ran own business. The income variable reflects intervals of 100,000 kronor and varies from 1=100,000 kronor or less to 8= over 700 000 kronor. The number of memberships in civic organizations reflects how many of the following types of organizations in which the respondent is currently involved (defined as, at a minimum, holding membership): professional organization, parents’ organization, local folklore society, humanitarian aid organization, tenants’ association/housing cooperative/home owners’ association, sports/outdoor recreation association, immigrants’ organization, consumers’ cooperative, cultural society/music/dance, women’s organization, local action group, environmental organization, automobile club, retirees’ organization, political party (including women’s or youth association), and other association. Interest in politics varies from 1= very interested to 4= not at all interested. The life satisfaction variable is based on the question “How satisfied are you overall with the life you are living?” It varies from 1= not at all satisfied to 4= very satisfied. For left-right ideology, respondents were asked the following: “People sometimes say political opinions can be placed on a left-right scale. Where would you place yourself on such a left-right scale?” The variable varies from 0 =far to the left and 5= far to the right.
Table 6 Citizens’ perception of whether they received the service and assistance to which they are entitled in personal contacts with various public agencies

<table>
<thead>
<tr>
<th>Service</th>
<th>Balance Measure</th>
<th>Mean Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>+62</td>
<td>4.1</td>
<td>2836</td>
</tr>
<tr>
<td>Childcare</td>
<td>+71</td>
<td>4.2</td>
<td>613</td>
</tr>
<tr>
<td>Public transportation</td>
<td>+69</td>
<td>4.1</td>
<td>1977</td>
</tr>
<tr>
<td>Social assistance</td>
<td>+10</td>
<td>3.2</td>
<td>198</td>
</tr>
<tr>
<td>Employment office</td>
<td>+23</td>
<td>3.3</td>
<td>676</td>
</tr>
<tr>
<td>Housing allowances</td>
<td>+34</td>
<td>3.7</td>
<td>375</td>
</tr>
</tbody>
</table>

Comments: The data come from the 1999 West Sweden SOM survey. For information on wording of the questions and alternatives, see text. The balance measure was calculated by subtracting the number of respondents on the negative side of the middle alternative (1.2) from the number of respondents on the positive side (4.5). Thus, a higher balance measure means that more are satisfied and fewer dissatisfied.

Table 7. Effects of perceptions of whether people received the service and assistance to which they are entitled

(unstandardized OLS coefficients)

<table>
<thead>
<tr>
<th>Service</th>
<th>Health care</th>
<th>Childcare</th>
<th>Transportation service</th>
<th>Social assistance</th>
<th>Active labor market</th>
<th>Housing allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received the service and assistance to which you are entitled? (1-5)</td>
<td>.31***</td>
<td>.12</td>
<td>.27***</td>
<td>.30**</td>
<td>.13*</td>
<td>-.02</td>
</tr>
<tr>
<td>No. of memberships in organizations in civil society</td>
<td>.14***</td>
<td>.09**</td>
<td>.18***</td>
<td>.17**</td>
<td>.20***</td>
<td>.10</td>
</tr>
<tr>
<td>Education (1-3)</td>
<td>.46***</td>
<td>.42***</td>
<td>.40***</td>
<td>.04</td>
<td>.44***</td>
<td>.35**</td>
</tr>
<tr>
<td>Satisfaction with life (1-4)</td>
<td>.68***</td>
<td>.93</td>
<td>.63***</td>
<td>.70***</td>
<td>.52***</td>
<td>.65***</td>
</tr>
<tr>
<td>Intercept</td>
<td>5.26***</td>
<td>6.74***</td>
<td>5.32***</td>
<td>5.86***</td>
<td>5.25***</td>
<td>6.41***</td>
</tr>
</tbody>
</table>

* p<.10  ** p<.05  *** p<.01

Comments: The data come from the 1999 West Sweden SOM survey. See Tables 5 and 6 for more information on variable constructions.
References


1 The SOM studies are conducted by the SOM Institute, which is operated jointly by the Dept. of Journalism and Mass Communications (JMG), the Dept. of Political Science, and the School of Management at Göteborg University. Each year since 1986 the SOM Institute has conducted a nationally representative questionnaire on the topic of Society, Opinion, and Mass Media (thus the name SOM). The nationwide study, Riks-SOM, has included 6,000 people since 1999. The study is conducted in the form of a questionnaire distributed by mail. For more information, see Holmberg and Weibull (2002), and visit the institute’s home page at www.som.gu.se. Since 1992, the SOM institute has also conducted a number of local and regional surveys, including an annual survey in West Sweden. The bulk of our data comes from the 1999 version of this study. In the early West Sweden SOM surveys, the sampling area covered Göteborg and a smaller number of municipalities near the city. In 1998, the survey was expanded so as to cover the entire Västra Götaland region. This region contains 1.5 of the 8.9 million Swedish inhabitants. Göteborg, the second largest city in Sweden, is located in the region.

2 Or more accurately, the Västra Götaland region.

3 In Swedish: bostadsbidrag, socialtjänst, fördjänst, förtidspension, handikappomsorg, arbetsförmedling, äldreomsorg

4 Three different questions were used to generate information about which welfare state institutions respondents had experienced: The first one was “Please indicate below which of the following services you yourself or a family member use.” Respondents were presented with a list of welfare state institutions, mainly locally distributed human services. For each service, there were three response alternatives: “I use the service myself,” “I don’t use the service, but a family member does,” and “neither I, nor a family member, use the service.” Ticking the first alternative counts as personal contact. Second, we took advantage of the question “Please indicate to which of the following groups you belong at present.” Among other things, respondents indicated if they were pensioners, early retired, or participated in active labor market programs. Third, contacts with social assistance, housing allowance, and employment office, were measured by a question on correct treatment in contacts with these institutions. Those who did not
tick a “no contact alternative”, but answered the question, were coded as having been in contact with these institutions. Finally, cases were coded as missing if they had invalid answers on all the items following the head question “Please indicate below which of the following services you yourself or a family member use.”

5 The difference in trust between those who have been in contact with six universal institutions and those who have been in contact with eight or more is not significantly different from zero (t=0.92; p-value =0.36).

6 In an earlier analysis, one of us found that this conclusion also holds in a larger, multivariate analysis (see Kumlin, 2002, 2004:Chapter 10).

7 The reason not all controls from Table 5 are included this time is that several of the contact categories are too small for assessing models with sufficient certainty if all the control variables are included. This is not necessarily a problem, however: Alternative specifications of the regression models in Table 5 showed that precisely these three control variables – degree of activity in civil society, education, and satisfaction with life – are sufficient for obtaining unbiased estimates coefficients of the institutional variables.