

# Quality of Government and Social Trust

Preprint version

Final version appears in:

*The Oxford Handbook of the Quality of Government*

Edited by Andreas Bågenholm, Monika Bauhr, Marcia Grimes, and Bo Rothstein

[www.oxfordhandbooks.com](http://www.oxfordhandbooks.com)

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## Abstract

In this chapter we review the literature on the relationship between quality of government—conceptualized as quality of institutions at the output side of government—and generalized social trust (trust in strangers). After reviewing the theoretical mechanisms— in both directions—proposed to link social trust and quality of government, we review the empirical evidence. We report considerable evidence for a positive relationship between trust and various manifestations of quality of government at both the societal level (macro) and the individual level (micro). Most studies have limited causal leverage, but a few studies—primarily at the individual level—employ designs better suited for causal statements. These studies suggest a positive effect of institutional quality on generalized social trust. We conclude the review by discussing path for further research.

**Keywords:** quality of government, social trust, institutions, institutional fairness, civic culture

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# Introduction

Does a trusting citizenry beget well-functioning government institutions? Or do high-quality government institutions lay the foundation for trust between citizens? The question of the relationship between quality of government and generalized social trust is an important derivative of the wider academic debate about the interconnections between political institutions and political culture (Almond and Verba 1963; Inglehart 1997). From a policy perspective, the relationship between trust and quality of government is ultimately the question of the recipe for successful societies. Are these achieved through policies strengthening bonds between citizens, or rather via policies promoting good governance? Or, to cast this in more substantive terms: Did the Nordic societies become the most trustful in the world because of low corruption or other features of good government? Or did trust between citizens enable the establishment of well-functioning institutions?

This chapter reviews existing work—both theoretical and empirical—on the connection between quality of government and generalized social trust.<sup>1</sup> We start out by delineating the core concepts—social trust and quality of government—to clarify their meaning and distinguish them from related concepts. Then we review the theoretical mechanisms—in both directions—proposed to link social trust and quality of government. We next move to the empirical evidence. Here we distinguish between macro-level (aggregate) and micro-level (individual) work. Given the disputed “chicken-and-egg” nature of the relationship, we pay special attention to the strength of the empirical evidence vis-à-vis causal claims. Lastly, based on the review of the literature, we propose a number of avenues for future research, specifically emphasizing firmer theorization and corresponding empirical testing of observable implications.

## Conceptual Clarification

Both quality of government and social trust are broad concepts with a range of connotations. Following from this there is also a potential confusion with their putative downstream consequences alluded to in the introduction. It is therefore useful to clarify how we understand both concepts before we scrutinize their linkages.

The first core concept, *quality of government*, can be conceived both broadly and more narrowly based on the literature (Rothstein and Teorell 2008). The broader conception stresses a wide range of institutions/institutional features often associated with good government, including democracy and rule of law. In contrast, the narrow conception highlights “impartiality of institutions that exercise government authority” (Rothstein and Teorell 2008) as the specific institutional feature characterizing of high-quality government. Here, we position ourselves closer to the narrow conception and understand “government” to include state institutions in general. The narrow conceptualization implies a focus on the output side of government (i.e. the branches of government that implement and enforce rather than formulate policies), which has generally been considered more consequential for social trust than the input side (i.e. political actors), as we will explain below (Rothstein and Stolle 2008). Consequently, we do not focus on the input side of government including the democratic institutions that channel citizens’ demand into the political system (for a relevant discussion of this, see Warren 1999).

It is particularly important to distinguish quality of government from *government performance* (however defined)—an outcome it is often purported to explain. The two are arguably conceptually distinct; quality of government refers to the functioning of

government institutions, while government performance denotes the societal outcomes that these institutions produce. Yet, in practice, quality of government is often inferred from indicators of government performance; if, for example, governments spend more on public goods or are perceived as more responsive, this is taken as an indication of high-quality government (Putnam 1993, see especially ch. 3). Or put differently: measures of government performance can be viewed as both an outcome (i) and an indicator (ii) of quality of government. This highlights the problem of empirically distinguishing between the two. While this is clearly an important issue within the literature on quality of government, we approach this pragmatically and therefore consider theoretical arguments and empirical analyses relying on both approaches.

The second core concept, *social trust*, refers to trust in other people with a range of potential targets (family, neighbors, strangers etc.). Following the literature, our specific focus is on trust in unknown others (strangers)—what is known as generalized social trust. It is this form of generalized trust in other people—rather than more particularized forms of trust (e.g. trust in one’s own family or ethnic group)—that is expected to be beneficial in modern societies characterized by a multitude of interactions between strangers on an everyday basis (Sønderskov and Dinesen 2014). Generalized social trust relates to a number of other concepts. Most pertinently, it is often considered a core element of the wider concept of social capital (Putnam 1993), around which much theorizing vis-à-vis the connection with quality of government has evolved.

Lastly, in considering the relationship between quality of government and social trust, the level of analysis is important; specifically, the distinction between the macro (societal) and the micro (individual) level is central. While institutions are inherently macro-level phenomena, they have a meaningful micro-level manifestation in terms of individuals’ perceptions of and trust in state institutions. Similarly, social trust is inherently a micro-level concept, but can also meaningfully be aggregated to the macro level to capture societies with a higher or lower density of trustful individuals. It therefore makes sense to analyze the relationship at both the micro and the macro level, and we will review studies conducted at both level of analysis.

## Theoretical Linkages

In the following, we review the mechanisms purported to lead from social trust to quality of government and vice versa.

### Social trust as the cause of quality of government

A distinguished line of research going back at least to Tocqueville [1840] (1969) posits that a vibrant civil society furthers better government. In their classic five-country study, Almond and Verba (1963) argued that a civic culture—of which social trust is a central component—undergirds effective democratic governance. Putnam (1993) reiterated this idea—now incarnated in the concept of social capital—in his path-breaking study explaining the dramatic differences in government performance between the northern and the southern regions of Italy. Putnam’s account strongly emphasized the path-dependency in regional political culture founded by different forms of rule dating back centuries.

The common idea underlying this line of work is that high levels of trust enable cooperation to overcome collective action problems and ultimately achieve better societal outcomes. Yet, as highlighted by Boix and Posner (1998), the specific mechanisms by

which collective action dilemmas are overcome were often left vaguely specified in earlier work. They articulate a range of mechanisms, often implicitly alluded to in the previous literature, through which the wider concept of social capital could influence government performance. Relating to the discussion in the previous section, this perspective typically implicitly interprets government performance as an indication of quality of government.

Four mechanisms relevant for social trust can be distilled based on Boix and Posner's work. One mechanism posits that trusting others implies a feeling of solidarity toward others, and therefore a greater tendency to take their interest into account (i.e. displaying altruism) when expressing political preferences. Collectively more optimal solutions can therefore be obtained when people tend to think more in terms of "we" than "I," and are willing to forego short-term self-interest (Boix and Posner 1998, 691; Putnam 1995). A second mechanism, with weaker assumptions about altruistic motives, concerns citizens' ability and willingness to engage in politics. When citizens trust each other, they can more easily overcome problems of collective action enabling them to congregate in common interest groups, and they also have a higher willingness to accept the opportunity costs of participating in politics because they trust others to do the same. This makes for a more competitive democracy through higher participation and by securing a wider representation of interests. This in turn animates politicians to be politically responsive and to enact policies that benefit a broader cross-section of citizens. A third mechanism relates to rule compliance. When people trust their fellow citizens—specifically in terms of observing formal rules (e.g. taxpaying) as well as informal norms (e.g. engaging in pro-environmental behaviors)—they are also more likely to follow these regulations themselves. As a consequence, fewer resources have to be spent on enforcing rules and implementing policies, which can then in turn be channeled toward public goods. Finally, a fourth mechanism implies that the pro-social motivations associated with trust are also manifested among civil servants—drawn from a pool of high-trusting citizens—who therefore feel obligated to work for the common interest.

The above mechanisms all explain how living in a society of trustful individuals can have aggregate consequences on the quality of government. Yet, the individual-level relationship between social trust and institutional trust has also been scrutinized, although generally with limited theoretical underpinning. The primary argument appears to be that a trusting view of other people is extrapolated to include institutions and the individuals that represent these institutions (Brehm and Rahn 1997; Rosenberg 1956). However, an argument for the reverse extrapolation could of course also be made (we return to this below).

## Quality of government as the cause of social trust

In response to the approach assuming a causal role of social trust for quality of government—and prompted by the reinvigoration of this line of research with *Making Democracy Work*—a literature arguing for the reverse relationship has developed. Levi's (1996, 1998) review essay of *Making Democracy Work* and subsequent theorization was among the first to highlight the role of state institutions—as an alternative to civil society—in creating social trust (see also Tarrow 1996 and Fukuyama 1995). In subsequent work, Rothstein and Stolle (2008) and others have built on and extended Levi's argument regarding the role of institutions, particularly articulating the micro foundations of this relationship.

The literature highlights a range of intertwined mechanisms by which quality of government may engender social trust. In our view, they can be condensed to two general

(and interrelated) mechanisms: one mechanism relating to the state’s role in deterring untrustworthy behavior and another relating to the role of state institutions in signaling fairness.

A quintessential role of a state is to secure productive interactions—in which mutual trust is crucial—between its citizens. By deterrence of untrustworthy behavior, the state is able to foster trust between citizens. Levi (1998) writes about the states’ trust-generating role: “The most important attributes would seem to be the capacity to monitor laws, bring sanctions against lawbreakers, and provide information and guarantees about those seeking to be trusted” (Levi 1998, 85). In other words, by monitoring, exposing, and sanctioning untrustworthy behavior, state institutions enable trust between individuals. This would manifest itself in the form of efficient and fair law-and-order institutions (e.g. the police and the judiciary), which directly sanction untrustworthy behavior. However, equally importantly, fair and efficient state institutions more broadly (especially on the output side of government, see below), serves an important role in signaling that such behavior does not pay off in the first place (Rothstein and Stolle 2008).

It is worth stressing that this is not simply a matter of eliminating risks, and thus potentially crowding out the actual need to trust as some have argued (Bohnet and Baytelman 2007). Firstly, such effective policing of untrustworthy behavior is not realistic (at least not at present), and judging others’ intentions will therefore still be a matter of placing trust in them (but with a low likelihood of having trust betrayed). Secondly, by regulating some domains of life and therefore enabling trustful interaction with others, the state lays the foundation for learning about the benefits of trust and trustworthiness, which in turn leads such “nice” strategies to spread to other domains that are not guided by the same regulations (Levi 1998; Farrell and Knight 2001). For example, if one learns that people generally fulfill their contractual agreements and are therefore generally trustworthy (because state institutions strongly incentivize them to do so), this might engender trust that can be applied in one’s private life.

Institutional fairness in terms of impartiality in the application of institutional procedures signifies that other individuals or groups cannot abuse the system to their own advantage, which deters untrustworthy behavior as just noted. However, institutions also “set the tone” for what is acceptable behavior, and thus influence the norms of individuals by signaling fairness (or the opposite). As Rothstein and Stolle (2008, 446) write “Police officers, social service bureaucrats, and judges are both representatives of the people and exhibitors of institutionalized values. In short, their behaviors function as important signals to citizens about the moral standard of the society in which they live.” In other words, even if someone could get away with untrustworthy behavior, she would be inclined to see it as an unacceptable option given that she lives under institutions that do not espouse such values. That is, the moral costs of engaging in untrustworthy behavior become higher, and therefore people are more likely to act in a trustworthy manner.

The two noted mechanisms both relate to the output side of government, which—as noted earlier—is considered to be more consequential for social trust than the input side. The input side—politicians, parties, and other political actors—are designed to represent the interest of groups of voters, and thus to be partial (Rothstein and Teorell 2008). For that reason, institutions on the input side of government are unlikely to signify impartiality and concomitant trustworthiness, and therefore in turn hold less potential for creating social trust. Conversely, the output side of government—that is, the bureaucracy and street-level bureaucrats (i.e. the aforementioned law-and-order institutions, but also doctors, for example)—must be impartial in the implementation of a given policy.

Everyone in the same position (e.g. in a lawsuit) should be treated according to the same procedures by the output side of government. These institutions therefore hold greater potential for engendering trust in others by both deterring untrustworthy behavior and signaling fairness.

As already mentioned, trust in institutions can be viewed as a micro-level manifestation of high-quality state institutions, and there is research suggesting that better “objective” state institutions lead to higher “subjective” trust in institutions. As such, trust in institutions can be viewed as a mediator vis-à-vis social trust (see below). However, complicating things further, the literature also highlights trust in institutions as a moderator of the influence of quality of government, in particular in relation to the mechanism relating to deterrence of untrustworthy behavior. As Levi (1998, 85) notes:

Infrastructure and resources are necessary but not sufficient conditions. If citizens doubt the state’s commitments to enforce the laws and if its information and guarantees are not credible, then the state’s capacity to generate interpersonal trust will diminish. If the state is one of the institutions—and, in many cases, the most important institution—for promoting generalized trust, it can play this role only if the recipients of these services consider the state itself to be trustworthy. Subjects and citizens must trust the competence of the state to perform its trust-producing roles.

In other words, the state’s capacity for producing social trust critically hinges on whether it is perceived as trustworthy itself. This points to a self-reinforcing influence of quality of government on social trust: high-quality government produces trust in state institutions, which may have a positive influence on social trust in itself, but it may also accentuate the positive effects of quality of government on social trust.

## **Linking macro-level quality of government with micro-level social trust**

The theoretical mechanisms reviewed above all focus on the macro level as a consequence of quality of government being a societal-level phenomenon. Yet, in order to establish a relationship between macro-level institutions and individual-level trust, one must specify an individual level mechanism. In a series of studies with various co-authors, Rothstein (Kumlin and Rothstein 2005; Rothstein and Stolle 2008; Rothstein and Eek 2009) has suggested that citizens’ everyday interactions with government representatives provide an experiential foundation for their perceptions of various states institutions (see also Dinesen 2012a). When these institutions fulfill the functions stipulated in the mechanisms highlighted above, this results in increased trust in institutions, and ultimately higher trust in other people. For example, experiencing a corrupt doctor or police officer, signifies that institutions are not fair, and also unlikely to be efficient in sanctioning untrustworthy behavior (as bribing is possible). Consequently, individuals develop lower levels of trust in institutions, including in their ability to perform the key functions that enable trust in other individuals.

Rothstein’s experiential theory also helps explain the importance of the output side of government further. It is representatives on this side of government—doctors, teachers, bureaucrats, police officers, and others working in the public sector—that citizens interact with most frequently, and these interactions therefore provide an experience-based foundation for trust in such institutions and, ultimately, trust in other people. Conversely,

people rarely have direct experiences with the input side of government—politicians and the legislative institutions therefore instead operate—and trust in these institutions therefore instead tend to vary by whether the party one supports is in power or not.

In this account, trust in (certain) government institutions is the mediator linking individual experiences with government representatives to social trust (Sønderskov and Dinesen 2014, 2016). While the causal influence of institutional trust on social trust is arguably more richly theorized, the reverse relationship is of course also possible, as noted above. Ultimately, the relationship between the two forms of trust remains an empirical question. Below, we discuss the evidence accumulated in this regard.

## **A dissenting perspective: quality of government depresses social trust**

While the abovementioned mechanisms share an expectation about a positive effect of high-quality government institutions on social trust, other theories propose a negative relationship. From this perspective, well-functioning institutions may depress social trust (and related outcomes) by the process of motivational crowding. Effective state institutions centralize social control, which can crowd out intrinsic motivations to trust and behave in a trustworthy way (Bohnet and Baytelman 2007; Robbins 2011). A related argument rests on institutional attribution—i.e. that citizens attribute others’ trustworthy behavior to the existence of effective institutions and consequently underestimate the trustworthiness of their fellow citizens (Irwin, Mulder, and Simpson 2014; Malhotra and Murnighan 2002). Thus, effective institutions may result in some of the same beneficial outcomes as trust would (e.g. cooperation), but trust itself may be lost in the process, which may have further downstream consequences (Cook 2001, xxvii).

## **Review of Empirical Evidence**

In the following, we review the empirical evidence for the relationship between quality of government and social trust. To structure the overview, we distinguish between macro-level (societal aggregates as analytical units) and micro-level studies (individuals as analytical units), although some studies combine both (e.g. multilevel studies focusing on how macro-level institutions shape individual social trust). The latter are reviewed under micro-level studies. The reviewed studies vary in methodological sophistication, including the attention paid to problems of causal inference (i.e. can quality of government be claimed to causally influence social trust and vice versa). We therefore highlight studies’ relative strength vis-à-vis credibly identifying causal effects.

Lastly, it is important to note that while the studies reviewed use largely the same indicator(s) of social trust, they differ markedly in their operationalization of quality of government. This in turn raises the question of what should (and should not) be considered relevant indicators of quality of government. An exhaustive discussion of this point is outside the scope of this chapter, but we will focus on operationalizations that we find roughly in line with our definition of quality of government laid out above.

### **Macro-level studies**

Early studies focused on social trust as the causal operator influencing quality of government. Interestingly, despite being a central influence in the literature about the relation-

ship between social trust and quality of government, Putnam’s (1993) famous study of Italian regions did in fact not analyze this relationship directly. Instead, it only addressed this indirectly via the association between aggregate social trust and a “civic community index,” which was in turn strongly related to institutional performance at the regional level (Putnam 1993, 111–12). Further, civicness is stable over long periods, thereby suggesting it is a stable cultural trait, which influences contemporary institutional performance.

Following Putnam, several studies examined the conditional relationship between social trust (considered the independent variable) and various indicators of quality of government. In a sample of countries (27–33), La Porta et al. (1997) find that after controlling for GNP per capita, trust is strongly and statistically significantly associated with four indicators of quality of government taken from international databases: Efficiency of the judiciary, absence of corruption, bureaucratic quality, and tax compliance. For example, a standard deviation change in trust is associated with 0.7 standard deviation change in judicial efficiency and a 0.3 standard deviation reduction in corruption. Knack and Keefer (1997) report largely similar results, including for security of property rights and aggregate confidence in government, while additionally controlling for schooling in 1960. Cusack (1999), in a creative study, finds a positive effect (borderline statistically significant) of trust among local elites on government performance in German municipalities.

A number of studies also find evidence for the “reverse” relationship—i.e. that a range of indicators of quality of government predicts social trust. Zak and Knack (2001), for example, show that contract enforceability and freedom from corruption are strongly positively associated with trust in others in cross-country models based on 33–7 countries controlling for, among other things, GDP and schooling. Delhey and Newton (2005) confirm this finding for a quality of government factor (of which rule of law is an integral part) in a larger sample of countries (55–60) and while controlling for religious heritage (Protestantism) and ethnic heterogeneity—variables plausibly preceding quality of government. Similarly, Rothstein and Stolle (2008) find a strong relationship between variables tapping institutional effectiveness and institutional impartiality, as well as an interaction between them, in a slightly larger country-sample and controlling for a few extra potential confounders. Finally, Tsai, Laczko, and Bjørnskov (2011) expand Delhey and Newton’s analysis by adding additional countries (98), and employ ridge regression to deal with multicollinearity, which is an obvious concern in this line of macro-level work given the small number of cases. Similar to Rothstein and Stolle, Tsai, Laczko, and Bjørnskov find evidence of conditional effects in that the relationship between quality of government and social trust is stronger in countries with higher levels of democracy and workers’ rights. Interestingly, Tsai, Laczko, and Bjørnskov also find evidence of a nonlinear relationship between quality of government and social trust, where the relationship is negative—or close to zero—in countries with poor institutional quality.

The studies reviewed in the previous paragraphs report conditional statistical relationships between social trust and quality of government, but say little about the causal direction. Further, the relationships reported are likely confounded by unobserved confounders—something that is further accentuated by the small sample size and the concomitant limited number of control variables. A number of macro-level studies have tried to address the issue of causality using various strategies.

A large number of studies attempt to establish causality by applying instrumental variable techniques. Therefore, it is worth clarifying the rationale behind this approach and the assumptions it hinges on. The intuition behind instrumental variables techniques is that the effect of one variable X on another variable Y can be identified by using only

variation in  $X$  that is exogenous to  $Y$  and all confounders. Such exogenous variation in  $X$  must be induced by a third variable,  $IV$  (the instrumental variable), which is exogenous and only influences  $Y$  through its effect on  $X$ . A classic example uses the draft lottery ( $IV$ ), which induces exogeneous variation in individuals' propensity to serve in the military ( $X$ ). The causal effect of military service on various outcomes ( $Y$ ) can then be identified by instrumenting military service with the lottery number. Angrist (1990), for example, studies the effect of military service on lifetime earnings by instrumenting military service with the lottery number. In this example, it is intuitive that the  $IV$  is exogenous to all potential confounders and to lifetime earnings given that the  $IV$  is randomly assigned. It is also plausible that the  $IV$  will not affect lifetime earnings through other channels than through military service (but see the discussion in Angrist, Imbens, and Rubin (1996)). Under these conditions, the  $IV$ -technique allows for identifying causal effects (Angrist, Imbens, and Rubin 1996). However, the applicability of  $IV$  approaches to study the relationship between social trust and the quality of government is severely challenged by the absence of true exogenous variation that affects social trust or the quality of government.

Knack (2002) uses an  $IV$  approach and instruments social trust (and other indicators of social capital) with state-level religious composition in a sample of American states, and reports a significant positive effect of trust on various indicators of quality of government. The problem is obviously that religious composition—unlike lottery numbers—is not randomly assigned to states and therefore likely to be correlated with a host of factors that may also affect quality of government (e.g. a combination of geography and immigration patterns.). It is also likely that religiosity affects quality of government through other channels than social trust (e.g. other features of state culture). These challenges imply that the estimated relationship may not be closer to the true causal effect of trust on government than the estimate obtained using multivariate cross-sectional analyses.

A number of other studies employ similar instrumental variables strategies based on cross-sectional country-level analyses, and most find the expected relationship (e.g., Berggren and Jordahl 2006; Bjørnskov 2010; Robbins 2012a). Examples include linguistic characteristics (pronoun drop and second person differentiation), monarchy, and temperature as instruments for social trust (Bjørnskov 2010; Bjørnskov and Méon 2013; Robbins 2012a; Tabellini 2008), and information technologies, press freedom, and legal tradition as instruments for institutional quality (Berggren and Jordahl 2006; Bjørnskov 2007; Robbins 2012a). Although most of these instruments are temporally distant and generally stable, and, consequently, exogeneous to present-day levels of institutional quality or social trust, it is hard to rule out that they do not correlate with other factors that affect the outcome or that they do not affect the outcome through other channels than the endogenous variable. Related to the latter problem, other studies have used some of the noted instruments when exploring other determinants of trust or institutional quality. Licht, Goldschmidt, and Schwartz (2007), for example, use linguistic characteristics to instrument the effect of autonomy on institutional quality, which thus suggests that these characteristics also affect institutional quality through other channels than social trust. It is perhaps also indicative of this problem that many of those instruments that have been applied in the literature for either institutional quality or social trust just as well could have been an instrument for the other variable. Therefore, in conclusion, while an  $IV$  approach is in principle an attractive strategy to tease out causal relationships between variables that may have common causes and/or may cause each other, the lack of truly exogeneous variation at the country-level makes this a less viable strategy for exploring

the nexus between institutions and trust.

A few macro-level studies have used other—generally better suited—techniques to examine the causal relationship. Keele (2007) relies on a long time series of U.S. data (1972–2000) on aggregate social trust, trust in government, and perceptions of governmental performance measured on a quarterly basis. Using a granger causality test (i.e. regressing the dependent variable on lagged values of the dependent variable and the explanatory variable), Keele first rejects that trust in government causes social trust. Second, using an Error Correction Model, he shows that perceptions of governmental performance and especially social trust are strong predictors of trust in government in that short-term fluctuations in perceptions and social trust are followed by fluctuations in Americans’ trust in government.

Robbins (2012b) uses aggregate panel data on social trust based on a sample of 74 countries. Using random and fixed effects models, he analyzes the impact of various institutional features (e.g. the extension of property rights and workers’ rights<sup>2</sup>) on social trust. Interestingly, he finds notable differences between the random effects models resembling those employed in the previous literature, and the fixed effects models. The latter, which are arguably better suited to handle confounding by unobserved covariates (see below), indicate that, e.g., extensive workers’ rights do not promote social trust. On the other hand, the fixed effects results do support the role of property rights in relation to social trust. Furthermore, and in line with the findings by Tsai Laczko and Bjørnskov (2011) mentioned above, the results from this study support the notion of a nonlinear relationship between institutions and social trust. In all specifications, Robbins finds evidence of a curvilinear relationship with negative effects of improved property rights in countries with only limited protection of property.

## Micro-level studies

The micro-level relationship between social trust and individual-level manifestations of quality of government has been examined through a range of approaches. We review them in turn.

A large set of studies has explored the relationship between social trust and trust in various institutions (with the latter being a purported outcome and mediator of macro-level institutional quality). Although most of these studies theorize a causal relationship, they employ—with a few exceptions—research design that are not well suited to test causal claims. Interestingly, some early studies found only little to no connection between social trust and various forms of institutional trust in pooled and country-specific bi- and multivariate analyses (Kaase 1999; Newton 2001; Newton and Norris 2000). However, subsequent studies found strong associations between the two types of trust in multivariate models (Freitag 2003; Schyns and Koop 2010; Newton and Zmerli 2011; Rothstein and Stolle 2008), which is partly attributed to more precise and reliable measurement of the two types of trust (Zmerli and Newton 2008). Generally, studies examine trust in institutions in toto (averaging across institutions) without paying attention to the potential heterogeneous association with social trust across different institutions, but the analysis by Rothstein and Stolle (2008) constitutes a notable exception. Consistent with their theorization of the importance of the output side of government for social trust, they find a stronger association between “order institutions” (e.g. the police and the civil service) and social trust than similarly for political (partisan) institutions in country-level and Swedish individual-level data. However, in the pooled World Value Survey individual-level data,

they find the opposite. Regardless, their efforts to differentiate between institutions is theoretically fruitful and something that should be explored further.

On balance, there is thus substantial evidence that social trust and institutional trust are closely connected. This in turn raises the question of causality—both in terms of direction (what causes what?) and potential confounding, e.g. from an inherent disposition to trust in general (e.g. personality traits influencing both institutional and social trust) (Sønderskov and Dinesen 2016). As in the macro-level work reviewed above, a number of studies have employed instrumental variable methods. Results range from absence of an effect (in postcommunist countries) (Mishler and Rose 2001) to strong effects of trust in government on social trust (in the U.S. and Russia) (Brehm and Rahn 1997; Mishler and Rose 2005), and some reciprocal effects of social trust (in the U.S.) (Brehm and Rahn 1997). This line of instrumental variable studies suffers from the same methodological problems highlighted above; the instruments cannot credibly be claimed to be exogenous to potential confounders, nor can it be ruled out that the instruments do not influence the outcome through other channels. These analyses are therefore inconclusive vis-à-vis the causal effects of one form of trust on the other.

A recent line of studies has addressed the question of causality between institutional trust and social trust using individual-level panel data. The longitudinal aspect can be used to illuminate causal relationship in different ways. Most importantly, studying the relationship between the two types of trust within rather than between individuals (typically by means of individual fixed effects), allow for bypassing confounding by all time-invariant confounding variables including stable predispositions or personality traits. This can effectively rule out that an association between the two types of trust is driven by a common underlying disposition to trust as raised above. Further, under certain assumptions, panel data can be used for assessing the direction of causality by means of so-called Granger causality tests in which contemporary values of one form of trust is regressed on lagged (previous) values of that variable plus the independent variable in question (in casu, the other form of trust). While this test has been criticized, it arguably provides a tentative indication of the direction of causality between the two forms of trust. Based on two different panel data sets from Denmark, and employing both cross-lagged and fixed effects models, Sønderskov and Dinesen (2014, 2016) show that institutional trust consistently has a strong positive effect on social trust, whereas there is only a weak feedback effect from social trust. Seifert (2018) confirms the effect of institutional trust on social trust in fixed effects analyses of panel data from both the Netherlands and Switzerland. Taken together, the best available evidence thus suggests that institutional trust and social trust are closely connected. Further, while not definitive, there are relatively strong indications that institutional trust causally influences social trust, with none or only limited reciprocal effects.

Moving beyond the relationship between institutional and social trust, another line of work scrutinizes how experiencing different institutions shapes social trust. One strand of this research program scrutinizes how living under certain institutions—measured at the macro level—correlate with social trust at the micro level. This approach is closely related to the analyses conducted exclusively at the macro level reviewed above, but with trust measured at its locus (the individual). In line with the macro-level evidence reviewed above, both Freitag and Buhlmann (2009) and You (2012) find, in multilevel models, that country-level corruption is strongly negatively correlated with individual-level social trust. In the former study, corruption matters above other indicators of quality of government including rule of law and independence of the judiciary, which are not significantly related

to trust. In a similar setup, Robbins (2011) does not confirm the negative influence of corruption, but report that enhanced property rights are related to higher social trust. Wang and Gordon (2011) confirm the latter results.

The noted multilevel studies are based on cross-sectional data and it is therefore difficult to rule out confounding factors. Two studies go some way in addressing this issue. Dinesen (2013) focuses specifically of immigrants to separate corruption from other non-institutional enculturation processes (e.g., socialization by parents or in the educational system).<sup>3</sup> In multivariate models, he finds that corruption strongly (negatively) predicts trust of immigrants, thus demonstrating that corruption is not merely a placeholder for informal socialization. Charron and Rothstein (2014) employ a strategy of focusing on within- country (regional) variation in quality of government (aggregated survey responses based on experiences and perceptions). This is a marked improvement over traditional country- level studies as it allows for excluding any confounding of the relationship between quality of government and social trust stemming from country-level explanations (e.g. culture, inequality etc.) by means of country fixed effects analyses. Using this more rigorous analytical strategy, they replicate the strong relationship between quality of government and trust (measured both at the regional and the individual level). While the two latter studies do not provide definitive evidence of a causal effect of quality of institutions on individual- level social trust, they at least bolster our confidence that a number of plausible confounders do not confound this relationship.

A related line of work examined how individual-level experiences of quality of government, or perceptions of institutional quality shape social trust. For example, Kumlin and Rothstein (2010) find a strong positive relationship between experiences of equal treatment in personal contacts with public authorities and social trust in Sweden. Interestingly, the relationship is even stronger for individuals with a non-Nordic background. The trust gap for this group vis-à-vis individuals with a Nordic background is more than halved for those with the most positive experiences of equal treatment compared to those with the least. This indicates that institutional quality is particularly important for ethnic minorities, who may be targets of (perceived) discrimination from representatives of the state. Dinesen's (2012a) results based on first- and second-generation immigrants and native-born adolescents in 7–9th grade (age 13–16) in public schools in Denmark support this notion further. He finds that perceptions of institutional fairness are positively associated with social trust, but more strongly so for first and second-generation immigrants.<sup>4</sup> Further, perceptions of institutional fairness are shaped by experiences of equal treatment by teachers in school, and again significantly stronger for first- and second- generation immigrants. This suggests that early-life experiences with representatives of (fair) government institutions may be important in shaping social trust, especially for groups with less prior experience with such institutions. In a related vein, Nannestad et al. (2014) show that perceptions of institutional fairness correlate with institutional trust, which in turn strongly predicts social trust among four immigrant groups in Denmark. groups with less prior experience with such institutions. In a related vein, Nannestad et al. (2014) show that perceptions of institutional fairness correlate with institutional trust, which in turn strongly predicts social trust among four immigrant groups in Denmark. Another set of studies indirectly explores the importance of personal experiences of quality of government by examining how contact with different welfare state institutions shapes social trust (Rothstein and Uslaner 2005; Kumlin and Rothstein 2005). Selective welfare institutions are hypothesized to erode trust based on the following rationale: “because selective welfare institutions must test each case individually, they are to a greater extent subject to

suspicious of cheating, arbitrariness, and discrimination compared with universal public agencies” (Kumlin and Rothstein 2005, 349). In contrast, universal programs “may give rise to a sense of equal treatment and that the ‘rules of the game’ in society are based on principles of fairness” (Kumlin and Rothstein 2005, 349). These predictions are borne out in Swedish and American data (only for selective welfare institutions in the latter) using multivariate models (Kumlin and Rothstein 2005; Rothstein and Uslaner 2005).

While there is strong evidence for a positive relationship between experiences of institutional quality and social trust, causality remains a weak point in the empirical analyses as they are based on observational cross-sectional data (see the criticisms raised above). However, using a vignette experiment, Rothstein and Eek (2009) experimentally manipulate (imagined) experiences of corruption, and find that this negatively influences trust in the authorities in general as well as social trust. While imagined scenarios are obviously not equivalent to actually experiencing corruption, the experiment still provides an indication that experiences of corrupt institutions may have a negative causal effect on social trust.

Finally, a few results from a different strand of literature are worth mentioning. Irwin, Mulder, and Simpson (2014), Malhotra and Murnighan (2002), and Mulder et al. (2006) use economic experimental games to study the effect of introducing various institutions (e.g. sanction systems and binding contracts) on trusting behavior. These studies focus on trust between economic agents who interacted personally and as such, they conceptualize trust as trust in specific targets rather than generalized social trust. Nevertheless, the results are interesting given the few experiments in the remaining literature. In contrast to the extensive support for the positive consequences of high-quality government found in the studies reviewed above, these three laboratory experiments find evidence of a negative impact of institutions on trust. The differences in conceptualization of trust aside, these results link to the macro-level findings of the potential curvilinear relationship between institutions and trust discussed above, where the impact of institutions could be negative in countries with poor institutions (Robbins 2012b; Tsai, Laczko, and Bjørnskov 2011). The economic experiments are typically comparing a situation without any institutions to a situation with some institutions, which in some sense could be seen as simulating the improvement of institutions in a context with poor institutions to begin with (cf. Robbins 2012b). Either way, the laboratory experiments suggest that institutions may not always enhance (certain forms of) trust. Given the lack of experiments in the literature on quality of government and social trust, more studies scrutinizing this relationship using economic games would make an interesting contribution going forward.

## Summary of empirical evidence

Having reviewed a wealth of empirical studies of the connection between quality of government and social trust, we briefly summarize the main conclusions. Firstly, there is ample evidence of a positive relationship between various manifestations of quality of government and social trust, both at the macro and the micro level. Secondly, while several macro-level analyses have attempted to sort out the causal relationship between institutional quality and social trust, they generally apply research designs that do not credibly identify causal effects of one variable on the other. A few notable exceptions stand out, of which one credibly indicates that macro-level social trust predicts trust in government in time-series data from the United States (Keele 2007). Thirdly, micro-level work is richer, both theoretically and methodologically, as it allows for testing more empirical im-

plications of existing theories, as well as more credibly identifying causal effects of social trust on institutional trust (and vice versa) in large-n individual-level panel data. There are generally strong indications of a positive effect of trust in state institutions on social trust based on causally oriented analyses of panel data from Denmark, the Netherlands, and Switzerland (Sønderskov and Dinesen 2014, 2016; Seifert 2018). Further, several individual-level analyses indicate—some with increased causal leverage—that experiencing quality of government through experiences with representatives of the output side of government positively influences social trust. This suggests a causal chain running from high- quality institutions at the societal level (i) via individual-level experiences (ii) and subsequent perceptions of institutional fairness (iii), to, ultimately, trust in other people (iv).

## Paths for Future Research

Having reviewed the rich theoretical and empirical literature concerning the relationship between quality of government and social trust, we conclude our review by highlighting what we perceive to be three prominent avenues for future research on the relationship. Testing theories of social trust’s influence on quality of government more rigorously

### **Testing theories of social trust’s influence on quality of government more rigorously**

While the rich theorization of quality of government’s influence on social trust has been met with corresponding thorough empirical testing of observable implications, the same cannot be said for the reverse relationship. The theoretical arguments regarding the effect of trust on quality of government are relatively elaborate, but they have rarely been rigorously tested. Conversely, this relationship has been modeled crudely at the macro level in models that provide little causal leverage. While the choice of the macro level is probably a function of quality of government (the dependent variable) inherently being a macro-level factor, several observable implications derived from existing theorizations (or new ones) could be examined at the individual level. For example, in line with one of Boix and Posner’s (1998) conjectures noted above, it could be examined whether trusting individuals are more likely to select into the public sector in countries with high quality of government (and vice versa for countries with poor institutions). This would probe a mechanism regarding selection of bureaucrats underlying a positive effect of trust on quality of government. Related research on honesty suggests that this is indeed the case (Barfort et al. 2019).

Macro-level research is certainly also still valid, but moving away from (or at least supplementing) traditional cross-country models would be fruitful. Following the general “subnational turn” in comparative politics and thus, ironically, returning to Putnam’s within- country focus seems like a logical path in this regard. Cusack’s study of (1999) German municipalities is one of the few existing examples that use local variation in trust (specifically among local elites) to explain government performance (measured as citizens’ satisfaction). While the subnational focus cannot resolve problems of reverse causality, it can help test more implications of existing theories of social trust’s influence on (local) quality of government by studying this relationship between many more administrative units within a controlled setting in terms of one or more countries.

## **Further fleshing out which aspects of quality of government that matter for social trust**

As noted from the outset, quality of government is a broad concept, which is also reflected in the fact that it has been operationalized in a number of different ways. While the theorizations by Rothstein and others have made important inroads in articulating exactly how and which aspects of (quality of) government that matter for social trust, this could be further elaborated theoretically, and, not least, tested empirically. Differentiating between different branches of government (Rothstein and Stolle 2008), and how perceptions of these institutions are shaped, are especially important to develop the micro-level linkage between macro-level institutions and social trust further. The existing focus on personal experiences with government representatives is indeed meaningful, but it could be expanded in several ways. One may, for example, question whether people have enough experiences with representatives of (ostensibly) key government institutions on which to base their institutional perceptions and, ultimately, trust in others. In this regard, and still viewed through an experiential lens, vicarious experiences—i.e. experiences via others—with government officials seem like a plausible supplementary source of perceptions of quality of government. It may not only be our own experiences with government officials, but also experiences of others, socially transmitted to us, which shape our perceptions of the way government institutions work. Further, beyond personal and vicarious experiences, alternative sources may also plausibly influence institutional perceptions. Along the lines of Dinesen (2012a), it is relevant to understand to which extent institutional perceptions are founded in primary socialization in the family. It seems plausible that one learns about institutional quality from one's parents (partly based on their personal experiences), and then subsequently adjust these perceptions based on one's own experiences (personal and vicarious). Finally, in line with perceptions of other properties of society—e.g. the state of the economy (Soroka 2006)—it is relevant to ask which role the mass media plays in shaping institutional perceptions.

## **Improved research designs**

While some strands of the literature on the relationship between quality of government and social trust have begun employing more rigorous research designs better suited for addressing causality, this has been a soft spot in the bulk of existing work; most studies are essentially looking at conditional associations. It therefore seems appropriate for this literature to follow the lead of related literatures and move towards increased methodological sophistication. Using panel data, as some of the studies of the relationship between institutional trust and social trust have done, is a logical next step for improving causal inference. This need not be limited to individual-level studies, as panel data at the country-level have become available (Robbins 2012b). The European Social Survey (ESS) is a very good data source in this regard with biannual data collections. Further, the ESS also enables the use of panel data at subnational levels, as it holds regional identifiers. As argued above, this is an underutilized approach, which combines the qualities of control for a host of plausibly country-level confounders by design (Charron and Rothstein 2014), and more observations, and hence more statistical power for detecting relationships and differentiating between alternative explanations. Natural experiments—prominent in related literatures—is another promising approach. Yet, as this approach would often be applied in an instrumental variables framework, researchers would have to justify how a

given instrument only affects the dependent variable through the independent variable of interest, as discussed above.

Finally, by calling for increased methodological sophistication, we are obviously not suggesting that there is no room for further theorization, even if this cannot be substantiated in more sophisticated empirical analyses. Quite the opposite—both theoretical and methodological sophistication are warranted, and ideally, of course, in combination.

## Reprise

In this chapter we have reviewed the literature on the relationship between quality of government—conceptualized as quality of institutions at the output side of government—and generalized social trust (trust in strangers). We reviewed the relatively rich theorizations—in both directions—of the link between social trust and quality of government, as well as the concomitant empirical evidence. More observable implications have been deduced for the literature emphasizing the effect of quality of government on social trust, and this has therefore been scrutinized more rigorously empirically. There is very considerable evidence for a positive relationship between social trust and various manifestations of quality of government at both the societal level (macro) and the individual level (micro). Most studies are strictly correlational, but a few studies—primarily at the individual level—employ designs allowing for stronger (if not definitive) causal statements. These studies suggest a positive effect of institutional quality on social trust. We concluded the review by discussing paths for further research, emphasizing theoretical development and, especially, more rigorous empirical testing.

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## Notes

<sup>1</sup>For a review of the related question of the relationship between corruption and trust, see Serritzlew, Sønderskov, and Svendsen (2014) and You (2018).

<sup>2</sup>Admittedly, both measures—especially the latter—are arguably stretching our conceptions of quality of government.

<sup>3</sup>See Dinesen (2012b) and Nannestad et al. (2014) for related approaches comparing immigrants in specific destination countries to comparable residents in their ancestral country. Both also find indications of effects of quality of institutions in the destination country on social trust (although they do not control for other explanations at the destination country level).

<sup>4</sup>It bears mentioning that Dinesen (2010), in another (earlier) sample of young immigrants in Denmark, finds a positive (although statistically insignificant) relationship between feelings of discrimination by teachers and social trust.