

## *Institutional trust in the context of post-communist democratic consolidation*

Todor Arpad

*Todor Arpad is currently an MA student at the National School of Political and Administrative Studies, Bucharest. A previous version of this material has been presented at the Euro Summer School Integrating Sociological Theory and Research in Europe (ISTARE).*

**ABSTRACT:** Trust in institutions represents an indispensable ingredient for their legitimacy. The major post-communist social reshaping process is inextricably related with countries' institutional modernization capacity. Using data from Romania, Bulgaria, Serbia&Montenegro and Macedonia, this article approaches two different levels of this issue. The first relates to the societal and institutional legacies that influence the contemporary sources of institutional distrust. Informality, corruption and lack of efficiency not only that self-reinforce but they also create behavioral expectations from the mass-public. The second discussion approaches the individual level, studying the influence of social capital, different types of trust, personal experience and subjective well-being on individuals' predisposition to trust and act accordingly toward institutions. While experience and people's socio-economical situation has a minimal influence, subjective factors explain the bulk of variation.

### *Introduction*

The post-communist Balkans countries have succeeded neither on the way of economical prosperity, nor on the way of acquiring and substantive democracy. Even if formal democratic regimes came into office, the process of democratic consolidation is still far from end. As in all post-communist countries, the past inheritances proved to be hardly to outclass. Lots of theoretical approaches have tried to explain why the vicious circles of under-development and poverty have perpetuated in the region. The only constant point of agreement is that all these countries experienced inefficient governments and generalized corruption at the level of all state agencies. Thus, political and administrative institutions still perform much below the optimum level. Almost all researchers in trust with the ex-communist space (Rose, Rose & Mishler, Pippidi-Mungiu, Ganev, Badescu, Inglehart) remarked the generalized lack of trust. With all these, informality works very well and is based on unwritten but deeply rooted rules. In the absence of the

societal mechanism that generates civic engagement and trust, rules of reciprocity remain the most important component of the social capital in the region. This approach studies the issue of institutional trust, focusing on several Balkans' countries. By comparing the structural determinants of institutional trust in five countries with relative similar histories, social, economical and cultural features, but with relatively different post-communist evolutions we try to reveal the possible influences of these latest evolutions. Following Mishler & Rose (1997; 2001) enquires we will test the implications of both institutional and socio-cultural theories on different types of institutional trust in the countries under discussion.

### *Historical heritage*

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<sup>1</sup> Romania is not geographically located in the Balkans. However, due to its history, except the Transylvania region, is culturally considered to be a part of Balkans. We use an opinion survey from the autumn of 2003, data collected in Romania, Bulgaria, Macedonia, Serbia and Montenegro.

The Balkan region has always been a backward region compared to Western Europe. Until the second part of the 19<sup>th</sup> century, for Romania, and the beginning of the 20<sup>th</sup> for the rest of the countries in discussion, they had been dominated by the Ottoman Empire. While the societies remained predominantly Christian-Orthodox, the cultural features, inherited from the Byzantine Empire have been highly compatible with the Ottoman organizational culture. Compared to the Western Europe, the various aspects of modernization had usually been implemented with at least 50 years delay. Once the communist regimes came into power, following the ending of World War Two, the incipient modern inter-war social structures had been destroyed. Although the communist's intention was to impose a totally new social design, in most cases the new structure incorporated the pre-modern clan habits and connections. By destroying the Europeanized elite, the new class, whose members came predominantly from the inferior social layers, decisively perverted the communist ideal of a totally formalized society with complete control of the state. Thus, the cultural aspects proved to be more pervasive in the Balkans. Even if formal organized civil society existed, organizations like trade unions were in fact created by the state and used as means of control over the non politically regimented society. In these conditions informal networks gained control since they were "invisible" and connected to the political centers. Thus the Balkan region legacy has a very low stock of social capital based on civic engagement, but a high stock of informal networks. Rose (1998) argues the existence of many social networks in former socialist countries but of the "anti-modern" or "pre-modern" type. Thus, the development of informal elite networks led to institutional weakening and the creation of "negative social capital," which hindered economic development.

Ganev (2001) describes how these relatively closed social networks can be detrimental to institutional development in Eastern Europe. In his view the strategic interests and actions of such groups hinder successful implementation of institutional reforms with diminished state capacity and organizational coherence between administrative bodies, as a consequence.

#### *Post communist evolutions*

The post communist evolution has been massively influenced by the dramatic decrease of institutional capacity of the state. While the capacity and willingness of the state institutions to ensure an equal treatment for the citizens in front of the law decrease dramatically, a new type of economy developed. Based not on modern economical principles, but on the ability to use corruption in the relations with state institutions, the new economic framework did not create wealth but contributed to the redistribution of the national income. Delaying privatization enhanced only on short term social protection but offered time for the ex-nomenclature members of the secret services and communist managers to gain enough political, relational and economic power to control privatization. Perotti and Hellman (Blue Bird Report, 2003) propose an analytical framework based on a political economy model based on identification of types of social actors—losers, winners, and partial winners. Having different goals and different relative strength, the transition period's social actors interrelate in the social and political space and the results are shifting configurations that lead to varying attitudes toward reform policies. The present situation indicated that battle between the modernist and anti-modernist elites is still in the act. Taking into account the modernization goals, the policies aiming at increasing support for reform should focus on the long-term winners from reforms. In the same time, a strategy having

as goal a decreasing resistance to reform of the reform losers has to be taken into consideration (Blue Bird, 2003:24). Finalizing reform toward market economy and substantive democracy would affect one of the most powerful groups within these societies. Predatory elites can win only in the partial reforms situation, as “their predatory projects slash the effectiveness of social support programs (aiming at the losers of reforms) by channeling these programs’ resources away from the target groups” (Blue Bird 2003:27). By acquiring strong and influence position in the administrative and political system, they manage to obstruct the competitiveness and profitability of the agents acting on modern economy principles. Verdery (1998) demonstrates how local elites were able to maintain their power as leaders of collective farms and local councils since socialism. In the realm of economy, real competition is hindered, and private quasi-monopolistic practices are maintained through the appeal to non-market means. Richard Rose’s approach on the post-communist world proposed a different facet of social capital networks, in view of the fact that they are used as survival tactics and in order to personalize relations with bureaucrats by using connections or bribery. According to Mishler & Rose (2001:31), “life in a Communist regime forced citizens to rely to an unusual extent on interpersonal relationships and connections to provide for their material and emotional needs and to protect themselves from an intrusive and repressive state.”

#### *The present*

Fifteen years after the collapse of communist regimes and ideology the countries from the Central and Eastern Europe succeed very differently on their historical recovering course on getting closer to the Occident. Besides the pressure, due to the economic and social transition, the inertia of the old institutions and culture did not allow a rapid acceleration toward a stable

and prosper democracy. The necessary social and economical reforms – needed to turn to a market economy – destabilized the existing social structure. An important part of the society got poor while only a thin layer managed to gain the benefices of the new economic freedom. As the break between the reform agenda and the short and mid-term expectations of citizens increased, the volatility of the social framework dramatically affected important parts of these societies. The UNDP Report (2003: 14) mentions three main factors that hinder democratization process, being major causes of instability: the widening gap between the public and the elite; the growing distrust in the reformist agenda; and the emergence of cynical and angry majorities. Due to this, “anticrime policies are a major component of building pro-reform constituencies”. (Blue Bird 2003:27). UNDP (2002: 17) consider that “epidemic party corruption has to do not so much with communist legacies, post-communist pathologies or the quality of the legal environment, but with the increase of the cost of politics.” The Balkan situation confirms Uslaner’s (2002b:22) finding that corruption should also lead to higher rates of business regulation; regulation can serve to restrict markets and extract extralegal payment from investors. In fact, even if regulation level is high, the level of real implementation is very low. Legal regulations are many times used as sources of discretionary power and justification for the official’s inefficiency. Even if the private sector varies between 40 and 70 percent, in all the countries in discussion a significant part of this sector is still state-dependent. This dependency manifests by two main means: many firm work almost exclusively with the state, thus parasite it, and many beneficiate by tax pay delaying. Due to the fact that none of the countries in discussion can be considered a winner of the democratization process, one major variable is absent. Having considerably

similar social features, the main differences in our sample reside in: years of democratization, degree of corruption and the absence or presence of ethnic war. Blue Bird (2003:30) proposes a classification of the Balkan states. The region is presented as a mixture of weak states, former failed states and present protectorates. Romania and Bulgaria are classified as countries approaching an advanced stage of democratization. Serbia and Montenegro are classified as countries starting the democratization process. Macedonia is classified as a country recovering from a severe political crisis (the breakdown of democratization). According to these dividing lines we identify two groups of states:

- Romania and Bulgaria: only medium corruption, comparative advanced democratization and democratically managing ethnic problems.
- Serbia, Montenegro and Macedonia: very high corruption, incipient democratization and recovering after post-violent ethnic conflicts.

Romania and Bulgaria are most advanced on the way of democratization and institutional modernization. Both of these states have managed to have a constant, even if sometimes slowed down, democratic evolutions, avoiding major political crisis. Romania's level of trust in democratic institutions decreased dramatically after the first years of transition. As a result of uncounted numbers of political-economical scandals, without any follows, almost 90 percent of the population believes that politicians and people with right connections are above the law. For example the fall of the FNI Investment Fund in 2000 created prejudices to more than 200.000 investors of about 1.5 billion dollars. Even if the guilty people were well known, no one has been put into jail after four years. At the level of NGO sector, even if more than twenty five thousand officially exist, Freedom House

(2002:316) argues that only 10 percent are really active. In terms of economic situation, the GDP per capita in Bulgaria is euro 2,290 for 2003 (6,900 euro at Purchasing Power Parity), and the average gross monthly wage is 145 euro. In 2002, about 38 percent of the total population was employed, of which 8% in industry (Ganev, Papazova & Rascho, 2004: 4). After the major economical crisis from 1996 to 1997 that led to a decrease of 16 percent in the GDP in two years, Bulgaria encountered a continuous economic growth and rating improvement. As in Romania, the really proportion of NGOs from the total number of formal registered is low, with a total number between 1000 and 2000 active NGOs. In Serbia & Montenegro, even if the first free election were in held in Yugoslavia in 1992, only in October 2000, after the overthrow of Slobodan Milosevic, the real process of democratization started up. Even if not fully democratized, the NGO sector has constantly developed in FRY after 1992. After 2001, an important amount of external funds led practically to an explosion of the sector. However we take into consideration the argument of Pickering (2002: 13) that the advocacy groups in Bosnia financed by US especially did not managed to build relationship that bridge ordinary people of different ethnicities, because they are not civic associations. Freedom House (2002:441) mentions that under the Milosevic regime, the FRY was generally considered one of the most corrupt states in the world. After half of century of communism and a decade of Milosevic regime, "legal and ethical standards and boundaries between public and private sector activity become blurred." (Freedom House 2002:441) Macedonia is among the ex-Yugoslavian states less affected by the decade of war. Between the 1991 secession and February 2001 the country has managed to obtain medium successes in the way to modernization.

Due to its ethnic structure<sup>2</sup>, Macedonia has encountered a permanent internal and external pressure. Following the Kosovo conflict, the Albanian guerrillas (National Liberation Army) started a violent conflict in the northwest region. Due to Macedonia's government incapacity and to a convergence of political, economic, social and military circumstances in the region, primarily in Kosovo, the rebellion had a devastating effect on the country's economy. According to Freedom House report (2002:271) the short civil war brought "back the country's economic development by as much as 15 to 30 years". As in all countries from our regional survey, in Macedonia, despite the fact that the 123 municipalities (*opstini*) have elected mayors, their tax revenue from the total budget is limited, thus maintaining and increased centralization. Maintaining a high degree of budgetary centralization has a very deep effect on the local decentralized institution's capacity to adapt their activities according to the feedback received from the local communities.

#### *Theoretical aspects*

There are two main theoretical approaches to the sources of trustworthiness. According to Dasgupta (1998: 53), trustworthiness is "a person's overall disposition, his motivation, the extent to which he awards importance to his own honesty". While Dasgupta identifies the principal source in non-selfish motivations or internal values, Hardin (2002: 28) emphasizes the importance of procedural rationality, trustworthiness being defined as "the capacity to judge one's interest as depending on what one is trusted to do." Ahn (2002: 3) argues that "trustworthiness and trust are critical because structural and legal incentives alone are often not enough". Stolle (2000: 75) concludes:

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<sup>2</sup> Macedonian (67 percent), Albanian (23percent), Turkish (4 percent), Roma (2 percent), Serb (2 percent), other (2 percent)

"the main division line in theories of trust is based on the distinction between approaches perceiving trust to be a context-dependent or even rationally informed decision and those considering it to be a rather stable personality trait or moral value." Gambeta (1988: 217) defines trust as "a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action." Hardin (1992) and Uslaner (2002) theorize strategic trust as one's predisposition to trust based on the knowledge about possible compartments. Badescu (1999: 102) proposes an enlargement of the strategic trust phenomena to all those types of trust that involve a rational calculus, even if the actors do not have all the necessary information, no matter if this is the result of personal experience or other person's experience. Rahn, Brehm & Carlson (1997) are assessing that a high level of citizens trust toward those in government is accompanied by a positive perception of the government efficacy – this perception leading to an increased degree of interpersonal trust. In opposition with generalized trust, Uslaner (1999) propose the concept of particularized trust understood as "placing faith only on your own kind". Pippidi-Mungiu (2004: 16), using the same database as the present paper, finds that individuals highly rating on particularistic trust „reside in the rural area and claim to have had negative direct encounters with people who abused their trust." Based on this, it is expected that particularistic trust to play an important negative effect on institutional trust.

Cultural theories are assuming that the sources of institutional appreciation are exogenous to the way institutions perform. Institutional theories by contrast, hypothesize that political trust is directly dependent on the institutional perceived compartment. The more they will act according to people's expectations, the more they will be trusted. Direct experience

with different institutions is considered by the micro-institutional approach to have a determinant role on someone's appreciation of an institution. Dasgupta (1988: 53) assesses, "trust is based on reputation and (...) reputation has ultimately to be acquired through behavior over time in well-understood circumstances". If, in the case of trust in individuals, the behavioral expectations are approximately definable, in the case of institutions the situation is different, since the circumstances and the norms to be respected do not have the same consistency. If we accept Hardin's (1999) hypothesis that the way we appreciate the capacity of government to solve problems depends on our expectations, then unconditional trust in institutions does not enhance democratization since it diminishes the citizens expectations. Institutional trust is an important ingredient in making them acting easily. However, this does not mean that institutions become more efficient as they are more trusted. In all democratizing countries the democratic legitimacy of the new system is strongly linked with the trustworthiness of the institutions. Besides the effects of corruption, public trust in institutions is determined by the way people believe specific institutions should act. Even this seems to be a truism, in fact what people believe institutions should do differs a lot along different individual characteristic and in different countries. Generally, there is no "Decalogue" for institutional behavior as it exists for the human one. In the same time we have to take into consideration the existence of three different ways through that people acquire in formations on public institutions. The first one is the direct contact, when people ex-

perience directly the institutional behavior. However, this type of contact is not the primordial source of information on institutions, since most of the people interact only with a few institutions, usually those that provide technical services. In the same time, the interpretation of people's direct contact largely depend on their own expectations. The most common example relates to the use of bribe. While for someone offering a bribe for obtaining a service may be a normal aspect, the necessity to pay this extra tax it can be interpreted as an abuse. The second one is the information acquired from relatives and acquaintances, generally through other people's experience. The third type represents the information obtained through the mass-media channels. Mishler & Rose test the implication of the cultural vs. institutional theories across 10 post-Communist countries concerning political trust. According to them (2001: 50) popular trust in political institutions is vital to democracy, but in the post-Communist countries skepticism and distrust in institutions are pervasive. They assume that in the conditions of a corrupt and inefficient state with a collectivist political culture, people tend to reinforce the lack of trust and cooperation by preferring to use informal way to get things done. Our survey confirms their finding that trust in political and civil institutions is generalized across institutions. However, the correlation between trust in political institutions and trust in the institutions that provide services is only .609, (Table2) showing that an important part of the variation is determined by other factors.

Table 2  
Pearson Correlations

		FS Trust in political institutions	FS Trust in service provider institutions	ser-FS Civic engagement	Moralistic trust
FS Trust in political institutions	Pearson Correlation			-.022	.144**
	Sig. (2-tailed)			0.99	.000
	N	5743		5592	5592
FS Trust in service provider institutions	Pearson Correlation	.609**		.048*	.134**
	Sig. (2-tailed)	.000		.002	.000
	N	4222	4315	4228	4236
FS Trust in law institutions	Pearson Correlation	.734**	.737**	.018	.157**
	Sig. (2-tailed)	.000	.000	0.225	.000
	N	4782	4248	4637	4790

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Factor scores. Country samples weighted

One of the most common experiences for the people of the ex-communist space, and especially in the Balkans and ex-Soviet countries, is that law is not the same for everyone. If it's true that all around the world powerfully and reach people are advantaged in these issue, at least informally by having access to very good lawyers, in the Balkans this became a rule in the last years. The "amoral familism" phenomenon documented by Edward Banfield (1958), in Southern Italy, became a natural shelter in the way of a more and more insecure world. In the moment when modern formal institution fail to work as in modern societies and when the official incomes of most of the population are not enough to secure minimal living standards, the links based on family and kinship are enhanced to the maximum. In the first years of transition, the ideological heat was high, with intense levels of political confrontation, thus corruption was not a perceived as a major issue. Once the market economy vision gain an important ascendant on the

statist-centralised organization, corruption came in the front-page of social attention. From the top of politics to the last civil servant, corruption and apparent lack of interest for the general interest is pervasive. The "business politicians" (Della Porta, 2000), acting as power brokers are the product of the new way of doing politics. By using their power to influence the legislative and regulative framework, combined with their informal immunity to the rule of law, they have managed to gain enormous fortunes. The Romanian experience showed that at the micro-level the local predatory elites can use their network social capital in order to become power and resources brokers. Named by della Porta (2000:227) "*bad*" social capital, these informal networks have penetrated the societal decisional organisms, directly influencing phenomena like the spread of corruption, or institutional inefficiency and resource allocation. From the micro level to the macro situations, informality with decisional factors becomes an important factor for success in what-

ever enterprise. A research on the Romanian elite informal networks<sup>1</sup> found that the elite informal networks are used as channels of communication. Most commonly these networks are used as means of finding out how to avoid the law and about resource allocation opportunities. Giving an answer to the dilemmas of how to enhance positive cooperation with institutions relates to the consequences of individuals' social capital network. Does the conjuncture or the personal characteristics determine people's use of negative social capital? Della Porta (1999: 216) rejects the functionalist thesis that corruption has a positive effect by "oiling" bureaucratic and political mechanism, assessing that political corruption destroys trust in institutions since it seriously affects the efficiency of public administration. In fact, in many post-communist countries the levels of political corruption have varied in accordance with the officials' capacity of being corrupted. When privatization accelerated the levels of political corruption increased too.

Social capital and trust, as defined by Putnam (1993), is based a lot on the premise that defectors can be excluded or sanctioned. On the other hand, in the case of a rapidly changing social structure – changes accompanied by a restructuring of the social values – social capital networks become weaker. Since social networks are rapidly changing, exclusion does not work as in stable societies, since it is not a very powerful incentive. In the same time, besides explanations related to the lack of trust, civil networking is hindered by the high societal stress (Pippidi-Mungiu 2004:12), produced to the massive social reshaping and general poverty. In the condition of a low degree of trust reciprocity gets a prominent role in the

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<sup>1</sup> Project "Corruption, Conditionality, Corruption and informal institutions". The author has been personally involved in this project that consisted in 90 elite interviews.

life of the community. In explaining the important role played by informality we employ Hooghe's (2000: 2) argumentations that trust is eroding when its main sources – familiarity, predictability, resemblance between actors and closure networks – are eroding. Following Hooghe's argument (2002) that reciprocity is a weaker, procedural norm than the substantive norm of trust, we assess that it functions better because it minimizes risk, since it is individually dependent. If we take into consideration the normative aspects, then "cooperation with institutions" becomes a very tricky concept. In fact, people usually cooperate with people, and enhancing cooperation with people working in different state institutions means enhancing informal contacts. Even if informality does not lead automatically to corruption, if the conjectural factors enhance corruption, then, these informal relations will be used in this direction. In the moment when many businesses are dependent on the state agents in order to maintain on the market, corruption develops naturally. If "ambient corruption" (Freedom House 2002: 281) is so pervasive in all countries being synonymous with normality, then citizens meet corruption in every social action, both in private and public life. According to della Porta (2000), corruption creates strong norms of reciprocity between the public official and the corruptor, thus leading to a high degree of conformity to the norm of corruption. In this way corruption is not any more an action that is initiated by one side, but a custom acknowledge by both sides. Based on this argument we reject Uslaner's (2002b) argument that trust and corruption rest upon fundamentally different views of human nature, since corruption is usually impossible in the absence of trust. On the other hand we agree with Uslaner's (2002b: 34) argument that at a societal level the most pervasive feature of corruption is that it is a transfer of resources from the mass public to the elite

and generally from the poor to the rich. According to Uslaner (2002b: 36) the effect of corruption on trust is higher than the converse situation. Corrupt leaders breed distrust throughout society. As society become less corrupt, they do not become more trusting. Yet, as countries become more trusting, they become less corrupt.

#### *Data interpretation*

Following the division proposed by Mungiu-Pippidi (2002) we divided the institutions in three categories: political institutions<sup>2</sup>, service providers' institutions<sup>3</sup> and law institutions<sup>4</sup>. In order to obtain an aggregate image of people's trust and to avoid different biases, we have first aggregated the trust in these institutions in three factor scores, subsequently using them as dependent variables in the OLS regressions.

Uslaner (2002) assesses that the political trust is in fact a form of strategic trust toward those that govern. This type of trust has to be accompanied by a positive perception on the efficiency of the governing acts. The OLS Regression model for trust in political institutions shows a rather heterogeneous profile for the countries in discussion. The only common predictor is the perception on the honesty of central government, a variable that measures to a high degree the same conceptual field.

According to Mishler & Rose (2001: 50) the effects of the socialization variables on political trust are weak. Our findings contradict partially their findings trust in people having a medium impact on all forms of political trust. The explanatory model for trust in political institutions is the only one where the proposed classification in two groups (see page 39) of countries seems to be viable. While moralistic trust is not important at the country

level, particularistic trust combined with agreement that social organization is unfair, are playing an important negative effect on political trust in Macedonia and Serbia & Montenegro. The fact that both Macedonia and Serbia & Montenegro experienced recently major political destabilization that politically polarized these societies, explain why this cultural factors play such an important role. Romania is the only country where the interaction with institutions and the use of bribe are negatively correlated with trust in political institutions. Since the level of corruption is equal with Bulgaria but lower than in Macedonia and Serbia & Montenegro, this may indicate that citizens identify their source of problems in the central political system, and not at the local level. According to Rose-Ackerman (2001: 566) "generally lower levels of trust and higher levels of perceived corruption" are associated at the national aggregate level. Our data argument that, in the case of undeveloped countries, this relationship is valid at the individual level too, but is strongly mediated by the lack of subjective and objective personal development and social frustration. While in Romania, the importance of the ideological aspects become less important, in the other countries the ideological stakes are still high. The fact that in both countries the political forces at power are oriented toward a peacefully approach on the ethnic problems may determine why particularistic trust is so important.

Due to the societal design, in the ex-communist space, the wealthier you are, the higher the chances are to interact with formal institutions. The more you interact with these institutions, the better you know how the system really works. Our data confirm Sandu's (2003: 107) finding that in Eastern Europe the most important dimension of using relational capital seems to be health related problems. Around 60 percent of the people that interact with institutions are satisfied or

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<sup>2</sup> Parliament, Government, President.

<sup>3</sup> Local government, Post-office, Telephone state company, Health system, Schools, Tax office.

<sup>4</sup> Courts, Prosecutor, Police.

very satisfied with the service they receive. However, the conversion of these results into higher institutional trust is not direct. The correlations between a given satisfaction with the service received in dealing with the respective institutions and the general evaluation of the same institutions is lower than expected, ranging from 0.31 for the local government to 0.22 for the tax office. Moreover, this variable is negatively correlated with trust in political institutions at the aggregate level. Excepting Serbia & Montenegro, the most corrupt state from this group, in all other countries those that interact with institution have a significantly higher degree of trust in service provider institutions. These is not so much an argument that these institutions are not so badly working as the majority beliefs, but that there is a significant difference between the information obtained through mass-media channel and the directly perceived reality. The other two major determinants of trust are the perception on the honesty of government's improvement and subjective well-being, both of these variables measuring a highly subjective projection. Bulgaria is the most interesting case, while subjective well-being is absent as a predictor for trust in service-provider institutions, the projection of government evolution being the highest predictor (.507\*\*\*) from all twelve OLS Regression. The situation from Bulgaria can be interpreted in the sense that the population manifests the lowest degree of evaluation based on values.

Rothstein (2001: 21) finds in the Swedish case a strong correlation between trust in the legal system and faith in people. On these findings, he argues that if people appreciate the judicial and the police to be fair they will be more trusting. Our data neither confirm this finding nor reject it. At an aggregate level, moralistic trust is significant in all three models, but at country level is significant only in a few cases. The fact that moralistic and particu-

laristic trust has an opposite influence in all three models confirms Uslaner's (2002) conclusion that the moral and particularized trust have polar characteristics that come from the way they are defined. While moralistic trust is determined by the way others are represented, particularized trust is based on the belief that there are essential differences between those that belong to one's group and other people.

Our findings confirm those of Pippidi-Mungiu (2002:96) that socialization has a moderate role as an enhancer of trust, but this is not mediated by civic participation. Even if we accept North's (1998: 494) assertion that "historical experience makes clear that efficient institutions are the exception", trust is highly influenced by what people believe to be efficient. The variables that measure quality interaction with institutions (use of bribe, abuse by public institutions) have a general low impact. The most important effect is determined by the intensity of interactions with institutions. The only country where the use of bribe has a negative effect on institutional trust is Romania. This may be interpreted in the sense that Romania is the only country where the societal learning process got to the point where corruption becomes an intolerable phenomenon. The fact that this predictor is significant in the case of all the three factor scores brings another argument in this direction. According to Rothstein (2002b: 16) "Government institutions generate social trust only if citizens consider the political institutions to be trustworthy." The main argument is that institutions of law and order have the task to detect and punish defectors. If these institutions work effectively, then people will believe that they are safer, since a harm that may be produced to them might be repaired by these institutions. Our findings do not bring clear arguments in sustaining the institutional or cultural approach. However it seems that,

as country becomes more democratic, a process of societal learning takes place. As countries become more democratic, people's demands from institutions increase. In the same time, the fact that voluntary associations do not stand for the role of enhancing trust<sup>5</sup> but they seem to create a bridge between citizens and service provider institution.

Mishler & Rose (2001) find evidence to strongly support the superiority of institutional explanations of trust, especially micro-level explanations, while providing little support for either micro-cultural or macro-cultural explanations. The reason that our data do not confirm their findings is that, in their approach, trust in all institutions has been used in a single factor score. In the moment we propose different models for each type of trust, we discover that significant factors are only partially common. One of the most astonishing findings is that encountering abuse by public administration is not a significant factor in none of the models. Most probably people expect to receive low quality services and if they do, it seem normal. This shows that they do not make a direct correlation between the general activity of institutions and their direct experience. In the same time, the more people interact with institutions, the more they are likely to trust service provider institutions and law institutions. This finding indicates that the services provided by public institutions are not of so low quality and that an important part of the perception on corruption is determined by the general image acquired from mass media and personal communication. As expected, particularistic trust is an important determinant of distrust in institutions of Serbia and Montenegro, countries ranking highest on corruption index.

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<sup>5</sup> In an OLS Regression with generalized trust as dependent variable, neither civic engagement nor trust in institutions is significant. The only significant predictors are: particularistic trust and abuse from people experience.

The most important predictors in all models for almost all countries are the subjective well-being and the perception on the honesty of government improvement. The fact that people have been abused by institutions or that they use bribery is much less important than believing that administration moves in the right direction. While personal development and personal income have only a regional significance, subjective well-being remains significant for all countries and all institutions. In the same time, it is very important to notice that the correlation between income and subjective well-being ranges from .248\*\* in Romania to a maximum of .334\*\* in Serbia & Montenegro. Working on data on Romania, Pippidi-Mungiu (2002: 84) found that people have a higher predisposition to trust people when they are better educated, meet a high subjective well-being and, very important, they live in developed regions. The model proposed in this paper confirms again these findings on Romania, but brings no evidence that this is true for the rest of the countries. Sandu (2003: 102) working on data from Romania, finds that richer from the poorer counties tend to have a higher relational capital. This conclusion is explainable through the fact that the less developed an area is the more necessary are informal relations in order to succeed.

#### *Conclusions*

Creating strong and democratic societies in the Balkans has proved to be an unsuccessful task until now. Even if things have changed, the rhythm has been very slowly, and at many points stagnation appeared in different areas. However, in the last years all the countries in discussion went on a general positive trend. Taking into account this positive trend and the fact that subjective well-being and the appreciation of central and local government's evolution are the most important predictors we asses that the most important source of institutional trust in the region can be located in those that perceive

themselves are the winner of transition. The difficulty of the transition process is increased by the fact that not only public policies to be implemented have to be changed, but also there is a need to change the people that implement these public policies. The experience showed that even the best laws can be fundamentally perverted when applied to the real system. The spirit and the word of a law are equally important. Institutional social capital is an important ingredient in the direction of Balkan societies' modernization. The fact that the local institutions are more trusted means that they are better adapted to the local public's need. We agree with Pippidi-Mungiu (2002: 95) that trust does not diffuse from political institutions to people. Instead, those institutions that provide services are perceived as partners. Satisfaction with the way public institutions work is associated with the ability of using these institutions, even through unconventional means. Although different cultural factors have an influence on institutional trust, the institutional explanation both micro and macro provide and coherent frame of interpretation. The higher importance of these factors in Romania and Bulgaria, countries that experienced a longer period of democratic consolidation, may be interpreted in the sense that the more the society's progress, the more institutions are judged on their behavior and not on the base of various cultural values.

We believe that, in the condition of a low developed society, the emergence of civic engagement is difficult if not impossible in the absence of a significant middle class. Decentralization can create more efficient local governments, but in the same time can lead to thrive of local predatory elites. The Romanian experience follows this pattern very closely. The most important step in decentralization occurred in 1998, when the local administration received an important supplementary power by receiving the right to di-

rectly collect taxes. While the most developed counties managed to take advantage of this change, by becoming more efficient, and, very important, creating an attractive environment for foreign and local investors, the poor counties did not. In many of the poor counties, the local predatory elite managed to obtain total control of the local resources. From the employment on the public institutions to auctions for public works, everything is controlled by a very well established network based on client services. Paradoxically, the predictability of state institutions in this context can be higher than in normal situations as the informal rules become deeply established and the outcome is easily obtained. Since actually the institutional capacity of the state to provide services is limited, while this capacity does not increase, one of the most pervasive reasons for corruption will not disappear. According to Joel Migdal, (1988) the state's strength is defined as the capability of governments to implement their policy visions, to penetrate society and to implement legal regulations. In this direction, state capture is defined as the situation when private interest groups "capture" portions of the public sector for their own purposes – and shape institutions, thwart public policies, etc. The Balkan states are characterized by a high degree of state capture. Changing this state of fact requires not only political will but civil society's influence too. One of the most important experiments concerning civil society's interaction with institution is Freedom of Information Law (*FOIA*) implemented in Bulgaria and Romania. Even it is not a perfect law, it allowed an increased control from the civil society, by forcing public institutions to become more transparent. Making public institutions work as in modern societies is a difficult and long-term process. Due to the peculiar context, people's willingness to approach institutions has a fundamental role. People have to begin thinking that

they have the right to receive a fair service from the state institutions. Even if trust in institutions is essential for the democratization process, it is efficient only if it is based on the trustworthiness of the

institutions. As long as institutions do not become more efficient and impersonal, trusting them would not enhance modernization.

	Romania			Bulgaria			Serbia & Montenegro			Macedonia		
	Political inst.	Service-provider	Law inst.	Political inst.	Service-provider	Law inst.	Political inst.	Service-provider	Law inst.	Political inst.	Service-provider	Law inst.
CON-STANT	**											**
Particularistic trust	0.012	-	-	-	-	-	-	-	-	-	-	-
		0.06	.082	0.08	.222	0.11	.214	0.08	0.11	.303	.305	.285
		1	**	**	**	5	***	4		***	***	**
Moralistic Trust	0.019	0.05	.068	.178	0.12	0.13	0.21	.285	.195	-	-	-
		3	*	*	5	7	9	***	*	0.00	0.11	0.01
										7	2	3
Unfair Society	.127**	0.02	-	0.01	0.10	0.00	-	-	-	-	-	-
	**	1	.135	3	6	7	.237	0.18	0.09	.257	0.19	.269
			****				**	1	9	*	6	*
Correct attitude is rewarded	0.054	0.03	.093	0.11	0.13	.168	0.18	-	-	-	-	-
		3	**	4	8	*	2	0.04	0.00	0.18	0.13	.294
								7	4	5	1	**
FS Social networking	-0.012	-	-	0.14	0.03	0.04	-	.216	0.04	0.10	.347	-
		0.04	0.01	4	7	9	0.06	**	8	6	***	0.05
		1	5				6					3
Someone abused his confidence	-	-	-	-	-	0.01	-	-	-	0.53	-	-
	.078**	.090	.085	0.14	0.07	6	0.16	0.12	0.17	-	.232	.221
		**	**	4	1	6	6	9	1		*	*
Anti-modern attitude toward administration <sup>1</sup>	-	-	.064	0.03	0.07	0.06	-	-	0.02	0.19	.302	0.23
	.113**	.065	*	5	1	1	0.00	0.00	9	3	**	2
	*	*					6	3				
FS Media consumption <sup>2</sup>	0.001	-	0.02	0.06	-	.222	-	-	0.12	-	0.13	0.11
		0.04	7	3	0.13	**	.189	0.22		.204	4	6
		6		5			*	1		*		
Sum of interaction with institutions	.145**	.209	.141	-	.192	0.12	0.10	0.15	0.13	0.19	.322	.363
	**	****	****	0.01	**	7	6	1	3		**	**
				3								
Abused by public administration	-0.043	0.02	0.00	-	-	-	0.12	0.10	0.04	0.79	-	-
		2	6	0.09	0.00	0.00		5	8		0.01	0.11
				3	4	4					7	8
Use of Bribe <sup>3</sup>	-	-	-	0.06	0.10	0.11	.225	-	0.16	-	0.01	0.04
	.138**	.087	.104		5	9	**	0.09		0.05	6	8
	**	**	***					4		4		
Has honesty of government improved?	.160**	.115	.112	.425	.507	.298	.380	.247	.205	.110	-	-
	**	***	***	****	****	***	****	**	*	*	0.06	0.00
											7	8
Subjective well-being	.129**	.131	.188	.299	0.09	.163	0.08	.322	.392	.394	.300	.118
	*	***	****	***	6	*	5	***	***	**	**	*
Education	.077*	0.06	0.03	0.16	0.14	.242	-	0.19	0.05	-	-	0.08
		9	4	8	2	**	0.17	8	7	0.12	0.16	5
										2	5	
Sex (1 male; 2 female)	0.064	-	-	0.10	0.09	.156	-	-	-	-	-	-
		0.02	0.02	6	2	*	0.03	0.07	0.07	.230	.202	0.14

<sup>1</sup> Question: There is nothing wrong in hiring one's own relatives over strangers when working in the public sector.

<sup>2</sup> TV, radio, newspapers

<sup>3</sup> In relation with public administration

	4	6				9	9		*	*	8
Age	-0.02	-	.090	-	0.05	0.04	0.14	-.018	-	-	-
		0.03	**	0.08		4	8	0.04	0.11	0.02	0.06
		6		4				5	9	3	1
Income	-0.027	0.05	0.64	0.14	0.07	0.08	0.01	.232	0.11	-	-
		2		2		4	3	*	3	0.09	0.17
										1	4
Location	0.052	.103	0.25	-	0.13	0.15	0.05	-	0.09	-	-
		*		0.13	9	8	9	0.01	9	0.27	0.08
				6				8	9	3	*
R square	0.167	0.12	0.16	0.28	0.32	0.25	0.49	0.47	0.34	0.43	0.34
		8		8	7	4	5	2	9	4	9
											3

In order to maintain comparability we present here the beta (standardized) OLS coefficients

\*\*\* Coefficient significant at the 0.001 level

\*\* Coefficient significant at the 0.01 level

\* Coefficient significant at the 0.05 level

Factor Score – Trust in Government, Parliament and President, KMO=0.839

Factor Score – Trust service provider institutions, KMO= .810.

Factor Score - Trust in Law Institutions (Court, Police, Prosecutor), KMO= .790

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