

# Trust and Sustainability of the Welfare State: A Note on the Nordic Model

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**Abstract:** Critics assume the existence of free riding, motivation crisis, and controlled individual needs in the “nanny state”. Despite such critique, the demand for social protection is growing, and the state, in Nordic countries, has the reputation of sustained economic growth in combination with generous welfare programs. This is attributed to their policies of economic growth, redistribution, and full employment. The focus of this paper is Norway. While, the positive impacts of the growth with equity is recognized, the findings of our study take us beyond. In Norway, a high level of generalized trust, expressed both in individual behavior and in individual- society relations, creates the collective conscience (*samvittighet*). Such a conscience promotes cooperation in achieving common goals. This feeling of togetherness provides Norwegians with the feeling of solidarity (*felleskap*), defines individual perception of rights and obligations to the state, and explains why Norway has a good record in work force participation. The state guarantees that a loss of job not followed by loss of income. Norwegians believe individual wellbeing depends on others welfare, and they tend to rely on the state’s role in creating and maintaining universal welfare programs with high levels of taxation. The social system relies on a sense of trust.

**Keywords:** Decommodification-de familialization; Identity, Solidarity; Sustainability; Trust; Welfare state

## Introduction

There is a growing awareness on the sustainability of the welfare State. Critics claim that welfare states face free riding and motivation crisis, the system does not reflect the differentiated life situations and individual needs. Furthermore, the system allows strong state control in everyday life (Bawer, B. 2001). Despite such critique, the demand for social protection is growing and people express their continued reliance on the state. Nordic countries rank consistently high across every welfare index. The social system relies on a sense of trust. The relation between the sustainability of welfare programs and trust is assumed.

Trust, sociological theories claim, softens the atomistic individualism of modern market society. It is argued, in modern societies, with its complex division of labor, there is a need to economize on trust in persons and confide instead in institutions (Miztal, B, 1996).

This paper provides an empirical evidence of importance of trust in economic activities and for the sustenance of welfare programs in Norway. It addresses two questions: How trust is created and maintained? What kind of social trust enhance individual economic transactions and governmental performance?

The strong institutional basis of trust is recognized. However, the analysis takes us beyond and directs our attention to trust in interpersonal network relations. Drawing together observations and threads of a number of studies, it arrives at somewhat integrated idea of individuals’ interactions with their ongoing social relations that create trust. Causal sequences are involved in the process of social interaction: repeated interactions within and between networks ensure trust in social life. Furthermore, social networks and obligations inherent in those are mainly responsible for creation of collective conscience (*samvittighet*), which facilitates cooperation in achieving common goals. The causal sequences in the pattern of interaction are elaborated in the following.

The section to come gives an account of trust, including creation of trust and emergence of generalized trust in the welfare state. Section 3 gives an historical account of the emergence of the Norwegian welfare state and institution based trust. Section 4 relates the assumption of new economic sociology, that repeated interactions within networks generate trust with the dominant generalized trust in Norway. Section 5 discusses how the free rider problem as resolved in the Norwegian society. It concludes with the argument that trust develops in the mutually formative interplay of public institutions and individuals. Institutions and networks are not alternatives, those, rather complement one another. The paper concludes with the claim, the sustainability of the welfare state depends on such complementing role.

### **Economy, Society, and Trust**

Social trust- the belief that most people can be trusted- is a precondition for the transactions, be that between two individual, known to one another or not, or between the state and individuals. When trust is high the probability of cooperation is also high. When a person pays tax, he/she has the confidence that the money will be used for him/her, or for a common interest and others. Those who are capable/taxable, contribute to the common pool of resources. People in Norway experience consensus and solidarity brought about by their equality in terms of access to economic and social resources.

Trust- a social resource, is an outcome of repeated interactions among individuals. Though an old phenomenon, interest in trust in the academia is a recent one, owing to a growing consciousness on new social bases of economic transactions, cooperation and solidarity.

In a social situation where information is absent, or not perfect, the issue of trust arises. Where individuals are in ongoing interactions, transactions take place spontaneously. People refrain from deceit or dishonest actions owing to their awareness that such an act may run against their interests. An individual will hardly enter into economic transaction with another whom he or she can't trust (Platteau).

Trust facilitates not only transactions, but also cooperation. Individuals support one another because they believe that they belong to a community based on mutual trust (Fukuyama, F 1995). People in small communities rely on strong ties and have an incentive to refrain from malfeasance.<sup>1</sup> People live in close proximity, they are well informed about each other's acts and positions, common knowledge prevails, rule breaking behavior is easily monitored. In such situations, people are more likely to cooperate. Cooperation implies abstaining from fraudulent acts. It follows from this that trust creation is a process of social interaction. As mentioned earlier, in market societies, trust softens the atomistic individualism.<sup>2</sup>

Trust got exclusive attention in economic sociology. With an embedded notion of the economy, Karl Polanyi claimed that the utility maximizing *homo economicus* was a product of the market economy and its transactional mode of exchange, which replaced two earlier modes of transactions, reciprocity and redistribution.<sup>3</sup> Within the following debate on economy-society relations, social changes are perceived as changes in modes of trust; trust in kinship, community etc., replaced by trust in institutions (Zucker).

We learn from anthropological studies, earlier small communities were characterized by reciprocal transactional mode. Individuals were dependent on supports of their kin and others with whom they had face-to-face interactions. Transactions took place in tightly knit networks of interpersonal relations (Malinowski). Practices of mutual obligations, transactions of inalienable nature of things (Mauss) perpetuated interdependence and particularistic trust.

With the rise of agriculture and the concomitant increases in production, population density and urbanization accompanied it, cooperation could no longer be based on particularistic trust alone. The new transactional modes, redistribution and exchange, followed by a new form of interaction and integration/solidarity (Durkheim). The new form of interaction generated new generalized trust.

The norms of impersonal market exchange emanate trust in market societies.<sup>4</sup> As we learn from Marx, Polanyi, Simmel, commodity exchange in market economies involves a process of commodification (of labour, land, money

<sup>1</sup> The strength of strong ties does not conflict Granovetter's claim of the Strength of Weak Ties. For Granovetter weak ties are useful in situations where individuals are mainly getting information, but don't have to worry very much about trust. Granovetter 1998, in Interview with Rahman.

<sup>2</sup> Mizstzal, B.

<sup>3</sup> Section 3 presents Polanyi's transactional modes relating to the emergence of the welfare state.

<sup>4</sup> See for instance Platteau 1993, Shipton 1988, Sen 1987, Odingo 1985, Atwood 1990, North 1977

etc) and elimination of forces obstructing market forces (Polanyi 1944). The commodification resulted in marginalization of the vulnerable and alienation of labor. The welfare state emerged to redress the harm caused by commodification and to protect the vulnerable against the risks of the market (Polanyi 1944).<sup>5</sup> The emergence of the welfare state involved a return to redistributive mode of transaction (Polanyi) and increased generalized trust (Zucker). Thus, the process of social change can be looked upon as “the transformation of modes of trust”.<sup>6</sup> Outlining three kinds of trust Zucker analysed the transformation that began around the end of the nineteenth century. One major dimension of the transformation is that welfare societies came to be characterised by institution-based generalised trust, which is an absolute requirement for the state to function, as well as for sustained cooperation and social solidarity.

An important point is that if people have an abiding respect for laws enacted by the state, the problem of generalized trust could be solved. This pushes trust one step further. The obvious question is, as Platteau asks, “how people tend to recognize the authority of modern law-enforcing authorities when they have traditionally used to obey local authority and to abide by norms of reciprocity of a community”? One plausible answer may be, as Lipton thinks, it must be understood as a process called “transition of trust”, or what Zucker called the transformation of modes of trust. The process involved institutionalization of formal relations and exchange transactional mode replacing interpersonal reciprocal transactional mode and particularistic trust. As an evidence, the 18<sup>th</sup> century development experience of England may be referred (Polanyi, 1977; and Wrigley, 1988).

The importance of trust in modern societies is emphasized exclusively in new economic sociology. A pioneer in the field, Granovetter, in his critique to the utilitarian atomistic perception of the economic actors, claims that individuals do not behave or decide as atoms outside a social context. Their attempts at purposive actions are instead embedded in concrete, ongoing systems of social relations, “transactions of all kinds are rife with the social connections” (Granovetter 1985: 487, 495). Social norms, values, rules, institutions or direct interactions of some kind must be posited to solve the coordination problems resulting from informational asymmetries. Fraud and deceit can be tamed only through the production of trust in economic life. In generating trust, the role of concrete ongoing personal relations and structures of networks is predominant. Granovetter claims that rational individuals are “less interested in general reputations than in whether a particular other may be expected to deal honestly with them—mainly a function of whether they or their own contacts have had satisfactory past dealings with the other” (Granovetter 1985). The identity and past relations of individual transactors would thus matter.

Granovetter’s claim that social relations and obligations inherent in them are mainly responsible for the production of trust, which in turn facilitates cooperation, has its evidence in market economies and welfare states (Sabel 1989; Zetlin 1989). This paper provides further evidence, the high level of trust in interpersonal relation in welfare state Norway.

A comment on trust in interpersonal relations is in its place here. The existence of a society, and its continuity, is conditioned by people’s ability to communicate their approval to other members, which shape social relations, and nature of social institutions. In Goffman’s view, people convey to others in the society, who they are, whom to trust, or not to trust, without any special attention and thought, is performed through a common recognition of one’s standing in terms of trustworthiness.<sup>7</sup> Consequently, trust in interpersonal relations plays a significant role in institutional function and in the maintenance of social order.

### **Institutionalization and the mode of trust in Norwegian welfare state**

Norway today is a highly prosperous society with high quality of life. Its score is high in terms of economic, social and human development index. Norway has the reputation of sustained generous welfare programs and maintaining social equality. The concept ‘equality’ is an outcome of institutionalization of Norwegian egalitarian values, which can be traced in its social formation, and can be observed in social practices. Various institutional arrangements and socio-economic policies were set in motion to pursue the egalitarian values. Its policies include child benefit, sickness allowance, old age pension, unemployment allowance etc. Furthermore, young families are given subsidized loans for housing, students are given study loans and scholarship. Norway’s achievement in this regard is outstanding, which is attributed to its redistributive policy of growth with equity. The Norwegian state gives a higher priority to its social democratic values of equality and solidarity through redistribution of growth outcomes than to

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<sup>5</sup>Section 3 elaborates this issue.

<sup>6</sup> Zucker 1986: 54.

<sup>7</sup>Goffman 1963: 2.

just economic growth (Senghaas, D.1985; Mjøset, L. 1990;1996).<sup>8</sup>Norwegian social democratic policies guarantee income and means of subsistence independent of market forces. Therefore, Norway has a good record in work force participation (Senghaas, D.1985), despite exit from labour market is followed by no, or little loss of income(Esping-Anderson).

The social democratic ideology has guided post-war Norwegian economic and social policies upholding its egalitarian values. The strategy involved a process of what Polanyi called a double movement. First a transition to market economy (exchange mode of transaction) and then back to the state- market mix of redistribution, in which the state has the major redistributive role(Polanyi 1957).

The previous section described briefly Polanyi's three concepts explain three ways in which the economy is socially organized, and gets stability; reciprocity, redistribution and exchange, which have to be supported by a particular set of institutions. Support for reciprocity is a symmetric social structure by which Polanyi meant kinship structure, when he was talking about pre-capitalist, non-market societies. For redistribution, support is from a centralized political structure, support for exchange is the market. Mark Granovetter emphasized that we need to recognize that reciprocity is also a central principle of co-ordination in a welfare state. The norm of reciprocity and supporting network structures are quite central in modern societies as well(Granovetter 1999). Individuals' rights implies their obligations to the state and vice versa.Trust is a necessary accompaniment to state-citizen relations, in Norway for instance.

The fundamental problem is to understand the substantive character of market exchange, and what possible substitutes are there in the institutionalization of economic life, followed by reinstitution of reciprocity in the newly emerged welfare states. The exchange mode of transaction and the utility maximizing market principle complemented by commodification of land, labour and money. The market principles penetrated in all spheres of human life, thereby eroding social order, and human values.<sup>9</sup> Only God people trust, and everything else measured and valued in monetary terms. Commodification appeared to be a weakness of market societies because of its destabilizing effects. The market lost its credibility. Redistribution had to be reinvented in order to provide people with the necessary social protection and support. The welfare state emerged (Polanyi 1977), "the welfare state flowered at the very same moment that 'Golden Age' capitalism began to wilt (Esping-Andersen 1999). Many services, which were regarded as the family's task, became the state's responsibilities, and the citizens reciprocating through performing obligations to the state. Individual pay tax and the state provide individuals with services they require. The reciprocal mode includes work both as individual obligation and as right, and generates generalized trust. Figure 1 presents the substantive character of market exchange, and the substitutes in the welfare states.

Transactional modes			
	Reciprocity	Redistribution	Exchange
			<i>Decommodification</i>
<b>Rights, obligation, and trust in</b>	Family, Kinship	State	Market
	Other relations:	<i>Commodification/Defamilialization</i>	
	Particularistic trust		Generalized trust

Figure 1 combines Polanyi's transactional modes and Esping-Andersen's Nordic model describing the process of decommodification and defamilialization (Esping-Anderson 1999). The Nordic welfare states have proceeded along a distinct path of de-familialization, i.e. the role of family, providing individuals with support of all kinds, was

<sup>8</sup>Senghaas explains "the development implications of forced growth processes depend on the socio-structural condition prevalent at the onset of economic growth. In conditions of only moderate inequality there is no automatic connection between growth and the lack or elimination of absolute poverty". The social democratic ideology reversed such a tendency. Norway, and "the Scandinavian social structure has helped to prevent the emergence of structural heterogeneity".

<sup>9</sup>The symbolic expression «In God we Trust», the American Dollar note. In contrast "Alt for Norge" Norwegian coroner.

gradually became the task of the market (commodification) and then back to the state (decommodification).<sup>10</sup> When the family or labour market fails, to provide individuals the required support, the state is put under extra pressure. The state maintains a relatively 'decommodified' wage relation and employee friendly policies to sustain egalitarian values. Income and means of subsistence are guaranteed, to a significant extent independent of market forces. Such support of state institutions in turn help maintain, and perhaps even reinforce, the already high level of generalized trust, and thus a continued reliance on the state.

Esping Anderson emphasizes that along with the goal of egalitarian values, continued economic growth is a requirement for the sustainability of the system. Economic growth depends on full employment, and individual motivation to work.

### **Network Embedded Trust and work ethic in Norway**

Trust is a precondition for the transactions and cooperation. In Norway, there exists strong cooperative spirit. They value equality and integrity (Eriksen, T.H. 1993). The spirit and the values are embedded in informal social relations. Furthermore, a cultural legacy is that Norwegians have been receptive to trends emphasizing codetermination and economic equalization, which shaped Norwegian collective conscience (*samvittighet*).

Several popular movements in the 19<sup>th</sup> century contributed to the sustenance of the collective conscience and egalitarian values. The Haugian movement is one, led by Hans Nielsen Hauge (1771-1824) A farmer, also a preacher, Hauge travelled around the country, discussed religious matters with people as well as promoting entrepreneurial activities among people. Nielsen mobilized rich and poor, men and women, farmers and small businessmen, spread egalitarian values. Later, labour movement by Marcuse Thrane (1817-1890) led further the egalitarian values. The growth of the welfare state in post World war II - the state provided its citizens with equal access to material goods and benefits.

Another cultural trait is that Norwegians are skeptic to social climbers. They rather show their concern about their fellow citizens. Such a concern is expressed in the notion of "felleskap" i.e. togetherness. The notion has a deep root in the society, and it has a double meaning; fellowship and community solidarity. "Felleskap", widely shared among the Norwegians, is internalized right from their childhood, and uphold throughout life. If one wants life go well for him or her, he or she must belong to a group and remain true to this common perception of belongingness. Such a shared value shapes their attitude to work, is at the root of strong confidence in others, and stimulates cooperation. Thus, Norwegian "felleskap" explains why people refrain from opportunism, motivates people to work, why there is no significant malfeasance in economic life, and why high level of generalized trust persists in Norway, and

The state has the aim of maximizing the productive potential of the labor force (Esping Andersen 1999), facilitated by the trade unions, the employers union and major political parties. All the parties have been strong supporters of the work ethic, and the policy of full employment. The state guarantees work for all. Individuals work for economic rewards, also in Norway. However, in Norway, motivation for work includes a strong feeling of reciprocating services provided by the state, as well as, reciprocal obligations to their fellow citizens. Norwegian sense of duty to work embraces moral obligation to others, whether they are in direct interaction with one another or not. Norwegians in general think that if one does not do his/her job may cause extra work for others, and, in a way, he/she is taking the benefit of others' work. Such feeling makes them feel bad; they feel a kind of a bad conscience (*dårlig samvittighet*).

Norwegian egalitarian individualism implies belongingness and dignity of independent individual. Work provides an individual with the sense of belongingness, identity, and work is an important way of becoming independent, and self-sustained. The Norwegians very often look for challenges, work environment providing one with network connections and values they stand for. Work provides one with meaning. Norwegian welfare state is built upon a twofold meaning of work: work as a right and a duty. Norwegians take the right to work as a privilege of taking part in the labour market, work provides one with the opportunity for individual development by utilizing his/her abilities and realizing interest, thus providing self-esteem, self-respect. Individual duty to work includes one's moral responsibility to participate in the economy, and society; a duty both to the self and to the society. A person without works also is obliged to find a job, and take initiative to find a job. Precisely, work is a way of participation and contribution to the society. All these aspects have impacts on Norwegian perception of work ethic. Norwegians, in

<sup>10</sup> Anderson categorizes welfare regimes into three types: the state, labour market and the family (grouped according to levels of decommodification).

general, have a higher level of work ethic. Norway is what Arendt termed, already in mid 20<sup>th</sup> century, a labor society (Arendt 1958).

Work is a major connecting link between individuals and the society, an individual become integrated to others, and to the society. Such linkage structures the relationships between an individuals and institutions, and generate the norm of generalized trust in the society. The sense of “felleskap” is extended to Norwegian involvement in voluntary activities. Being served by a retired politician, and previous health minister, at a student canteen surprised me, but, it is not unthinkable in Norway.

The satisfaction we derive from being connected to others in the workplace grows out of a fundamental human desire for recognition- every human being seeks to have his or her dignity recognized by others human beings. It is one of the motors of what Norwegians call “dugnadsånd”, the voluntary spirit, that drives Norwegians to engage in voluntary activities.

The analysis above comes close to the theme of ‘social capital’ theory.<sup>11</sup> Norms of reciprocity in network relations and networks of repeated interactions that sustain trust are termed social capital. These norms operate interpersonally, within the civil society or communities, and obey a logic that is different from that of the state or that of the market.<sup>12</sup>

Voluntary organizations and activities play a very important role in social development. Those also crucial for the living and watchful civil society, to support honest behavior and to banish economic crime. The civil society helps to back trust whenever there is a sufficient number of citizens who feel vengeful enough to work towards exposing publicly the illegal acts or malpractices of both individuals and state agents, and towards bringing pressure to sanction them even though such actions entail significant costs to themselves. A necessary element in the strategy for attaining sustainability is public control through institutions, e.g. formal laws. The success however depends very much on informal social relations and cultural values.

The civil society in Norway includes various interest groups, voluntary associations and labour unions. In addition to supporting honest behavior and banishing criminal acts, the civil society and the government, together, provide some kind of check and balance to the concentration of wealth and power. The norm of civil society, as described above, explains why there is a strong social democratic ideology of egalitarian individualism.<sup>13</sup> Norwegian social norms includes meritocratic ideas, which have been emphasised by all social groups including trade unions. People think and make efforts to maintain the social, economic equality, the key social democratic values, as much as possible. Although there are differences in interests, a consensus exists among all the parties on the core social democratic values. They differ only in the choice of means to achieve the goals and to sustain equality, the core cultural value.

A shorthand interpretation of Norwegian felleskap is in its place here. Individual’s everyday ways of life, actions and interactions constitute the collective attributes of how economic and social life is organized. People’s interactions with their social environs have to do with people’s perception of where they belong, how they organize their everyday way of life. Their interactions influence their thought, feeling, world-view etc., which in turn shape the collective consciousness. Nordic welfare universalism correlates positively with high levels of trust and civic involvement (Bo Rothstein).<sup>14</sup> The state and the citizen rely on civil society in order to improve people’s lives. Norwegians put the national interest above particularistic interests; there exists a collective conscience (*Samvittighet*).

## Discussion

The analysis above seemingly appears to be a rosy one. I am quite aware of some challenges the Norwegian welfare state facing today. Mistrust and malfeasance exist in every society, more or less, and it is not unheard or unknown phenomena in Norway. It happens that people evade tax, give wrong information to the insurance companies etc., but very seldom. There are always some exceptions and deviation, in every society. Norwegians, now and then, give

<sup>11</sup> See for instance Putnam 1993 and 1995.

<sup>12</sup> Evans 1996:1033.

<sup>13</sup> Eriksen, G.T.H.

<sup>14</sup> Bo Rothstein 2001, Social capital in the Social Democratic Welfare State, Politics and Society, vol.29, No.2 and Social Capital, Economic Growth and Quality of Government: The Causal Mechanism, New Political Economy, Vol.8, No. 1 (2003), pp.49-71

expression of dissatisfaction about regulations imposed by the authorities. Some views a decline of social democracy. Mjøset identifies two such groups; the conservatives, some minor parties with much less influence than the social democrats, regularly point to the failure of social democracy. The other group is the left wing parties, often marginalized on the far left side, are ambivalent. The conservatives in the international arena termed the Norwegian welfare a “kindergarten” or “Nanny state”. They also think that the state control everyday life, and “Norwegians have tended to embrace control with the equanimity of children who sleep soundly knowing that their parents are just outside the bedroom door” (Bauwer 2014).

The conservatives are skeptic mainly due to their ideological and political platform. Their skeptic views are encountered by development researchers and policy makers. Nordic social democratic values, its achievements in economic and social development draw their curious attention. In the international debate, there are numerous voices from scholars sympathetic to the social democracy. Globalization of Social Democratic values are recommended in order to redress the harm caused by globalization of liberal economic policies, for instance by David Held (Held 2004).

It is beyond the scope of this discussion go into great details of the international debate on social democracy. It rather takes the issues of trust in the welfare state and free riding. The notion of nanny state, in my interpretation, has a positive impact. If we combine the notion of nanny state with Esping-Andersen's de-familialization, and decommodification we get the notion of “familialization of the state”- the care family used to provide the individuals are now the task of the state. Within a family, there is no prisoners' dilemma since family members have the confidence that the other members would not cheat. They trust one another. The de-familialized welfare assumed prone to free riding. But, observation suggests, its generalized trust prevents one from misusing the system and upholds welfare institutions. The system persists even in the face of mounting pressures to retrench. Yet, there is a paradox, as Esping-Andersen raised the issue, the more welfare states seem unsustainable, the greater are the demands for social protection. De-familialization of support and crisis in two regimes, the family and the labour market, put pressure on the state. This raises the issue of motivation to work. I have argued that the norm of reciprocity, obligations and rights in social relations, and the strong solidarity along with its work ethic shape the attitude to work. Norwegians are hard working people and they pursue their interest gentlemanly ways. They hardly accept malfeasance and deceit. Evidence are plenty. Norway does not have the free riding problem in Norway owing to the absence of prisoner's dilemma in the ‘Nanny state’<sup>15</sup>, which performs its duty of taking care of its citizens. Norwegians in turn express their loyalty and trust in the state.

Apparently, Granovetter's argument is echoed in the ways the relationship between rights and duties, between individual and community, as well as the ways in which trust is embedded in social relations in the Norwegian society.

The social system in Norway relies on a sense of trust. When one is ill, or away from home, the neighbor trim the garden, takes care of the plants. Such a gesture is reciprocated. When a Norwegian is ill he cannot go to work, it's fine simply to call and let the employer know. While life in Norway is expensive compared to other European countries, with the highest taxes to pay, the benefits outweighs the costs. There are relationships between trust and willingness to accept high taxes. The generalized trust causes and upholds universal welfare state institutions in Norway. The assumption that there are direct links between the level of trust and the sustainability of welfare programs has its empirical evidence in Norway. For further evidence, the findings of a World Bank survey may be referred. The survey found that in Norway, Sweden, Denmark, Finland, more than 60% of respondents thinks that people can be trusted. For Norway alone it is 73.73%. (Source: Interpersonal trust attitude, 2014). Mean trust in public institutions in these Nordic countries also highest in the world. Trust has a direct influence on economic development (Guiso et al. 2006; Algan and Cahuc 2010). And there are links between the level of trust and social equality. In this regard, the Norwegian score is the highest. The survey further suggests direct link between trust and social outcomes such as trust and educational attainment, peace-full collective decision making, and civic engagement (World Development Report 2013).

Like all other societies, in Norway as well, there are conflicts of values and interests. But, Norwegians resolve such conflicts and provide themselves with enough satisfaction to win their confidence and secure adherence to basic values. Norway relies in good measure on a pattern of responsible negotiating patterns as its solution to these problems- virtually all major economic, cultural, occupational and social groups are organized in nationwide voluntary associations, which have been granted official status to negotiate either with the government or with their

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<sup>15</sup>The liberal term for the welfare state.

opposite numbers with regard to the distribution of rewards, privileges, and obligations. The success of this pattern depends on the degree of responsibility with which the various interests groups fight for their rights, and this, in turn, requires that each organization identifies with the society as a whole, to keep the demands each makes within some reasonable limits. So, the Norwegian society is conflict-full but not ridden by its conflicts. The inherent conflicts are institutionalized, there is ritual of annual negotiation between the employees union and the employers union, with state negotiation. Such institutionalization of conflicts further reinforce the already established generalized trust in the civil society.

Meanwhile, what appears to be a challenge to the Norwegian welfare society is the unintended or unanticipated inequality for the incomplete families. The economic discrimination against single parents and their children becomes especially severe. Tax system discriminates the single parent, and those who have not yet chosen a family life.

Like many modern societies, in Norway as well, there are repeated contacts among transactors or across organizational boundaries. Such relationships may be seen as, what Williamson thinks, a strategy whereby transactors wish to create and maintain incentives for trustworthy behavior as well as to reputation effects onto play (Williamson, 1980). On the other hand, business relations are mixed up with social ones. Firms are linked by interlocking directorates so that relationships among directors are many and densely knit (Grønmo 2002). Trust is produced by dense interpersonal networks supported by effective codes of limited morality. This is reflected in public discussions and political debates emphasizing the necessity of generalized trust for the sustenance of egalitarian values, rejecting the opportunistic behavior that may take place within close networks.

The welfare programs are sustainable as long as the economic policy of growth with equity and protection of the vulnerable are secured (Esping Anderson 1999). A precondition for the perpetuation of equality is solidarity, which depends on the level of generalized trust. The majority of Norwegians believe that universal welfare benefits reach the population and they tend to rely on the state in creating and successfully maintaining universal welfare state with high levels of taxation where publicly financed social insurance scheme. The highest level of generalized trust explains Norwegian economic performance and its social stability.

### **Concluding remarks**

The developments of the Scandinavian welfare system may be attributed to special set of social organization of economic activities, which include social, political and economic policies. The improvements in people's livelihood were brought about by major political reforms and deliberate creation of new structures, but those were not simply the side effects of affluence. Furthermore, the political legitimization for reforms was that of social equality, better living conditions and opportunities for underprivileged groups as worthy ends in themselves. Providing people with types of resources that allowed for greater freedom of choice, in contrast to restrictions imposed by the narrow bounds of necessity.

The economic activities represent a crucial part of social life and are knit together by a wide variety of norms, rules and moral obligations, which together shape cultural values. Apparently, as the case in hand demonstrates, one of the most important lessons we can learn from the examination of economic life is that a nation's well-being, as well as, its ability to compete, is conditioned by a single, cultural characteristic: the level of trust inherent in the social relations and in the civil society.

Trust is an instituted process, as well as trust is socially constructed. The patterns of interaction changed, hence a change in mode trust; a transition from family and community based trust (also called particularistic trust) to impersonal market and institution based trust i.e. generalized (universal) trust.

In Norway, individuals in interdependent relationships resolve problems and cooperate, seem to be able to recognize the importance of particular affiliations without rejecting the formal rationality of modern society.

As the evidence in hand suggest, reasonably, a general conclusion may be made: trust develops in the mutually formative interplay of public institutions and individuals. Institutions and networks are not alternatives, they complement one another. Network based interactions and trust promoted through such interaction involve a 'hardening and thickening' process, thus, trust becomes institutionalized.



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