The New Liberal Dilemma

Empirical social science is often driven by a normative agenda about how to improve political and social conditions. A case in point is the great enthusiasm that was at first attached to the concepts of social capital and social trust. By adopting policy measures proven to increase levels of social capital, high quality democracy and economic prosperity would follow. The concept of social capital has also influenced the policymaking process in the field of development cooperation. International organizations such as the World Bank, the UN, the EU, as well as national development agencies, have designed and implemented a large number of projects which aim to increase social capital in developing countries.\textsuperscript{1}

Lately this enthusiasm has been somewhat defused by the issue of diversity. The question has been raised whether the increases in community heterogeneity taking place in many countries make the production of social capital more difficult. For example, a recent article concludes that, “more extensive diversity in terms of nationalities within the community is significantly and negatively associated with social capital.”\textsuperscript{2} On a more general note, Christopher Anderson and Aida Paskeviciute observe that, “[o]n balance most scholars of comparative politics view population heterogeneity in a negative light, arguing that it breeds conflict that is difficult to resolve and, as a consequence, political systems that are inherently more unstable.”\textsuperscript{3} The problems associated with diversity seem to have reached the level of “established wisdom” and “stylized fact” in social science.

Negative effects of population heterogeneity on social capital and social trust may operate at the individual level as well as the contextual level. For example, at the individual level, members of ethnic minorities have often been exposed to distinct formative experiences that have made them less likely to trust. The consequence may be that a society that tries to incorporate a greater number of immigrants and ethnic minorities may experience lower social trust. Of course, in principle this could both enhance and erode trust, depending on how trusting immigrants and natives are, respectively. However, the result is probably negative in most Western countries as immigrants and refugees arriving in these counties are more likely to have experienced oppression, discrimination, and other hardships that are negatively related to social trust.\textsuperscript{4} By the same token, immigrants and ethnic minorities, once settled in a new country, tend to
be more vulnerable than the majority population as they often run a higher risk of becoming unemployed or struck by illness and live in urban neighborhoods with a higher level of crime and other social problems.\textsuperscript{5}

Moving to the contextual level, it has been argued that ethnic natives and majorities themselves are also affected by diversity. Increasing diversity, the argument goes, not only changes the composition of the population but also alters the context in which everybody’s attitudes are formed. In a recent article, Robert Putnam has argued that at least in the short and medium run “immigration and ethnic diversity challenge social solidarity and inhibit social capital.”\textsuperscript{6} His empirical analysis of a large national sample of Americans shows that people of all ethnic backgrounds tend to “hunker down” and become less trusting of other races and ethnicities (as well as people of their own race) if they live in more diverse neighborhoods.\textsuperscript{7}

The underlying theoretical arguments are seemingly straightforward. People are socially biased in that they tend to meet, communicate with, and therefore develop social trust and networks with people mainly in their own ethnic, religious, or social group.\textsuperscript{8} A related argument is that ethnic, religious, and social groups may have different norms and values regarding the importance of trust and trustworthiness. The implication is that in a multicultural society it becomes more difficult to predict others’ behavior, leading to a vicious circle of less social interaction and thereby less social trust.\textsuperscript{9} Indeed, experimental work in the field of noncooperative game theory shows that contact and communication are important for establishing individual-to-individual trust.\textsuperscript{10}

Further evidence of the negative impact of heterogeneity on social capital comes from research on how local communities handle “common pool resources” and are able to produce “public goods.”\textsuperscript{11} While studies show that capacities to handle the “tragedy of the commons” problem are generally greater than predicted by standard game theory, it is uncertain whether this applies also to diverse communities.\textsuperscript{12} Such communities often seem to lack reciprocity norms, enduring networks, and interpersonal trust, which are needed to develop institutional arrangements for managing scarce resources in a sustainable way.\textsuperscript{13} In this line of (mostly economic) research, a recent paper reviewing the literature concludes that “the negative association between ethnic heterogeneity and public goods provision is widely accepted.”\textsuperscript{14} Other scholars contend that the negative relation between ethnic heterogeneity and public goods production is “one of the most powerful hypotheses in political economy.”\textsuperscript{15} They add that this applies not only in extreme cases such as civil wars but also under “normal” conditions.\textsuperscript{16}

In summary, a seemingly harsh trade-off—“the new liberal dilemma” in Kenneth Newton’s formulation—has arisen between two widespread ideals.\textsuperscript{17} The first is the positive notion of multiculturalism, meaning that groups of citizens have a right to develop and/or maintain distinct ways of life and ethnic and religious identity and that this is good for society.\textsuperscript{18} The other ideal is a well-functioning democracy (including systems for social solidarity), buttressed by high levels of social capital.

According to the fiercest critics, the emphasis on the new liberal dilemma has led parts of social capital research to promote an almost apocalyptic worldview.\textsuperscript{19} In this view, increasing ethnic, religious, or social diversity damages social capital, which in
turn generates economic slowdown, malfunctioning democratic institutions, more crime, social anomie, personal unhappiness, and so on. The debate has also reached the public sphere in many countries.20

**Theoretical and Empirical Contributions**

This article makes theoretical as well as empirical contributions to the literature on heterogeneity and social capital. Theoretically, it argues that the trade off in the new liberal dilemma may not be as generic as implied by many past studies. Under a specific set of politically induced circumstances, ethnic, religious, or social heterogeneity may not hamper social capital. Empirically, Swedish survey data containing a unique combination of questions that shed light on reasons for variations in the relationship between individual-level, minority/immigrant status and generalized interpersonal trust are analyzed.

Several recent studies make the theoretical argument that diversity effects vary systematically. Added here are two more specific contributions to this emerging agenda. One concerns the level of analysis. Most past studies on social capital and heterogeneity have approached the problem from a contextual point of view.21 There is a fast-growing literature on the impact of contextual heterogeneity on social capital, intergroup conflict, and prejudice.22 While several of our theoretical arguments are relevant to that research, the specific empirical analysis focuses on the individual-level impact on social trust of having an immigrant/minority background. Is there variation in this individual-level effect and can that variation be systematically explained?

The second contribution concerns the nature of explanations for variation in the immigrant effect. Two groups of explanatory factors are considered. The first is more closely associated with the social capital approach and highlights the density and character of social contacts. Recent studies conclude that the detrimental impact of (contextual) heterogeneity can be cushioned where cross-cutting social contacts are widespread.23 It is less clear at this stage, however, whether such conclusions apply in equal measure to informal, unorganized contacts and formal, organized contacts, respectively. This distinction is considered theoretically and empirically.

The second category of explanatory factors is less associated with this particular research field. It highlights the impact of fair and impartial (uncorrupted, nondiscriminatory) public authorities. Several studies have found that institutional fairness variables have important effects on political attitudes as well as on social trust.24 At present, however, little is known about whether institutional fairness variables can also interact with heterogeneity/minority variables so as to mitigate the new liberal dilemma. Our theoretical arguments and empirical evidence suggest this may be the case.

Overall, the arguments and findings suggest a contingent, and perhaps even cautiously optimistic, stance toward the new liberal dilemma. Minority cultures of mistrust are real but not cut in stone. Specifically, negative minority effects on generalized trust have a potential to wither away as a consequence of both positive experiences of informal social interaction and experiences of institutional fairness. For
reasons that are explored theoretically, these interaction variables have a particularly positive impact on trust among minorities. Thus, the trust gap between immigrants and the majority is closed at high levels of these variables.

The Moderating Role of Social Interaction

The literature on heterogeneity and trust can easily create the impression that heterogeneity necessarily hampers societal cohesion. Recently, however, some scholars have questioned this “natural law” view. Individuals and the contexts they operate in actually do vary considerably in the density and character of social networks. Depending on the nature of such networks, ethnic diversity (at the contextual level) and minority status (at the individual level) could have different effects on generalized trust.

Two simple distinctions are important. One is between “bonding” and “bridging.” Bonding denotes in-group contacts and is thought to mainly reinforce in-group trust as well as out-group suspicion. Bridging, by contrast, refers to cross-cutting contacts, which are assumed to convey positive information, stimulate emotional sympathy for other groups, and have more positive effects on generalized trust. Second, it is important to distinguish between “formal” and “informal” social networks. Formal networks are those built in organized settings such as clubs, churches, and civic associations. Informal contacts, by contrast, are more spontaneous and unstructured and occur more randomly in various everyday life settings.

Several empirical studies confirm that the frequency of contacts and networks matters. Interestingly, however, most studies have considered variation in the impact of contextual heterogeneity rather than in the impact of individual-level minority status. For example, Pamela Paxton’s cross-national, macrolevel panel results indicated that whereas trust is enhanced by membership in bridging associations—which are connected to other organizations and the surrounding society—exactly the opposite is true for membership in organizations where other members tend to be isolated and socially disconnected. Such findings have a potential to stir even more pessimism about multiculturalism, as members of minorities may be especially prone to join bonding organizations where members have similar ethnic and religious affiliation. If true, the negative impact of minority status on generalized trust should not be smaller—and perhaps even greater—among those highly active in organized civic life. Under such an assumption, minority members are more likely to participate in organized settings that are detrimental to generalized trust, thus preserving or even magnifying the trust gap at high levels of formal social interaction.

Informal social interaction may function differently. For a member of a small minority, it is harder to avoid encountering members of the majority, or of other minorities, in everyday life. This supply of plurality does not necessarily mean that individuals from different groups interact more with others. But if they do, their contacts will easily be of a more cross-cutting nature. Members of a large ethnic majority, on the other hand, often stand a smaller chance of encountering members of minorities.
Those belonging to the majority have an easier time living their lives without really having to interact with “the others.” If these assumptions are valid, one would expect that informal social interaction has more positive effects on generalized trust among members of ethnic minorities compared to members of the ethnic majority. As minority members increase their interactions with other fellow citizens, chances are higher that those interactions will involve bridging interaction with others. Majority members, by contrast, will usually have to expand their networks much more before they come to include a person belonging to a minority group.

This prediction presupposes that informal interaction is less biased toward the in-group compared to formal, organized interaction. In turn, the validity of this assumption is likely to vary across countries and contexts. For instance, the prediction should be more valid where ethnic minority groups are small, thus making unstructured encounters with others more likely. By the same token it should be more valid where particular ethnic minorities do not dominate a certain geographical area or part of a city. Informal contacts are less likely to display bridging features for residents of a “Chinatown” or “Little Italy” neighborhood, even though they are minority members in the society at large.

In support of these predictions, Melissa Marschall and Dietlind Stolle studied the impact of neighborhood-level ethnic diversity using a sample of Detroit residents from the early 1970s. A central finding was that higher degrees of neighborhood-level heterogeneity and sociability had positive effects on generalized trust among blacks. The effects among whites were not significantly different from zero. These differences were attributed to a tendency that bridging social contacts has the greatest positive effects on trust, coupled with the fact that blacks tend to live in more diverse neighborhoods compared to whites. Further, Marschall and Stolle measured the impact of both formal interactions as reflected by membership and activity in civil society organizations, as well as informal social networks with neighbors. Both types of interaction mattered—given that they occurred in a bridging setting—but the informal interaction turned out to be more influential. Similarly, Dietlind Stolle, Stuart Soroka, and Richard Johnston used Canadian and U.S. data, finding that individuals who regularly talk with their neighbors were less influenced by the racial and ethnic character of their context than people who lacked such social interaction.

In sum, this article expands on recent studies of social contacts in several ways. First, we examine variations in individual-level effects of belonging to a minority group, rather than variations in contextual heterogeneity effects. Second, we distinguish between organized and informal contacts and networks. Third, we consider a somewhat novel moderator of the new liberal dilemma, a topic to which we now turn.

The Role of Institutional Fairness

Bridge building across significant social divides must not necessarily be conceptualized in terms of direct horizontal contacts. On the contrary, the fairness of political institutions can play an analogous role. Specifically, it is possible that institutional fairness can both
raise the general level of trust as well as close the trust gap between the majority and the minority. The latter is thought to occur because institutional fairness has a particularly positive impact among minorities.

A cornerstone of the institutional fairness perspective is that experiences and information affecting trust can only be imperfectly generated by direct social interaction among citizens. As pointed out by several theorists, the value of social contacts as an information source about the trustworthiness of others is limited by the fact that one can only have so many social contacts, so that these can only be generalized with great caution. People, not least immigrants, need additional information about what to expect from “the generalized other” in the society in which they live.

This is where institutional fairness enters. People may learn lessons about the trustworthiness of people in their society by generalizing their institutional fairness perceptions. Specifically, equal and impartial treatment is key in such an approach. The assumption is that if the state apparently treats one with “equal concern and respect,” that says something about the preferences and moral standing of the majority that has created, that support, and that is affected by those institutions. Institutional fairness, in other words, can have informational value beyond the immediate situation as institutions structure a myriad of relationships and behaviors—not only one’s own. In this way, fairness can function as a heuristic for forming general beliefs about trustworthiness in a society. More than this, however, we argue that the heuristic may be particularly important for immigrants when reasoning about trustworthiness of people in general in the county to which they have arrived.

Empirical research on trust is generally warming to the institutional fairness approach. For example, Natalia Letki, Ji-Young Kim, Peter Dinesen, Markus Freitag and M. Buhlmann, and Bo Rothstein and Dietlind Stolle all find that the extent to which citizens are trustworthy and law abiding is affected by the extent to which central elements of democratic and bureaucratic institutions are perceived to perform well, and the extent to which institutions perform well as measured by “objective” indicators.

A distinct set of studies has conceived of institutional fairness in terms of procedural justice. If institutional procedures ensure that every citizen gets fair and equal treatment with respect to existing rules, the argument goes, it makes more sense to assume that other citizens and public officials are less involved in different kinds of dishonest behavior. By contrast, seemingly unfair (that is, unequal) procedures can be seen as an indication that a greater number of bureaucrats and fellow citizens are dishonest and not to be trusted. In this spirit, scholars have found a cross-country correlation between high levels of corruption and low levels of social trust. Similarly, experiences with welfare state institutions seem to matter. Experiences with means testing, discretionary “client” institutions have been reported to be detrimental to trust, whereas experiences of non-means testing, nondiscretionary services tend to have positive effects. Likewise, individuals who perceive poor procedural justice in their dealings with welfare state services display lower trust.

Another group of studies suggests that the fairness and equality of distributional outcomes may matter (that is, distributive justice). This link was long neglected in the social
capital research despite its relevance. Empirically, the evidence for a positive relation between social trust, social capital, and equality is quite good, and there are reasons to believe that much of this relationship is driven by evaluations of the fairness of public institutions. Finally, a related argument is that ethnic diversity in itself does not hamper trust but may do so if coupled with residential segregation and high levels of inequality between groups. Expressed differently, diversity only becomes truly harmful when combined with perceptions of injustice. In a study of rural India, Abhijit Banerjee, Rohini Somanathan, and Lakshmi Iyer argue that in diverse societies, distributive issues between groups are important “since the memory, real or imagined, of having been exploited can create a divide that will continue to hurt the economy many years into the future.”

Finally, in support of both the procedural and the distributive fairness approach, Jong-Sung You estimated multilevel models using World Value Study data from eighty countries. He shows that countries with low corruption, a high level of income equality, and stable democratic systems display higher levels of generalized trust, and that ethnic diversity loses significance once these three institutional factors are accounted for. Moreover, of particular interest are a couple of significant cross-level interactions between contextual-level fairness and individual-level minority status; trust differences between members of ethnic minorities and others tended to be smaller in more equal and democratic countries.

We build on these scattered reports of interaction effects between justice and minority/heterogeneity variables. Specifically, fairness variables may exercise a greater effect among minorities because minorities are evaluating institutional structures that have been created by, are supported and run by, and affect the majority group. Majorities, by contrast, are evaluating institutional structures that represent and affect mostly people from their own group. Hence, institutional experiences among minorities could be said to have greater bridging qualities and informational value as to whether most people can be trusted.

**The Swedish Case**

The proposed interaction effects in turn depend on context. Thus, some background information about the Swedish case is needed. On the face of things, Sweden seems a puzzling case. Although the country has become much more ethnically diverse over the last twenty-five years due to immigration, the level of interpersonal trust remains, in a comparative perspective, very high and exceptionally stable. Moreover, the difference in social trust between the four Nordic countries and other countries is striking. According to the 1999–2002 round of the World Value Survey, 59 percent of people in the Nordic countries agree that “in general, most people can be trusted,” while the mean for the seventy-three non-Nordic countries is only 26 percent. In contrast to the implications of some studies, support for welfare state policies remains high and stable throughout this period of significant increase in ethnic, religious, and racial diversity.

Demographic statistics show that Sweden has been transformed rather dramatically from a very ethnically and religiously homogenous society to almost the opposite. In
1940 only 1 percent of the population was born outside Sweden (including people born in the other Nordic countries). This increased to about 7 percent in 1970 and to 12 percent in 2005 (the EU 15 average is 10 percent). Counting second generation immigrants, around 20 percent of the population has immigrant background. In addition, the composition of those with immigrant background has changed. In 1970, 90 percent of immigrants were born in Europe and 60 percent in one of the other Nordic countries (Sweden had a heavy workforce immigration from Finland during this period). In 1970 less than 0.2 percent of the population was born in Asia, Africa, or Latin America. In 2005, 4 percent of the population was born in these parts of the world, comprising 35 percent of people born outside Sweden. Since the early 1970s most immigrants have come under refugee status or as relatives to people already given residency. A further indicator of this change is that membership of Muslim congregations has increased from around 17,000 in 1985 to over 100,000 in 2005.

Civil society participation, more generally, appears broadly structured in ways consistent with our hypotheses. Anniken Hagelund and Jill Loga concluded in an overview of Scandinavian research on the topic that participation in general purpose organizations is less frequent among immigrants than among others. Immigrant organizations, on the other hand, have less, and are less interested in, political influence than other organizations, and tend to adopt a “culture preserving” role. This has generally been encouraged by the state.

Most immigrants in Sweden are concentrated in the larger metropolitan areas such as greater Stockholm and Gothenburg. A third of our sample is made up of Gothenburg residents. Located on the Swedish west coast, it is the second largest city in Sweden, with about 500,000 inhabitants. According to a recent investigation, ethnically based residential segregation has increased between 1990 and 2002 and is strongly connected to economic inequalities. Moreover, according to this report, Gothenburg is the most ethnically segregated city, residentially, in Sweden. However, while immigrants are heavily concentrated in certain residential areas, they are not divided into specific areas by ethnicity. There is no equivalent to “Chinatown” or similar ethnically pure enclaves. On the contrary, immigrants from different countries and regions are residentially mixed. Moreover, immigrants in Sweden come from many different countries in different parts of the world. Thus, when it comes to the type of informal contacts described above, immigrants are likely to meet immigrants from other countries. Also, at the time of data collection Swedes were in a small majority even in the most ethnically diverse area. Thus, ethnic Swedes are less likely than others to meet someone from another group as a result of unbiased, random social interaction. These factors are important in determining whether the association between minorities and mistrust is a stable or a contingent phenomenon.

Data and Measurement

The survey was conducted in 1999 by the SOM Institute at University of Gothenburg. The sampling area is Western Sweden (the “Västra Götaland region”), which contains
1.5 of the 9 million Swedish inhabitants. Gothenburg is located in the region. About one-third of the random sample consists of Gothenburg residents. Past research concludes that the Western SOM surveys—which are conducted annually since 1992—are representative of the whole country with respect to levels of, and correlations between, a wide range of variables.\textsuperscript{52}

The 1999 survey is particularly interesting as it contains a set of items not often included simultaneously in studies of this sort. The equal treatment measure comes from a question battery with the following head question: “If you look back on your own personal contacts with public authorities and services during the last twelve months, to what extent do the following statements fit with your own experience?” We use the item, “I was treated worse than most others.” The response alternatives were “fits well,” “fits rather well,” “fits rather poorly,” “fits very poorly,” and “have not been in contact.” The information was scored between 0 and 1 with no contact as a middle category, and with higher values denoting greater experienced fairness.\textsuperscript{53}

This item is different compared to standard survey questions about public sector contacts. While it is becoming reasonably common to ask about overall service satisfaction, availability and user friendliness of services, and occasionally voice opportunities, this item cuts straight to the heart of the fairness problem—whether respondents think they were treated worse than others or not.

At the same time, the question arguably has potential to capture both procedural and distributive aspects of fairness and equal treatment. While this can be seen as a limitation in the analysis, the main concern is not to distinguish between different types of fairness but rather to estimate main and interaction of overall fairness and compare these to other independent variables. Moreover, previous research has shown that separate measures of these aspects nevertheless have a tendency to correlate strongly, which strengthens our belief that the item captures fairness perceptions of outcomes as well as procedures.\textsuperscript{54}

The measure of minority status is a dummy variable which takes on the value 1 if the respondent or one of the respondent’s parents grew up outside the Nordic countries (9 percent in the sample). The measure includes both first and second generation immigrants as the prediction that minorities display less trust partly builds on socialization theory, where socialization is a potential reason why minority cultures of mistrust may be present and resilient. Moreover, we focus on non-Nordics as the Nordic countries are consistently at the top of the social trust league in international comparisons. Therefore, in the Swedish context it is possible to tap whether the respondent has a background in a country where trust is significantly lower compared to the Nordic countries. Additionally, the dummy captures a mix of ethnic, linguistic, and racial differences vis-à-vis the ethnic Swedish minority, and correlates with the socioeconomic problems that immigrants and minorities typically face.

Of course, the 9 percent coded as non-Nordics still make up a heterogeneous group. The data allow us to separate between those originating inside Europe (5.8 percent) and outside Europe (3.2 percent), respectively. Fortunately, analyses disaggregating the data along these lines still lend clear support to our conclusions, even in the face
of sometimes seriously small N’s.\textsuperscript{55} Thus, results do not appear to be driven by only one of these two broad immigrant categories.

Descriptive statistics for other main variables are found in Table 1. The dependent variable is generalized trust measured along an 11-point continuous scale ranging from 0 (“people can generally not be trusted”) to 10 (“people can generally be trusted”), where the mid-alternative was not explicitly labelled.

<table>
<thead>
<tr>
<th>Variable</th>
<th>mean</th>
<th>SD</th>
<th>min</th>
<th>Max</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generalized trust</td>
<td>6.42</td>
<td>2.39</td>
<td>0</td>
<td>10</td>
<td>3623</td>
</tr>
<tr>
<td>Equal treatment</td>
<td>.72</td>
<td>.25</td>
<td>0</td>
<td>1</td>
<td>3437</td>
</tr>
<tr>
<td>Informal neighbor contacts</td>
<td>.41</td>
<td>.28</td>
<td>0</td>
<td>1</td>
<td>3422</td>
</tr>
<tr>
<td>Number of organizational memberships</td>
<td>2.51</td>
<td>1.88</td>
<td>0</td>
<td>16</td>
<td>3647</td>
</tr>
</tbody>
</table>

Note: Data from the 1999 West Sweden SOM Survey.

Informal social interaction is measured by an index measuring how often during the last twelve months the respondent “has socialized with neighbors” and “helped/received help from a neighbor.” The index ranges from 0 (“never” on both items) to 1 (“several times a week” on both items). Finally, formal social interaction in organized settings is measured by a variable counting how many organizations the respondent is involved in, defined as, at a minimum, holding membership (mean=2.5; SD=1.9).\textsuperscript{56}

Empirical Analysis

The three OLS regression models reported in Table 2 indicate how non-Nordic background, social interaction, and institutional fairness affect social trust. Model 1 establishes that respondents who grew up, or have a parent who grew up, outside the Nordic area are less likely than others to trust (−.87). Model 2 then shows that almost all of this effect (−.82) remains when controlling for organized civic activity, informal neighbor contacts, equal treatment, a host of socioeconomic usual suspects (age, class identification, income, and employment status), as well as for left-right self-placement.

Model 2 yields additional interesting observations. First, formal participation and membership in organized social life is positively associated with trust and this effect is roughly matched by that of informal contacts with neighbors (.60). Both these effects, however, are smaller than the impact of equal treatment in contacts with public services and authorities (1.00). This underscores past findings about the general importance of the institutional fairness perspective as a general explanation for trust.\textsuperscript{57}

Based on Model 2 alone, it might be tempting to conclude that minority status has an unavoidable negative impact in itself, regardless of actual socioeconomic and other experiences in the new country. One version of this stance previously discussed is that immigrants arriving to a high trust country like Sweden often come from a deep-seated
culture of mistrust, part of which first generation immigrants transmit to the second generation. Another explanation in the same vein is that immigrants must necessarily deal with a foreign culture on a day-to-day basis, one which is unlikely to arouse affection or understanding. Therefore, according to this argument, immigrants are necessarily less trusting than ethnic Swedes.

Model 3, however, suggests that trust differences between minorities and others vary systematically. This model lets the impact of minority status interact with social network variables (formal and informal), as well as with equal treatment. Consistent with our predictions, the trust difference tends to shrink at higher levels of informal neighbor interaction (1.02) and institutional fairness (1.34). Further, there is no significant interaction between the minority effect and formally organized participation in organizations. So while informal interaction and institutional fairness have particularly positive trust effects among minorities—thus closing the trust gap at high levels—this is not the case for formal civic participation. The suggested potential explanation is that minority groups may be especially prone to formally organize themselves along minority lines, thus hindering the bridging type of interaction that is thought to produce the other interactions. By contrast, informal social interaction and institutional fairness have particularly positive trust effects among minorities. Our hypothesis here is that informal interaction and institutional fairness—under the right circumstances—have particularly bridging qualities for minorities. Consistent with this idea, both

Table 2 Generalized Trust (0–10) as a Function of Minority Status, Bureaucratic-Institutional Fairness, and Informal Neighbor Contacts (unstandardized OLS estimates)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main effects</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Non-Nordic background</td>
<td>-.87***</td>
<td>-.82***</td>
<td>-2.07***</td>
</tr>
<tr>
<td>Number of organizational memberships</td>
<td>.10***</td>
<td>.11***</td>
<td></td>
</tr>
<tr>
<td>Informal neighbor contacts (0–1)</td>
<td>.60***</td>
<td>.51**</td>
<td></td>
</tr>
<tr>
<td>Equal treatment (0–1)</td>
<td>1.00***</td>
<td>.87***</td>
<td></td>
</tr>
<tr>
<td><strong>Interaction terms</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Nordic background × Organizational memberships</td>
<td></td>
<td>-.04</td>
<td></td>
</tr>
<tr>
<td>Non-Nordic background × Informal neighbor contacts</td>
<td>1.02*</td>
<td></td>
<td>1.34**</td>
</tr>
<tr>
<td>Non-Nordic background × Equal treatment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Controls</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>.005*</td>
<td>.006*</td>
<td></td>
</tr>
<tr>
<td>Education (1–3)</td>
<td>.30***</td>
<td>.31***</td>
<td></td>
</tr>
<tr>
<td>Middle class identification</td>
<td>.25**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household income</td>
<td>.12***</td>
<td>.12***</td>
<td></td>
</tr>
<tr>
<td>Left-right self-placement (1–5)</td>
<td>-.17***</td>
<td></td>
<td>-.17***</td>
</tr>
<tr>
<td>Unemployed</td>
<td>-.61**</td>
<td>-.61**</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>.01</td>
<td>.09</td>
<td>.09</td>
</tr>
</tbody>
</table>

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

Comment: Data from the 1999 West Sweden SOM survey. N=2351. The models also contain intercepts, the estimates of which are not displayed.
interaction terms have substantively important effects on the trust gap between non-Nordics and others.

Consistent with the prediction, then, the interaction coefficient for organizational memberships is not significantly positive. On the other hand, it is not significantly negative either. This is interesting because if organized minorities engaged almost exclusively in bonding one could imagine that the trust gap grows even wider at high participation levels. But such an extreme version of our hypothesis is not borne out by these data. To reiterate, we instead find that while fairness and informal interaction have particularly great trust benefits among minorities, the impact of organized participation is the same among minorities and the majority respectively.

Bear in mind that these are cross-sectional data. It is possible, or even very likely, that some independent variables are reciprocally affected by trust. For example, high trust may cause individuals to perceive more just treatment or to build more dense social networks. However, for two reasons these results are still interesting. First, the purpose is not to estimate the exact causal impact of any single independent variable on trust. Rather, we aim to get a handle on differences in relationships across groups. And as long as any problem of reciprocity is not systematically larger among one group compared to the other, such cross-sectional results are of interest. Second, we look forward to future studies relying on research designs better equipped to deal with causality. However, given the universal availability of cross-sectional data, and the phenomenal scarcity of panel data, it is sensible for research to proceed in this order. We agree with Jon Krosnick, who argues that the typical progression of research programs on socio-political attitudes is exactly to start out with cross-sectional data and—to the extent that the cross-sectional data are supportive—later move on to panel, time series, or experimental designs which can accommodate more complex assumptions. Finally, in addition to survey research, there is now at least one experimental study demonstrating a causal link between perceptions of the existence of a high level of corruption in (local) government institutions and a low level of generalized trust.

Illustrating the main arguments, Figures 1, 2, and 3 show predicted value plots based on the most inclusive regression model (Model 3, Table 2). Figure 1 plots predicted trust among the majority and non-Nordic minority respectively at different levels of experienced fairness. At low levels of fairness, the trust gap is about two units along the trust scale; at high levels the gap has been reduced to about half a trust unit. Thus while fairness has a positive impact among both groups, the effect is stronger among non-Nordics, diminishing the trust gap at high levels of fairness. This finding supports the theoretical assumption that experienced institutional fairness has particularly bridging qualities and implications for the level of trust among minorities.

Figure 2 does the same thing as Figure 1, but with respect to informal neighbor interaction. Neighbor contacts are predicted to have a modest impact on trust among the large majority. In contrast, among non-Nordics the regression slope is steeper, which supports the notion that informal social contacts tend to have greater bridging content among minorities in Sweden. Of course, as we have emphasized, this pattern is hardly a law of nature but probably contingent on particular minorities not being overly
geographically concentrated and dominant. As already explained, the minority group in Sweden is composed of individuals from a plethora of countries and ethnic backgrounds. All these groups tend to live in the same neighborhoods rather than claim particular areas for their groups. What is more, in 1999 Swedes were in a small majority even in areas containing the largest proportion of minorities.

Figure 3 plots predicted trust differences among the majority and minority, at three interesting combinations of procedural fairness and informal social interaction: (1) those who experienced poor procedural fairness and never interact with neighbors, (2) those who score average on both fairness and social interaction, and (3) those who experienced excellent procedural fairness and interact with neighbors several times a week. Interestingly, at simultaneously high levels of both informal neighbor interaction and institutional fairness minorities are not predicted to be any less trusting than others. In fact, non-Nordics are even predicted to be somewhat more trusting than others, although the difference is very small and statistically insignificant.

**Conclusion: Questioning the New Liberal Dilemma**

It has been argued that it is impossible to actually know anything specific about the trustworthiness of all individuals who comprise “people in general” in one’s society.61
Still, as is well known, people in different societies give on average very different answers to the survey question about generalized trust. From what sort of sources do people who answer this question get their information about how trustworthy other people in general in their society are? In reality, people will have to make do with whatever heuristics, imperfect information, collective memories, and myths available to them since anything approaching perfect information is not available.

We have gauged the importance of three potential generators of trust: equal and fair treatment in personal contacts with public authorities and services, informal social contacts, and activities in formally organized settings. Particular attention has been paid to effect differences between ethnic majority and minority members, respectively. Taken together, the results lend support for our arguments and predictions. Informal social interaction and institutional fairness are not only beneficial for general trust levels. Moreover, in the Swedish context they seem to be particularly beneficial for minorities. Therefore, at the highest levels of informal interaction and fairness, trust differences between the minority and majority are not found. In this sense, informal social interaction and institutional fairness have a capacity to cushion against the “minority culture of mistrust” foretold in previous studies.

The cushioning function of these variables can be understood using the distinction between bridging and bonding. Specifically, equal and fair treatment and informal social interactions may have particularly bridging qualities for minorities. When it comes to
equal treatment, this is because minorities experience institutions that presumably mirror the moral standing of “the others.” The behavior of local school teachers, policemen, social security administrators, the staff at public health clinics, among others, is according to our theory an important source of information about the moral standard of the society in which one lives. As for informal social interaction, minorities are, under the right circumstances, more likely than majority members to encounter “the others.” The right circumstances include specific minority groups not being too large or dominant in particular geographical areas.

Equally consistent with the expectations is the finding that activities in formal civil society organizations do not have a particularly cushioning impact. The number of organization memberships had both a weaker overall impact on trust, and did not have a stronger impact among minority members. One plausible reason behind this result may be that minority groups are prone to organize themselves along minority lines, thus making bridging social interactions less likely.

In sum, this article delivers some sobering news for those thinking that social capital and diversity cannot be reconciled. In societies where street-level bureaucrats deliver services in a way that is perceived to be in line with reasonably high requirements for distributive and procedural fairness, where corruption and discrimination are exceptions and not the rule, and where there are considerable possibilities for informal social contacts with others, increased ethnic diversity may not spell disaster for the regeneration of trust and social capital. The new liberal dilemma is real but not cut in stone.


4. However, Newton’s overview of the field suggests that while minority status usually has a negative effect on social capital and trust, there are notable exceptions. Among Newton’s examples are the Japanese and Jewish minorities in the United States, and the Swedish-speaking minority in Finland. Kenneth Newton, “The New Liberal Dilemma: Social Trust in Mixed Societies,” paper presented at the European Consortium for Political Research Join Session of Workshops, Helsinki, May 7–12, 2007.


7. Ibid., 138.


23. For example, Melissa J. Marschall and Dietlind Stolle, “Race and the City: Neighborhood Context and the Development of Generalized Trust,” *Political Behavior*, 26 (June 2004), 125–53; Dietlind Stolle, Stuart


29. Marschall and Stolle, “Race and City.”


32. Nannestad and Svendsen, Institutions.


44. You, “Comparative Study.”


48. Data from Swedish Commission for State Grants to Religious Communities, which is a civil service authority under the Ministry of Culture.
49. Hagelund and Loga, Frivillighet.
51. The SOM studies are conducted by the SOM Institute at University of Gothenburg in the form of a mail questionnaire. For more information, see Holmberg and Weibull, Ju mer vi. Since 1992, the SOM Institute has also conducted a number of local and regional surveys, including an annual survey in West Sweden. The sampling area covers the Västra Götaland region, which contains 1.5 of the 8.9 million Swedish inhabitants. Gothenburg, the second largest city in Sweden, is located in the region. Our data comes from the 1999 version of this study. Questionnaires and return envelopes were sent to a random sample of 5,900 individuals between 15 and 80 years of age, residing in the Västra Götaland region, of which 3,760 returned the questionnaire by mail (totally blank questionnaires, or those that answered only background questions, were not defined as valid responses). Thus, the response rate (RR2 as defined by the American Association for Public Opinion Research) was 64 percent. The data were collected between October 1999 and January 2000.
53. We treat non-contact and don’t know as neutral middle categories as both these categories function roughly as middle categories with respect to the dependent variable. In other words, although non-contact must be regarded as categories apart on a conceptual level, little empirical information is lost by including both as one middle category.
55. A regression model analogous to Model 2, Table 2, reveals that non-Europeans are only insignificantly less trusting than non-Nordic Europeans (\(b = -0.34; \ p = 0.31\) at the same time as both these groups are significantly less trusting than the Swedish majority (\(b = -1.04; \text{ and } -0.70\) respectively; both significant at \(p = 0.001\)). Moreover, when it comes to interactive predictions, a series of regression models analogous to Models 3–5, Table 2, were run. These show that also the two disaggregated dummies interacted as they should with experienced justice, neighbor contacts, and organizational memberships. The one exception is that while experienced justice was significantly more consequential for trust among non-Europeans (\(b = 0.55; \ p = 0.023\) compared to majority Sweden, a similar interaction could not quite be traced when a non-Nordic European dummy was used (\(b = 0.11; \ p = 0.545\)). Finally, while informal neighbor contacts do cushion more than half of the negative impact of minority status as measured by non-European origin, this interaction did not reach statistical significance (\(p = 0.344\)). However, this is perhaps understandable in view of the small number of non-Europeans.
56. More precisely, the measure includes the following types of organizations: professional organization, parents’ organization, local folklore society, humanitarian aid organization, tenants’ association/housing cooperative/homeowners’ association, sports/outdoor recreation association, immigrants’ organization, consumers’ cooperative, cultural society/music/dance, women’s organization, local action group, environmental organization, automobile club, retirees’ organization, political party (including women’s or youth association), and “other” association.
57. This effect comparison makes sense knowing that while the formal organization variable can in principle range up to 16, only a handful of respondents are members of more than 10 organizations. Most score much lower on this variable: 87 percent hold 4 or fewer memberships (mean = 2.5; SD = 1.9).
58. Jon A. Krosnick, “The Challenges of Political Psychology: Lessons to Be Learned from Research on Attitude Perception,” in James H. Kuklinski, ed., Thinking about Political Psychology (Cambridge: Cambridge University Press, 2002). As Krosnick (p. 120) explains, “Nearly every causal hypothesis of significance in political psychology is tested initially using cross-sectional data. Such data are easily available to investigators.” Krosnick (p. 144) further notes, “There is no doubt that cross-sectional data can be informative regarding the validity of a causal hypothesis. If an expected correlation fails to appear, this certainly casts doubt on the causal process that implied it […] once an initial convincing demonstration of correlational support is provided, it seems essential to move quickly on to employing either longitudinal data analysis methods […] or experimental methods.”
59. Nannestad and Svendsen, Institutions; Rothstein and Eek, “Political Corruption.”
60. In both Figures 1 and 2, all other variables are set to their means, except neighbor contacts (in Figure 1) and experienced fairness (in Figure 2) which are set to zero. Number of organizational memberships is set to zero in both Figures 1 and 2.