

**NORDIC COUNCIL OF MINISTERS
ANALYSIS REPORT**

TRUST – THE NORDIC GOLD

The Nordic region has the highest levels of social trust in the world, which benefits the economy, individuals and society as a whole. This report discusses the background to why social trust has reached such high levels in the Nordic region, and why it is now under threat.



Nordic Council
of Ministers

Trust – the Nordic Gold

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It is difficult to imagine societal models like those in the Nordic countries if citizens do not trust that other citizens also contribute to the economy through the tax system, and that public authorities manage tax revenues in a fair and efficient way, free from corruption.

Foreword

This report concerns trust or, more specifically, social trust, a subject that has attracted considerable research interest in recent decades. Trust is also a subject with a very strong Nordic foundation. The Nordic region is regarded as a world leader when it comes to social trust among its population. The extensive research literature in the field suggests that a high level of social trust is perhaps the most important resource for a society in both economic and other terms. Consequently, as the title of the report implies, trust can be regarded as a type of gold for the Nordic countries.

This report provides some background on how the Nordic region has succeeded in generating such high levels of trust. Briefly, it is the result of many societal processes, some extending far back into history while others are more modern. In this report, the focus lies on the historical role of voluntary associations in the Nordic societies, and on the function of the state. Well-functioning and fair societal institutions, an absence of corruption, and aspects of a general welfare state are of key significance for the level of trust. One special dimension considered is the relationship between associations and the state, which has been particularly important in the Nordic context.

The report also includes a discussion on the challenges facing social trust in the Nordic region. Although there are many tough challenges, the future of social trust in society is not determined by fate; in many ways, it lies in the hands of politicians and other decision-makers.

This report has been written by Ulf Andreasson of the policy analysis unit at the Secretariat to the Nordic Council of Ministers. It is part of a report series that will aim to highlight current issues that are important from a Nordic perspective.

Copenhagen, April 2017

Dagfinn Høybråten

Secretary General,
Nordic Council of Ministers



Summary

All available research indicates that the Nordic societies are characterised by high levels of social trust. However, the levels are not just high in themselves – they distinguish Denmark, Finland, Iceland, Norway and Sweden from the rest of the world, and no other countries reach the same levels.

The economy benefits in many ways from social trust. A society with a high level of social trust has fewer formalities, conflicts and legal processes. In economic terms, social trust reduces transaction costs in the economy, i.e. costs associated with ensuring that an agreement is fulfilled. Calculations indicate that an increase of ten percentage points in social trust can be expected to increase economic growth in a country by half a percentage point.

The effects of trust extend beyond purely economic aspects – research has also shown social benefits. People with greater levels of trust are more inclined to perceive that they have better control over their lives and better life chances. Trust is also regarded as an important component in promoting engagement in society, reducing criminality, and increasing individual happiness.

Consequently, the high levels of social trust can justifiably be called a Nordic gold, both for the individual and for society. Trust is not a natural resource as such, but something that has grown over a long period through several interacting societal processes. The two aspects highlighted in this report concern the role of the state and the function of voluntary associations. While the formation of associations seems to have played a key role in an earlier historical phase that largely coincided with the transformation of the Nordic countries from agricultural to industrial societies, the state has played a more important role in more recent decades.

The associations that arose during the 19th century in the Nordic region, often described as 'popular movements', were usually voluntary, local and member-based, and characterised by democratic decision-making processes. These features were far more common than in other countries. The associations served as a type of glue, holding society together and promoting strong local norms of trust and respect. These associations left deep impressions on the Nordic societies.

Research into the role of the state indicates that the population perceives fairness in the actions of societal institutions and that the state has a low level of corruption, particularly in recent decades. Another important factor is a general welfare state that has worked to prevent the development of underclasses in society. A further positive influence is that the state has worked to raise the level of education in the population.

One important aspect stimulating social trust in the Nordic region has been the relationship between the state and the associations. The latter fulfilled an important function as a platform from which individual citizens could exert political influence; this increased trust in public authorities and other societal institutions, which in the long term increased social trust. At the same time, the state has had an open attitude to the associations, even though in many cases these associations had a critical attitude to central politics.

One significant explanation for social trust in the Nordic societies, and one that has had a positive effect on, for example, the economy, is that the state works in a transparent and fair way, with a high degree of integrity, which generates positive effects. When the Nordic economic successes are analysed, this is a key factor.

In many ways, trust is the cohesive force that holds the Nordic societies together. The Nordic societies would probably have more to lose through reduced social trust than other countries – not simply because the Nordic societies have the highest levels of trust, but because the social model, or rather the social contract, is based on high levels of social trust.

Introduction

The economist Lars Calmfors has examined what distinguishes Sweden, Norway, Denmark, Finland and Iceland from other countries around the world. His conclusion is that, over time, it has become increasingly difficult to argue that the Nordic societies are fundamentally different from other, mainly European, countries. Many other countries also have high tax levels, generous welfare systems with large public sectors and extensive collective agreements in the labour market, features that are historically associated with the Nordic countries. In addition, the Nordic countries have become more heterogeneous in areas in which they previously appeared to have much in common, such as marginal taxes and the size of the public sector in relation to GNP.

Even though the Nordic countries are now less unique and homogeneous than previously, it still makes sense to talk about a Nordic model.

Calmfors nevertheless argues that factors such as income equality, high levels of employment, particularly among women and elderly people, low national debt, focus on flexicurity in the labour market, major investments in human capital, and a large proportion of the population employed in the public sector still make it appropriate to talk about a Nordic model. Calmfors also emphasises one area in which the Nordic countries significantly distinguish themselves from other countries: trust. No other region in the world reaches the Nordic levels of trust.¹

The Nordic region has the highest levels of trust in the world.

The aim of this text is to examine trust, particularly the social trust, in the Nordic region. How are the Nordic countries different from other comparable countries, what effects does trust have for the Nordic societies, how has trust arisen, and what potential threats does it face? The intention is not to present a comprehensive review of current research in this area, but rather to stimulate discussion. We argue that trust is perhaps the most important resource in the Nordic societies – a Nordic gold – and is a key factor in understanding the modern successes of the Nordic countries, both socially and economically. Another point we emphasise is that creating and retaining trust in society is not impossible, and lies in the hands of the decision-makers.

The concept of trust

Trust has been the subject of many studies since the 1980s, many of them carried out by sociologists and economists. Trust is often seen as part of the social capital in a society. According to one of the most renowned researchers in the field, Robert Putnam, social capital should be seen as the sum of norms, trust and networks.²

Trust is a central component of social capital.

Historically, research into trust has aligned with neoclassical economic theory, as this is based on a slightly different decision rationality to the one characterising the neoclassical research tradition. The strong growth of trust research in recent years is partly a result of shortcomings in explanatory models in neoclassical research. The neoclassical side has responded by presenting a nuanced picture

1. L. Calmfors, "How well is the Nordic Model doing? Recent performance and future challenges", in T. Valkonen & V. Vihriälä (eds.), *The Nordic Model – Challenged but Capable of Reform* (2014). It should be pointed out that, since the financial crisis, Iceland has not had the same low level of national debt as other Nordic countries.

2. R. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (1993).

of the decision rationality of individuals, and attempts are now being made to incorporate, for example, trust, norms and culture.³

An individual's trust in social actors, institutions and phenomena can vary. For example, an individual may have one level of trust in politicians, another in public authorities, and a third level of trust in a neighbour or colleague. A common way of considering trust in practical terms in research is to examine more closely what is often called social trust. Social trust is the degree to which people trust other people who they do not know.⁴ Researchers usually argue that extending measured results of social trust from the individual to the societal level enables comparisons of the social capital between different societal and geographical areas.

Consequently, social trust could be regarded as an individual's perception of human nature. In many ways, social trust concerns the expectation that a given norm is respected by people they do not know, and the expectation that these people do not have dishonest intentions. In other words, social trust is a measure of an individual's perception of the level of morality in the society in which they live.⁵

Social trust - the degree to which people trust other people who they do not know.

Social trust can be seen as an individual's opinion of the moral level of society: can you really trust other people? By extending individual responses to that question to a societal level, the level of social capital between different societies can be compared.

Benefits of trust

There is a relative consensus regarding the effects of trust, which can be divided into economic and other effects. The following is a selection taken from a rich and extensive scientific literature that is almost unanimous, i.e. that a society with a high level of social trust has many advantages, both for the individual and for society. Most of us would, without doubt, prefer to live in a society with a high level of social trust rather than in one with a low level.

The economy benefits in many ways from social trust.⁶ The one that attracts most attention is that society is less characterised by formalities, conflicts and legal processes. Trust can be seen as an absence of the need to verify other people's actions.⁷ Expressed in economic terms, social trust reduces the transaction costs in the economy, i.e. the costs connected to ensuring compliance with agreements. Lack of social trust necessitates extensive checks of compliance with formal and documented laws by public authorities. This takes time, ultimately, from productive work.

A high level of social trust reduces transaction costs in the economy, and brings other economic benefits.

Commerce also benefits from high levels of trust, in that transaction costs are lower.⁸ Another economic benefit is that high levels of trust help create favourable conditions for investments.⁹

3. A tangible way to incorporate trust in the neoclassical tradition is to regard it as a social norm that reduces the complexity in the information resource. See D. Furlong, *The Conceptualization of Trust in Economic Thought* (1996).

4. This is sometimes called general trust.

5. More about this can be found in E.M. Uslaner, *The Moral Foundation of Trust* (2002).

6. See for example G. Tabellini, "Culture and Institutions: Economic Development in the Regions of Europe", in *Journal of the European Economic Association* 8 (2010). For a critical text, see F. Roth, "Does Too Much Trust Hamper Economic Growth?", in *Kyklos. International Review for Social Science* 62 (2009).

7. P.J. Zak & S. Knack, "Trust and Growth", in *The Economic Journal* 111 (2001). A special case involves the lack of need for control in working life. See A. IIsøe, "Between trust and control: company-level bargaining on flexible working hours in the Danish and German metal industries", in *Industrial Relations Journal* 41 (2010).

8. H.L.F. De Groot et al., "The Institutional Determinants of Bilateral Trade Patterns", in *Kyklos. International Review for Social Science* 57 (2004). See also F. Fukuyama, *Trust—The Social Virtues and the Creation of Prosperity* (1995).

9. Zak & Knack (2001).



PHOTO: ODDLEIV APNESETH, NORDEN.ORG

Social trust has other effects than purely economic: it contributes to individual happiness, simplifies collaboration, stimulates political commitment, promotes democratic development, and reduces criminality.

The scientific literature argues that social trust serves as a kind of lubricant for the economy.¹⁰ Christian Bjørnskov at Aarhus University reviewed empirical studies and calculated that an increase of ten percentage points in social trust can be expected to increase economic growth by half a percentage point.

Social trust has other effects that are not immediately economic, but that benefit both the individual and society. For example, several studies show a strong association between trust and individual happiness; people feel good about living in a society where people trust each other.¹¹ Another positive effect is that social trust simplifies collaboration and promotes altruistic preferences in the population.¹² Overall, people with high levels of trust are more inclined to perceive

10 Fukuyama (1995). See also O. Blanchard et al., *Unemployment, Labour-Market Flexibility and IMF Advice: Moving Beyond Mantras* (2013). Bjørnskov, C., "The Determinants of Trust", in *Ratio Working Papers* (2005). C. Bjørnskov, "Economic Growth", in: G.L.H. Svendsen & G.T. Svendsen (eds.), *Handbook of Social Capital* (2009).

11. See for example A. Rodríguez-Pose & V. von Berlepsch, *Social Capital and Individual Happiness in Europe*, in *Bruges European Economic Research Papers* 25 (2012). Interestingly, the correlation is weakest in northern Europe.

12. Putnam (1993).

13. See B. Rothstein, "Corruption and Social Trust: Why the Fish Rots from the Head Down", in *Social Research* 80 (2013). See also A. Leung et al., "Searching for Happiness: The Importance of Social Capital", in *Journal of Happiness Studies* 12 (2011).

that they have greater control over their lives and have better life chances.¹³ Trust has also come to be regarded as an important component in promoting political engagement and democratic development in society.¹⁴ A favourable, i.e. reducing, effect on criminality has also been shown.¹⁵

One reflection about the extensive research literature in the field is that it can sometimes be difficult to distinguish between what generates social trust and the effects of social trust. For example, it is feasible and probable that economic growth generates social trust in a society, which in turn generates further growth.¹⁶ The inverse also applies, with a downward spiral where falling trust affects factors that, in turn, have negative effects on trust. In other words, the relationship between trust and its consequences is a matter of which came first, i.e. the chicken or the egg conundrum. In this context, it is sufficient to observe that the existence of social trust in a society can generate positive spirals where trust and its effects mutually reinforce each other or, if a negative spiral develops, they risk mutually weakening each other.

The Nordic trust

The most common way to measure social trust in Europe involves the European Social Survey. The surveys started in 2001 and are carried out every other year. People in each participating country indicate on a ten-point scale the extent to which they feel they can trust most people.

The most recent results available are from 2014, and showed that Nordic countries occupied the top four positions. No figures could be found for Iceland in 2014, but figures in the corresponding study in 2012 showed a weighted mean identical to that of Sweden.¹⁷ (One particularly interesting point about Iceland is that after the financial crisis, paradoxically, the level of social trust increased in the Icelandic population.¹⁸)

According to the European Social Survey, the Nordic countries have the highest levels of social trust among the participating countries.

High levels of social trust distinguish the Nordic region. This does not mean that other countries lack social trust, but few come close to the same levels as those found in the Nordic countries. Apart from the Nordic countries, the only country with a mean score exceeding 6 was the Netherlands. The mean for all participating countries was just over 5.

Within the trust research field, the Nordic region is sometimes described as 'Nordic exceptionalism'.¹⁹

14. R. Putnam, *Bowling Alone. The Collapse and Revival of American Community* (2000). There is also a discourse that argues that, under certain conditions, trust can benefit authoritarian governance. See, for example, D. Acemoglu et al., "Chiefs: Economic Development and Elite Control of Civil Society in Sierra Leone", in *Journal of Political Economy* 122 (2014).

15. B.P. Kennedy et al., "Social capital, income inequality and firearm violent crime", in *Social Science and Medicine* 47 (1998).

16. C. Bjørnskov, "Economic Growth", in: G.L.H. Svendsen & G.T. Svendsen (eds.), *Handbook of Social Capital* (2009).

17. R.F. Andersen & P.T. Dinesen, "Social Capital in the Scandinavian Countries", Forthcoming in P. Nedergaard & A. Wivel (eds.), *Routledge Handbook on Scandinavian Politics*.

18. K. Growiec et al., "Social Capital and the Financial Crisis: The Case of Iceland", in *CIES e-Working Papers* 138 (2012).

19. J. Delhey & K. Newton, "Predicting Cross-National Levels of Social Trust in Seven Societies: Global Pattern or Nordic Exceptionalism?" in *European Sociological Review* 29 (2013).

Social trust in the European countries, based on the European Social Survey 2014. Zero indicates a complete lack of trust, while ten indicates a complete trust in other people.

Country	Mean	Country	Mean
Denmark	6.90	Belgium	5.02
Finland	6.74	Austria	4.98
Norway	6.62	Lithuania	4.94
Sweden	6.25	Spain	4.83
Netherlands	6.03	France	4.61
Switzerland	5.72	Czech Republic	4.59
Estonia	5.57	Hungary	4.17
United Kingdom	5.37	Slovenia	4.07
Ireland	5.23	Poland	3.92
Israel	5.17	Portugal	3.63
Germany	5.17		

Trust is not evenly distributed within the Nordic countries. Variations in trust within countries are somewhat higher in Finland and Sweden than in Norway and Denmark. This means that social trust is geographically more evenly distributed in Norway and Denmark compared with Sweden and Finland. At the same time, the variations within Finland and Sweden are smaller than the variations in other European countries, which show greater geographical variations in levels of trust.²⁰

In a global perspective, the lowest levels of trust are generally found in the Middle East, Africa and parts of Latin America.²¹ Low levels of trust in low-income countries become a barrier to development.

The rise of trust in the Nordic countries

Two models explain how trust arises. One model focuses primarily on social conditions while the other places greater emphasis on societal institutions. The two models are not necessarily mutually exclusive, but can be regarded as complementary.

Since the level of social trust varies between different societies and countries, researchers have been interested in studying how trust arises. Two approaches have been used – one model focuses on social conditions while the other places greater emphasis on institutional conditions. The model emphasising social conditions identifies factors relating to social interactions in society, such as engagement in working life and civil society, as being the most important for building up trust in a society in the long term. The second model, focusing more on institutional factors, places more emphasis on political and economic institutions and socioeconomic results. The approaches are not mutually exclusive, and can be regarded as complementary.

20. P.T. Dinesen & K.M. Sønderskov, "Trust in a Time of Increasing Diversity: On the Relationship between Ethnic Heterogeneity and Social Trust in Denmark from 1979 until Today", in *Scandinavian Political Studies* 35 (2012).

21. B. Rothstein & E.M. Uslaner, "All for All. Equality, Corruption and Social Trust", in *World Politics* 58 (2005). See also H. Höjer, "Sveriges unika tillit sjunker: Kan man lita på folk?" in *Forskning och Framsteg* 8 (2014).

Rasmus Fonnesbæk Andersen and Peter Thisted Dinesen at the University of Copenhagen reviewed a number of studies, and reported that the Nordic societies probably showed high levels of social capital from an early stage. In other studies, attempts have been made to confirm this by, for example, examining Swedes who emigrated to the US and took trust with them: even after several generations, Americans with a Scandinavian background show higher levels of social trust than other Americans.²² Researchers have, for example, identified the introduction of Protestantism in the Nordic countries as an important explanation for early high levels of trust. In particular, it has been argued that the non-hierarchical nature of Protestantism allowed the social trust to develop.²³ Others looked further back, to Viking times, proposing early systems of governance and trading networks as important explanatory factors.²⁴

In purely methodological terms, it is difficult to determine the extent of this early Nordic trust. The levels we can measure today probably bear little relation to the trust we can find historically. It is also highly probable that, in a long historical perspective, trust in the Nordic societies has varied over time. However, levels of trust have increased in modern times, while in many other non-Nordic countries trust has fallen, particularly in recent decades.²⁵ Consequently, the interesting question is how levels of trust have come to be so high in modern times. More specifically, the question is how did the early forms of trust in the Nordic region deepen as the countries developed into modern societies, and why has trust increased in recent years?

The (relatively) modern history of the Nordic trust took off with the rise of the major popular movements in the second half of the 19th century. 'Popular movements' is the common generic name for the people's movements in society, such as the sobriety, revivalist and worker movements. The foundation of these movements largely coincided with a comprehensive restructuring of the Nordic societies.²⁶

The structure and function of the associations that grew out of the popular movements were very significant for the association tradition in the Nordic region.²⁷ Compared with other countries, the Nordic associations were much more often voluntary, local and member-based, with democratic decision-making processes. The voluntary association culture held society together, promoting strong local norms of trust and respect that supported and facilitated collaboration. This important aspect was given an extra dimension in the Nordic region through the structure of the associations.

A consequence of the association tradition in the Nordic region is that it helped to generate trust between associations. Initially, many of them had conflicting interests, but negotiations nevertheless enabled a high level of mutual trust to develop.²⁸

Nordic societies displayed high levels of social capital from an early stage, but levels of social trust have probably varied over time.

The modern history of trust can be traced back to the voluntary associations started in the 19th century.

The associations were often voluntary, local, and member-based, with democratic decision-making processes.

The associations promoted strong norms of trust and respect that supported and facilitated collaboration in society.

22. L. Trägårdh, "Den dumme svensken och allemansrättens magi", in L. Trägårdh (ed.), *Tilliten i det moderna Sverige. Den dumme svensken och andra mysterier* (2009).

23. For a discussion on this, including references to other research, see C. Bjørnskov, "The Determinants of Trust", in *Ratio Working Papers* (2005).

24. G.L.H. Svendsen & G.T. Svendsen, "How did trade norms evolve in Scandinavia? Long-distance trade and social trust in the Viking age", in *Economic Systems* 40 (2016).

25. See Andersen & Dinesen (Forthcoming).

26. For a Swedish discussion on the structural transformation during the 19th century, the popular movements and relationship to trust, see G. Svedin, "En öhyra på samhällskroppen": Kriminalitet, kontroll och modernisering i Sverige och Sundsvallsdistriktet under 1800- och det tidiga 1900-talet (2015).

27. B. Rothstein, "Social Capital in Scandinavia", in *Scandinavian Political Studies* 26 (2001).

28. A. Ilsøe, "The Flip Side of Organized Decentralization: Company-Level Bargaining in Denmark", in *British Journal of Industrial Relations* 50 (2012).

The Nordic association culture has been subsidised by tax revenues. The state has also had an open attitude to the associations.

The associations have had an important relationship with the state.²⁹ A background to this is that, already early in Nordic history, the state, along with legislation, was not regarded by the population as an enemy, unlike in many other countries.³⁰ The Nordic association culture has also been subsidised by tax revenues. This has led to the civil society working in parallel with the state, even if the associations, paradoxically, could be critical of the state or state politics.

Membership of an association and the state's open attitude helped to create the foundations for diffusion of power. In turn, this helped to increase trust in institutions, but also the more general social trust in society.³¹ This probably came furthest in Sweden, where the relationship became so close that, in periods, it could be said that the associations were merging with the government machine.³² It could even be described as a corporative society where the individual gets a significant proportion of their political influence through membership of an association (rather than from, for example, protest movements).

The great importance of the popular movements in society has declined in recent decades, and membership of traditional associations has fallen. However, membership of newer types of associations has increased. These are found not least in sport and culture, but also in environmental and other political areas.³³ The societal role of the association culture has declined, as the newer associations are not of the same type as the popular movement associations; instead they are based on passive membership and professional administration. This has reduced the overall importance of associations for social trust but, at the same time, associations are still important for mediating certain norms that affect the long-term trust in society.

Despite the change in the structure of associations, Sønderskov and Dinesen have found remarkable increases in social trust in Sweden, Norway and Denmark since around 1980. They primarily attribute this to such factors as perceived fairness in the actions of societal institutions and low levels of corruption.³⁴

As well as more general social trust, people in the Nordic countries also show a higher level of trust in the judicial system and politicians than those in other European countries.³⁵ Many researchers have indicated that the Nordic countries are

29. From time to time, there has been a discourse on whether there is a conflict between the state and civil society. For an overview of this, see L. Bennich-Björkman et al., *Civilsamhället*, in *Demokratiutredning VIII* (1999).

30. L. Trägårdh, "The Historical Incubators of Trust in Sweden. From the Role of Blood to the Rule of Law", in M. Reuter et al., *Trust and Organizations: Confidence across Borders* (2013). See also Andersen & Dinesen (Forthcoming) and P. Selle, "The transformation of the voluntary sector in Norway: a decline in social capital", in van Deth et al., *Social Capital and European Democracy* (1999). See also the interview with, for example, Trägårdh and Rothstein in Höjer (2014).

31. This links to the argumentation in Andersen & Dinesen (Forthcoming) and K.M. Sønderskov & P.T. Dinesen, "Danish Exceptionalism: Explaining the Unique Increase in Social Trust in Denmark Over the Past 30 Years", in *European Sociological Review* 30 (2014). For an earlier discussion, see B. Rothstein & D. Stolle, "Introduction: Social Capital in Scandinavia", in *Scandinavian Political Studies* 26 (2003). For an overall discussion on the relationship between, on the one hand, trust and, on the other, protests or inclusion in societal institutions, see J.F. Valencia et al., "Social trust and political protest: The mediating role of the value of Power Distance", in *Psicología Política* 40 (2010).

32. B. Rothstein, *Den korporativa staten* (1992).

33. See for example L. Torpe, "Foreningsdanmark", in P. Gundelach (ed.) *Små og Store Forandringer. Danskernes Værdier siden 1981* (2011) and Rothstein (2001).

34. Sønderskov & Dinesen (2014). In Denmark, this is particularly interesting as, in just a few decades, levels of trust have increased and become the highest in the world.

35. Calmfors (2014).

Position	Country	Index
1	Denmark	90
2	New Zealand	90
3	Finland	89
4	Sweden	88
5	Switzerland	86
6	Norway	85
7	Singapore	84
8	Netherlands	83
9	Canada	82
10	Germany	81
10	United Kingdom	81
10	Luxembourg	81

the 'least corrupt' in the world. This is confirmed in the Transparency International index of perceived corruption in 176 countries and territories around the world.³⁶ Four of the Nordic countries are found in the top ten, with Iceland in 14th place with an index figure of 78.

The state has other potential functions in relation to trust in society. Alongside factors such as perceived fairness and a low degree of corruption, research has also indicated that societies with universal welfare states tend to reach high levels of trust.³⁷ The Nordic welfare state largely avoids creating the type of underclass that can be found in countries with Anglo-Saxon or continental welfare models, where benefits are linked to stricter conditions and are selective on the basis of need.³⁸

This leads to an argument, often confirmed by research, in which a high degree of homogeneity in a population strengthens social trust. This applies particularly to income equality, but to a certain extent also to linguistic and ethnic similarity. The association between social trust and economic gaps can mainly be explained by a perceived injustice, where large income differences mean that people do not feel that they share 'the same fate'. In a classic study, Francis Fukuyama talks about a trust radius: the more like others you are, the more you are inclined to trust them.³⁹ When it comes to economic equality, the lack of a permanent underclass is usually emphasised, but also that wealthy people's incomes are not perceived as being too unfair.⁴⁰

The universal welfare state, as developed in the Nordic countries, has contributed to social trust by preventing the formation of underclasses.

Societies with a high degree of homogeneity in the population, particularly in socio-economic terms, normally have high levels of social trust.

"The more like others you are, the more you are inclined to trust them."

36. S. Holmberg & B. Rothstein (eds.), *Good Government: The Relevance of Political Science* (2012).

37. B. Rothstein, "Corruption, Happiness, Social Trust and the Welfare State: A Causal Mechanisms Approach", in *QoG Working Paper Series 9* (2010).

38. Rothstein & Stolle (2003).

39. Fukuyama (1995).

40. See, for example, J. You, "Social Trust: Fairness Matters More than Homogeneity", in *Political Psychology 33* (2012).

Other favourable factors for the growth of social trust in the Nordic region in recent decades are an increasing level of education in the population,⁴¹ and the absence of high, long-term unemployment.⁴²

Challenges facing the Nordic trust

Although the Nordic trust has developed over many decades, or even centuries, through various historical processes, it is not a resource that can be taken for granted. Trust in the Nordic region is currently facing many challenges.

We begin by examining what a society risks losing if social trust declines. On a matter of principle, people may perceive that other citizens are 'free riders', making it difficult to maintain common norms, and the individual is less inclined to contribute to society. Bo Rothstein, professor at the University of Gothenburg, has called this relationship the logic of the social trap.⁴³ He exemplifies what is at risk if social trust declines: the individual finds it less meaningful to pay tax, use the social insurance systems appropriately, sort their waste, respect laws, and not accept corruption.

In many ways, the effects of reduced social trust are the opposite of the long-term benefits discussed earlier. Citizens are less happy when the economy is weak, which also has a negative impact on the functioning of society, with a risk of greater criminality and greater difficulties in maintaining parts of the democratic base.

Perhaps the most dangerous feature here is that people who have lost trust in each other will find it hard to recreate it, even if they are aware that everyone would benefit from increased collaboration.⁴⁴

What specific challenges are facing the Nordic societies? Some of them can be linked to increasing heterogeneity in the Nordic societies, caused by, for example, increased economic differences, immigration⁴⁵ and political polarisation.⁴⁶

One completely different challenge is corruption. In a global perspective, the Nordic region is characterised by a low level of corruption. However, if the trust in the Nordic societies in recent years has largely deepened through a perceived low level of corruption in authorities, the causal relationship can easily tip in the other direction; small increases in corruption can have significant negative effects on the social trust.⁴⁷ One way of expressing this is that the more people we believe are corrupt, the greater the likelihood that they are corrupt.

If social trust declines, it will be harder to maintain common norms. The individual will also be less inclined to contribute to society.

Social trust is hard to create and, once created, can be easily and quickly eroded.

An increase in corruption would probably have a negative impact on social trust.

41. S. Knack & P.J. Zak, "Building Trust: Public Policy, Interpersonal Trust, and Economic Development", in *Supreme Court Economic Review* 10 (2002).

42. Uslaner (2002).

43. B. Rothstein, *Sociala fällor och tillitens problem* (2003). See also Rothstein (2013).

44. Rothstein (2013).

45. For a general discussion about this, see R. Putnam, "*E Pluribus Unum: Diversity and Community in the Twenty-First Century*", in *Scandinavian Political Studies* 30 (2007). The effect of increased immigration is not so clear at an aggregated level, but is found rather in local communities where the social trust is more sensitive. L. Trägårdh et al., *Den svala svenska tilliten* (2013). See also NOU 2017:2, *Integrasjon og tillit. Langsiktige konsekvenser av høy innvandring* (2017).

46. L. Mason, "I Disrespectfully Agree: The Differential Effects of Partisan Sorting on Social and Issue Polarization". In *American Journal of Political Science* 59 (2014). See also C. Rapp, "Moral opinion polarization and the erosion of trust", in *Social Science Research* 58 (2016).

47. P. Bardhan, "Corruption and Development: A Review of the Issues", in *Journal of Economic Literature* 35 (1997).

The increase in trust in the Nordic region has much to do with the perceived fairness of the actions of societal institutions. Perceived fairness can wane, not only because of increased corruption, but probably also because decisions made may not be regarded as legitimate, for example if public authorities do not use tax revenues appropriately.

Other challenges include the increasing heterogeneity in the Nordic population and the risk of high and long-term unemployment.

If the Nordic countries were to be hit by high and long-term unemployment, this could affect social trust. This is largely linked to possible increased economic differences in society.

This report has emphasised the key importance of the Nordic associations in generating social trust. It is beyond the scope of this text to investigate the extent to which the association culture in the Nordic region has declined in recent years, or the extent to which it is under threat. However, if the association culture is declining, this is not only a loss for the associations as such, but also something that can have a negative effect on the long-term level of trust in society, because the associations help to hold together the social norms of trust and respect.

The challenges to social trust in the Nordic countries must be taken seriously, but it is important to retain a sense of balance. Despite the challenges in recent decades, the level of social trust in the Nordic societies continues to rise.

Some of the challenges facing Nordic trust have been highlighted. It is important to take these challenges seriously but, at the same time, it is important to retain a sense of balance. Most of the challenges are not new, and have existed for the past few decades. Despite this, overall social trust continues to increase in the Nordic societies.



Conclusions

In the Nordic countries, levels of social trust are exceptionally high compared with almost all other countries. It is possible, as some researchers have done, to talk about a 'Nordic exceptionalism'.

Social trust is a resource for both the individual and society. This report has highlighted several benefits. Overall, it is a great blessing – figuratively, gold – for a society to have comprehensive social trust among the population.

Even if trust is an important resource for the Nordic communities, it is not a natural resource in the same way as gold, forest or oil. It is not something that has been granted to the Nordic societies by nature or a divine power, but something that has been created over a long period and through various interacting processes. Nordic trust probably has its roots far back in time, perhaps even as early as the Viking period. The introduction of Protestantism and the breakdown of social hierarchies that followed also stimulated trust.

However, it was the popular movements in the 19th century that helped trust develop, not immediately but over time. The main cause was that the popular movements set up associations at grassroots level that were local, democratically governed, and member-based. Over time, the Nordic associations developed a close relationship with the state, which supported the associations financially and

in other ways. Other important aspects, particularly in recent decades, have been fair societal institutions, free from corruption, and a universal welfare state that worked to counteract the development of an underclass. A high level of education, low unemployment and a homogeneous population – particularly in economic terms – are other areas where the state has made a positive contribution.

If we are to examine the Nordic successes more closely – particularly in economic terms and, more specifically, in how the Nordic countries managed to avoid the global recession that followed the financial crisis in 2008 – it is important not to focus too much on how the Nordic region has balanced different systems, taxes, legislation, etc. Instead, it is important to look more closely at how the state, over a long period, has worked transparently, fairly, and with a high level of integrity, and the positive effects of this – not least the effect on social trust.

From the research into the Nordic experiences, a 'manual' can be compiled for how the state can act to increase social trust over the long term:

- Act with openness and transparency, manage tax revenues with respect, and tackle all signs of corruption, however negligible they seem.
- Create a general welfare state that prevents underclasses developing in society.
- Support associations, not least financially. It is generally favourable if the state can have an open attitude to associations.
- Raise the level of education in the population. Because of the importance of retaining relative economic homogeneity in the population, it is probably particularly important to focus on those with, or at risk of, low and/or incomplete education.
- Counteract unemployment, particularly long-term unemployment. This particularly implies efficient integration of refugees and immigrants in the labour market.

In conclusion, it can be argued that trust, in many ways, holds the Nordic societies together. It is difficult to imagine societal models like those in the Nordic countries if citizens do not trust that other citizens also contribute to the economy through the tax system, and that public authorities manage tax revenues in a fair and efficient way, free from corruption. The Nordic trust cannot be taken for granted, and must be constantly supported through various societal processes. The question is whether the Nordic societies have more to lose through reduced social trust than other countries; not simply because the Nordic societies have the highest levels of trust, but because the social model, or rather the social contract as such, is largely based on high levels of social trust.

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