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Social Trust and the Legal System

Through the Lens of the Puzzle of Great Britain

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Through the Lens of the Puzzle of Great Britain

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1. Introduction

The current research aims to depict some of the mechanisms behind the relationship of the legal system and social trust and uncover the key elements obstructing the positive impact of the legal system.

My interest in how social trust influences our everyday lives originates from the years of my university studies. The first book I had the pleasure to read on the topic was the *Érzelemgazdaságtan/Economics of Emotions* by PROFESSOR BALÁZS HÁMORI (HÁMORI, 2003). It was a fascinating read and one that made me want to gain more knowledge on the theme.

As part of the learning process my attention was also focused on the mathematical side of economic analysis, which lead to several conversations and tutorials with PROFESSOR ATTILA GILÁNYI over the years.

The additional interest in the legal system and how it interacts with social trust initiated from several discussions with PROFESSOR DÓRA GYÖRFFY, who opened up an entirely new research field to me.

The doctoral dissertation is a direct result of the long term collaboration with both of them.

1.1. Relevance of Research

Social trust has been widely regarded among researchers as a critical condition for economic growth, effective governance and subjective welfare long before the recent economic crisis.

At an individual level it enhances one's views on democratic institutions, increases the likelihood of participating in politics and makes people more tolerant towards each other (USLANER, 2002; DELHEY – NEWTON, 2005; ROTHSTEIN, 2011). On the level of the society, trust is associated with more democratic institutions, less inequality, crime and corruption and larger growth (LEVI, 1998; ROSE-ACKERMAN, 2001; USLANER, 2002; KEEFER – KNACK, 2005; ROTHSTEIN, 2011).

Social trust can be interpreted as an informal institution (NORTH, 1991; DELHEY – NEWTON, 2005; ROTHSTEIN, 2011) and “therefore as a source of social solidarity, creating a system of beliefs asserting that the various groups in society have a shared responsibility to provide public goods” (ROTHSTEIN, 2011:147).

The importance of social trust comes from the problem of social traps, which can be best interpreted within the framework of the Prisoner’s Dilemma. In a situation, where the involved market agents would all benefit from collaboration but such cooperation carries costs, the best outcome for all cannot be reached without trust as free riding is present as a risk. It is not a good strategy to be law-abiding and refrain from corruption if it is only us who do so. We pay the price while others are enjoying the fruits of the exploitation.

The uncertainty of the situation can be solved if the parties trust in the credibility of each other’s commitments. From an economic and transactional perspective trust in people whom we do not know matters the most. Thus it is important to distinguish particular and generalised trust (USLANER, 1999:126-127). The former “can result from closely knit networks of individuals who are dependent on each other and engage iterated interactions” (LEVI, 1998). It is also called familial trust by FUKUYAMA (1995a). On the other hand, when there is no pre-knowledge about the other party, we can talk about generalised trust, or in other words social trust.

Initially, interpersonal trust comes from within families as this is the first source of our interactions with others. Later, individuals may be affected by members of the wider community and the more general, non-family norms. All these external effects help create trust outside the family and then contribute to the emergence of social trust (WHITELEY, 2000).

There is an extensive body of literature dealing with the question of social trust and its origin as part of social capital research. Two separate theoretical approaches can be distinguished in this regard, one that focuses on society and its level of part-taking in voluntary associations (PUTNAM, 1993; FUKUYAMA, 1995b), and one that emphasises the importance of formal institutional background in generating social trust (LEVI, 1998; ROTHSTEIN, 2005). As the findings of many opposing scholars of the former theory (DELHEY – NEWTON, 2005; USLANER, 1999; ROTHSTEIN, 2011) found no positive connection between voluntary membership and social trust, in current

research we rely on the institutional approach and conduct our analysis within this framework.

As formal and informal institutions are interlinked; one cannot be changed without affecting the other (HODGSON, 1998; AOKI, 2007; BOETTKE ET AL., 2008).

The stickiness of new formal institutions is highly dependent on the past and the level of closeness to the metis, which is “the set of informal practices and expectations that allow ethnic groups to construct successful trade networks” (BOETTKE ET AL., 2008:9) If formal changes are in synchrony with local informal background, long-term effect can be ensured.

From the perspective of social trust it is important to distinguish the representational and legal and administrative sides of democratic institutions (ROSE-ACKERMAN, 2001; ROTHSTEIN, 2005). ROTHSTEIN (2005) showed that in Sweden there is a positive correlation between social trust and trust in social institutions just in terms of the implementing institutions and not regarding the representative or political institutions. ROTHSTEIN also argued that the rule of law matters more than education and participation in voluntary associations in terms of how much people state that most people can be trusted in general. In line with his findings LA PORTA ET AL. (1997) showed in 140 countries that the level of social trust positively correlates with the efficiency of legal institutions and with the quality of public administration.

ROTHSTEIN argued that there is a positive link between legal institutions and social trust. Firstly, the legal system has a special task of enforcing the commitment of the people in the society. Secondly, if people believe that law enforcement authorities work effectively then it is rational to conclude that the legal system will find and punish those who perform traitorous behaviour (LEVI, 1998; ROTHSTEIN, 2005:112; ROTHSTEIN, 2011). To create trustworthy institutions, two features of the institutions play a crucial role, namely impartiality and efficiency. (LEVI, 1998, ROTHSTEIN – STOLLE, 2003; ROTHSTEIN, 2005)

The more impartial and efficient the legal system is, the higher the acceptance and compliance of the law becomes. On the one hand it reduces the costs of transactions; on the other hand it enhances social trust further deteriorating the expenses of trade. The higher level of social trust decreases the need for complicated regulations, which in turn creates an incentive to make the legal system even more transparent and efficient.

Thus our expectations are that we find high-quality legal institutions accompanied by a high level of social trust when examining their correlation among 24 European Union member states. This expectation is satisfied by all countries with the exception of Great Britain, which constitutes an anomaly. In the fatherland of the Rule of Law (BINGHAM, 2010:10-25; FUKUYAMA, 2012:326) high legal institutional quality is paired by an unusually low level of social trust. It is a puzzling case, one which suggests that a high quality legal framework is a necessary but not sufficient condition to build social trust.

It leads to the question of what other factors are needed on top of ‘good’ institutions to allow people to trust in each other in general.

The dissertation aims to depict some of the mechanisms behind the relationship of the legal system and social trust and uncover the key elements obstructing the positive impact of the legal system.

1.2. Research Design

To be able to meet our objectives, we conduct our research within the framework of scientific realism. It originates from the 1970s and aims to portray mechanisms that make causal relations happen in the real world (MCDERMOTT, 2002:38).

More precisely we use case study research method as this is the best technique to understand complex social phenomena. It enables the researcher to perform in-depth analysis of the “holistic and meaningful characteristics of real life events” (YIN, 2009:4).

We can differentiate between single and multiple case studies as the two variants of case study design. Although in many cases the case study as a research method is associated with the qualitative research method framework it can include quantitative techniques as well.

The research design consists of five main components. Firstly, the study question, which is: ‘How does the legal system influence social trust?’ Based on the theoretical background two main features of the legal system are analysed: impartiality and efficiency.

Due to the limitations of the data set available we are running Pearson correlations on 24 European Member states and compare the features of the legal system with the level of social trust in each and every country. This method is used to choose our unit of analysis, which is further confirmed by a cluster analysis. From both examinations a crucial case arises: the case of Great Britain.

The crucial case research method has been firstly proposed by HARRY ECKSTEIN (1975). According to ECKSTEIN the crucial case “must closely fit a theory if one is to have confidence in the theory’s validity or conversely must not fit equally well any rule contrary to that proposed (ECKSTEIN, 1975:118)

In the classical approach a case is crucial if ‘the facts of that case are central to the confirmation or disconfirmation of a theory’ (GERRING, 2007:231)

According to YIN (2007) five rationales can be distinguished that makes single case study an appropriate research design. When our case is testing a well formulated theory the single case is used to confirm, challenge or extend the theory and it is used to determine whether the theory is correct or not and whether an alternative set of explanations are relevant (YIN, 2007:47)

The second rationale is when there is an extreme or unique case, while identifying a typical case also confirms the single case study as the appropriate research method.

Further rationales are when a single case is a revelatory case or when our case study is a longitudinal case.

When a causal hypothesis is well established in the theoretical literature the crucial case does not aim to confirm or disconfirm the causal hypothesis but to clarify it. More precisely, it serves to elucidate causal mechanisms (GERRING, 2007:238).

As in our case we already know the causal relationship between the legal system and social trust and we can identify what is the correct or incorrect prediction of the initial correlation, we use the causal pathway case method as a research method in the dissertation.

Based on the comparative study of 24 EU countries, the case of Great Britain is identified as the unit of further analysis. Contrary to the expectations based on the extensive theoretical literature, a high quality legal environment is accompanied by a low level of social trust in our crucial pathway case in the fatherland of the Rule of Law.

As the third component of our research design we need to identify the study proposition. We propose a new comparative and comprehensive theoretical framework that takes into account the features of a heterogeneous society and the different ethnic groups' access to justice.

The way of linking data back to the proposition is twofold in our case. Firstly, we build a logical explanation based on a new theoretical approach and test it with a longitudinal analysis within the framework of an embedded within-case investigation. Secondly, we continue the embedded within-case analysis with performing multinomial logistic regressions on large data sets to confirm our hypotheses.

Overcoming of the limitations of the qualitative research method in terms of interpretability of the study findings we use statistical analysis to back our theoretical argument. In terms of statistical analysis there is an explicit criterion for interpreting the findings of the study which is by convention in social sciences a significance level of less than 0.05. We deem our observations statistically significant in current research if the 'p' level is equal to or less than 0.05. We highlight the observations with a 'p' level equal to or less than 0.01 to indicate even higher statistical significance.

The fifth component of our research design is the way we generalise from the case study to the theory. Here the generalising process is twofold. First, we perform a statistical generalisation based on logistic regression models and link it back to our theoretical framework of the case study.

Then, based on the quantitative and qualitative examinations we generalise in an analytic way and link back our findings to the general theoretical framework of social structure theory and the legal system as a main factor in it.

1.3. Structure of the Dissertation

To be able to answer the key research question and to enlighten some of the mechanisms that lie behind the relationship between social trust and the legal system we benefit from the combined help of quantitative and qualitative research methods.

As the main research question originates from existing scientific literature – we are looking for the mechanisms of the correlation between social trust and the legal system – we are using the so called pathway case study research method.

We start our investigation with a literature review of social trust and the legal system showing their cost-reducing property within the framework of transaction cost theory and game theory in chapter 2.

Then we investigate 24 European Union member states comparing social trust with two main features of the legal system: impartiality and effectiveness. In line with former research results (DELHEY – NEWTON, 2005), the crucial case of Great Britain emerges from our comparative analysis.

In chapters 3, 4 and 5 we focus our attention on the case study. We start the investigation within the framework of a single crucial case and concentrate on the legal environment first. Based on the findings and also taking into consideration the new theoretical background – social structure theory – we propose to continue our investigation with an embedded within-case analysis.

To increase internal validity, we utilize mixed methods analysis techniques and examine our pathway case with qualitative and quantitative methods as well.

The former is based on a longitudinal evaluation of the period of 1950 and 2008 comparing the minority and majority sub-populations' different economic and socio-economic characteristics, while analysing their access to impartial justice as well in chapter 4.

We intend to show the effects of the mechanisms that lie behind the relationship between social trust and the legal system in a 'baseline' situation excluding any possible impact of the financial and economic crisis unfold in 2008, thus the analysis stops at the year of 2008.

As part of the qualitative scrutiny in chapter 5, we run multinomial logistic regression analyses on the data set of the Citizenship Survey from 2007 (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE FOR SOCIAL RESEARCH, 2008) with the help of two models. The baseline model includes the control variables, while model 2 also incorporates an added variable of interest.

In the final chapter we draw our conclusions based on both the qualitative and quantitative within-case analyses and link them back to the theoretical background. Due to the mixed methods technique, generalization from the results is concluded based on statistical and analytical reasoning at the same time.

Also in the last chapter we provide a brief outlook to Europe based on our findings and show via a “nutshell” analysis that even the seemingly sample case of Sweden can learn from the experiences of Great Britain.

2. Social Trust and the Legal System – Theory and Empirical Evidence

2.1. Introduction

In the current chapter we aim to provide a comprehensive theoretical background and some empirical evidence as well, based on which we can conduct our analysis on the mechanisms behind the relationship of the legal system and social trust.

To be able to do, we need to define the key terms first. We use the words ‘trust’, ‘social trust’ ‘social capital’ and ‘law’ with the following meanings throughout the dissertation.

Trust means that “A trusts B to do X. The act of trust is the knowledge or belief that the trusted will have an incentive to do what she engages to do” (LEVI, 1998:78).

“Social trust is defined as trust in strangers; trust in people with whom we are not previously acquainted” (HERREROS – CRIADO, 2009:339).

“Social capital can be defined simply as a set of informal values or norms shared among members of a group that permits cooperation among them” (FUKUYAMA, 2000:16).

And last but not least, according to FUKUYAMA (2012) “the law is a body of abstract rules of justice that bind the community together” (FUKUYAMA, 2012:245).

Based on the framework of above terms, we initiate our exploration from the theory of transaction costs and show that the key feature of both social trust and the legal system is their ability to reduce transaction costs through ensuring credible commitments.

As the economic interactions take place under uncertain conditions, with asymmetric and not full informedness, it is the institutional system that ensures the ex post fulfilment and enforceability of the ex ante commitments (NORTH, 1991; GREIF 1993), which fundamentally determines the options and limitations of the market actors.

The two main factors influencing the commitments made are social trust and the formal institutions (KEEFER – KNACK, 2005), which we investigate from a game theoretical point of view.

Then the theoretical background of social trust is analysed. We propose a new theoretical framework – the social structure framework – in which we examine the features of the society from the perspective of trust.

It is followed by the theoretical background of the legal system. When social trust is lacking, the legal framework becomes crucial in ensuring external enforcement.

Finally, we focus our attention on the relationship between social trust and the legal system. We first examine it from a theoretical point of view, which is then examined within the framework of comparative analysis of 24 European Union Member states.

2.2. Transactions costs

From a macro perspective the most important feature of both social trust and the legal system is their cost-reducing impact. To be able to examine it we initiate our analysis from the theory of transaction costs.

Transaction cost¹ can be determined as the entirety of costs incurred during the exchange (DAHLMAN, 1979). The process of the exchange can be split up into three main parts: (1) search for and selection of an appropriate exchange partner, (2) elaboration of the conditions of the bargain and the conclusion of the contract, and (3) the follow-up monitoring of compliance with the bargain and the penalization of any violation. On these grounds, transaction cost can be similarly split up into three main parts: searching, bargaining and enforcement costs (COOTER – ULEN, 2005:97).

Uncertainty plays a key role here. If we would know the outcome of the transaction ex ante we would not need insurances upfront. The legal system ensures that there is some level of certainty as regulations can be interpreted as the framework of the transactions. Social trust creates further expectations about the content of reasonable conduct and reduces the controlling and penalization costs, all of which shrink the extent of transaction costs.

The operation of market processes naturally carries expenses. If all the phases of production took place in the market without formal and informal institutional

¹ See in details in COASE (2004).

framework, due to the high transaction costs the final price of the product would also be outstandingly high. From the perspective of production, one method for the reduction of costs is the internalization of the necessary processes, in case of which “the company represents alternative for the market organization of production. Within the company, individual bargains among the cooperating factors of production are eliminated, while market transactions are replaced by administrative decisions.” (COASE, 2004:164).

In COASE’s (2004) interpretation, in many cases separate organizations mean more cost-efficient alternatives than the market, because they serve as a solution for unsatisfactory contracts arising from market processes – as a result of the lack of foreseeability and of the complexity of events –, as well as for the incalculability of the long run. Trust-based relationships can be defined as the alternative for market organization and the company, and therefore going further on the line suggested by COASE these interactions should have the evident effect of reducing the transaction and administrative expenses. Trust “decreases transaction expenditures, and improves cooperation among economic actors who would otherwise deem the mutually beneficial exchange to be too costly or risky” (RAISER ET AL., 2005:73). Cooperation also involves expenses, and naturally the collection of information needed for the emergence of trust increases the internal costs, but on the whole, has a positive outcome.

From the perspective of demand-supply, the scope of the foregoing can be widened. THOMAS C. SCHELLING (1958) examines the categorization of economic interactions from the aspect of game theory, and in this view, instead of classic zero and non-zero sum games he differentiates pure conflict, pure common-interest and mixed or bargaining games. This first case is characterized by the negative correlation between the players’ preferences of outcomes, while the second type features a positive correlation. Pure conflict means exclusively competitive situation that can be regarded as the entirety of opposing objectives, leading to a zero sum game. In this case, if either party wins, the other party should lose by definition. Pure common-interest involves the situation of full cooperation based on trust that is characterized by the entirety of fully identical objectives, and where all the participants receive the same reward.

In the third case, both negative and positive correlations can be observed in connection with preferences, which means that such a conflict situation emerges that also features mutual dependence, and it is possible that although the objectives are similar, rewards are not equal. In fact, every demand–supply, i.e. exchange mechanism

can be interpreted as a cooperative or – in SCHELLING's words – bargain game that is basically determined by the existence of credible commitments and the informal or formal possibility of enforcement. The intention to sell and purchase the given product by the parties represents the common objective, on the basis of which each economic event can be defined as a bargain game.

Whether the given interaction takes place in the market, within the framework of a company or a trust-based relationship depends on the scale of the alternatives' transaction and internal costs, all of which are influenced by the level of credibility of the commitments.

2.3. Credible commitments

As credible commitments are the basis of the bargain game, we continue our analysis focusing on this phenomenon examined within the framework of game theory, wherein players act rationally, and take part in various strategic interactions (MÉSZÁROS, 2005). For this reason it is important to have a look at the concept of rationality first.

In this respect, game theoretical analysis has two important requirements: consistency and the principle of maximization. Thus, an individual is deemed to be rational if he does not contradict himself, and in accordance with his own set of preferences he would not opt for the worse if any choice is to be made between good and bad (MÉSZÁROS, 2005).

It means that the events are about to be examined in a homo oeconomicus context. In the classic approach, it is assumed that the utility relations to be examined are fixed, while consumer preferences will not change during the study, the effects of the learning process and experience are not to be taken into account, and the consumers are rational, which means they have comprehensive information in relation to their options (e.g. market prices, product selection), and will make their consumption decision solely on the basis of this information (GARAI, 2003).

For us, an essential characteristic is that players prefer more to less, strive for maximizing the benefits (MAGYARI BECK, 2000), but what benefits consist of – monetized value or even emotions – may change from individual to individual. Whether

they know each other's value systems is not a question of rationality, but of informedness (MÉSZÁROS, 2005) in game theory, which makes it the perfect tool to examine credible commitments in current research.

The strategies applied in the game and the associated outcomes are basically determined by the following characteristics:

- players move simultaneously or sequentially
- the game is finite or infinite
- the game is non-recurring or iterated
- the informedness of players (common knowledge, comprehensive informedness, etc.)
- the rules of the game are endogenous or exogenous variables
- nature of the players' conflicts of interests (whether the game is a constant sum game).

As we have seen before, this latter aspect, i.e. the classic zero and non-zero differentiation of games, was examined by THOMAS C. SCHELLING (1958) from a new perspective wherein he distinguished pure conflicts, pure common-interests and mixed or bargaining games. The pure common-interest and bargaining game jointly constitute the games called non-zero sum games (SCHELLING, 1963).

Within the framework of this latter, mixed game, we examine trust as the basis of credible commitments. The individual interactions strongly depend on the following aspects:

- obligations undertaken by the parties
- how they are communicated to each other
- the genuineness of the assumption of the commitment and how it is evidenced
- whether both parties decide within the same formal and informal institutional system and
- if there is a risk that either party brings itself into such an ultimate position that is unacceptable to the other party, thereby creating a stalemate (SCHELLING, 1963).

Two forms of the commitments made in the course of the game can be distinguished: promise and threat, and for both it is credibility and acceptance by the other party that is deemed to be the key factor.

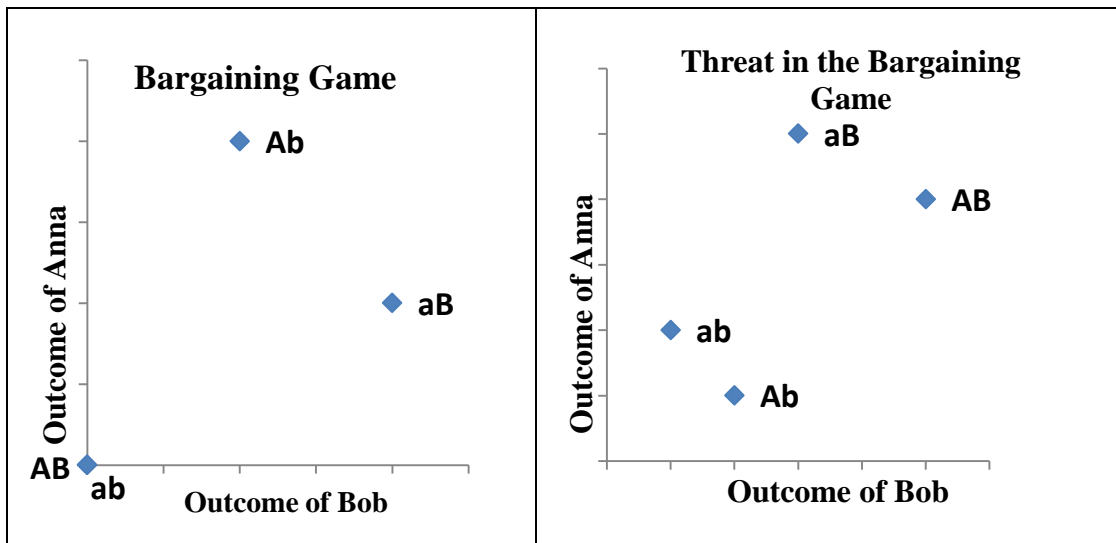
Promise is understood as a positive commitment assumed for the other party, and it is necessary in all such cases when the parties' control over each other is not perfect, i.e. cheating is a possible option.

Threat is interpreted as a negative commitment made for the other party. Basically, it is the advance communication of the automatic reaction to the undesirable move of the other party for the purpose of determent. If it is successful, the entire series of events will not take place. The efficiency of the threat depends on the fact whether the threatened party believes in the genuineness of the other party's incentives accomplishing the threat, that is whether the move undertaken ex-ante is implemented ex-post.

The importance of the various resulting bargaining situations and commitments can be well demonstrated in SCHELLING's (1963) two-dimensional coordinate systems. Let us take two actors, Anna and Bob, whose potential payments are indicated along the vertical and horizontal axis. Both players have two options (for Anna: A , a ; for Bob: B , b) resulting in four possible outcomes (Ab , AB , ab , aB). In contrast with the apparent simplicity of the game, a large number of scenarios can be described as depending on the level of communication, genuineness, enforceability, the relative positions of outcomes and rules determining the order of steps. Currently, it is assumed that the values of the payments belonging to the individual steps form a common knowledge, and neither compensation beyond the game, nor external threats are taken into account, i.e. the game is independent from all the other games.

The left hand side of Figure 1 shows a simple bargaining game where the player making the first commitment – i.e. making the first move – will have the largest benefit. AB and ab outcomes bring about zero payment to both parties, therefore whoever takes the first step, can compel the other party to choose the outcome the first party prefers (both Ab and aB form NASH equilibrium, the outcome is dependent on the person making the first move). Therefore, here the commitment appears as an advantage in the game. If however they step and make their commitments simultaneously, for both of them the unbeneficial AB or ab outcome will realize.

Figure 1 Bargaining Game with and without Threat



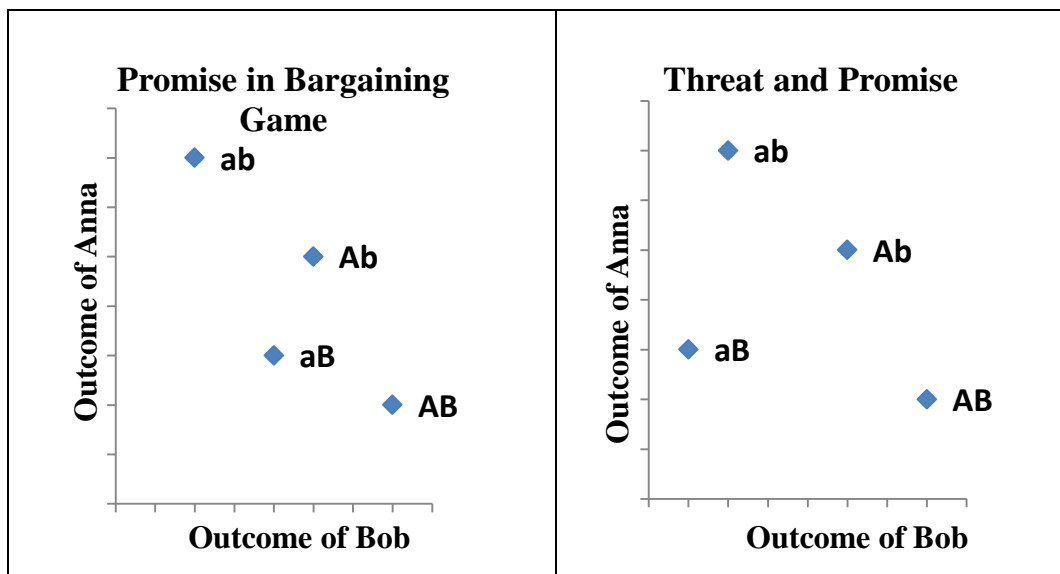
Source: Based on Schelling (1963)

The right hand side of Figure 1 also includes the deterring threat. Let us take AB as the starting point from where Anna intends to move to a (and get to aB), and in response Bob threatens to move to b .

If Anna takes the first step, or is able to make a commitment before Bob advances, then it is not in Bob's interest to choose b , and the outcome of the game will be aB . If Bob's threat is credible, and anticipates Anna's move, then scope of options available to Anna becomes narrowed, as she can choose only ab or AB , and thus will stay in the initial starting point. Without a credible threat, the outcome of the game would be aB , which is favourable to Anna, while Bob can turn the game to his own benefit without a credible commitment (threat).

The left hand side of Figure 2 shows the significance of promise, where aB is the minimax point of the game. It does not matter who takes the first step, also it can be achieved by both parties even with simultaneous steps, and there is no outcome that would be threatening to either of them in this case.

Figure 2 Bargaining Game with Promise and Threat



Source: Based on Schelling (1963)

For both parties, Ab ensures the largest payment in comparison with aB , but it cannot be achieved without a credible promise, because no matter which party takes the first move, the other party will be interested in cheating. If they move at the same time, both parties will have incentives for cheating, and even their expectations pertaining to each other's steps will be cheating, and therefore they will choose aB (which forms the Nash equilibrium). If either party is able to make a genuine promise, the other party can move first, and there may arise Ab ensuring larger payment, or in the case of simultaneous moves both parties have to make genuine commitments, otherwise the minimax point will come. Although there may be an outcome for both of the parties that would be more favourable to them separately than Ab , they will not be able to reach it, and therefore the realization of the second best outcome is the optimum strategy.

The right hand side of Figure 2 models the situation occurring when the threat and promise are jointly used. It reflects the same outcomes as the left hand side of Figure 2 with the only exception that aB has become shifted to the left. In this case, if there is no communication between the two parties, Anna will win with ab irrespective of being a simultaneous or selective game. Nevertheless, if Bob is able to make a promise (that he will not choose AB in response to A), and at the same time pose a threat (with aB), he is

able to enforce the *Ab* outcome, but only if the commitments of both parties are credible.

It is clear that credible commitment is a key issue in all the strategic games. Depending on how genuinely we can represent our promises or threats, the outcome of the game varies, and we can influence the emergence of the final outcome that is the most favourable to us.

Credibility is the entirety of guarantees supporting the commitment, the framework conditions of which are ensured by the formal and informal institutional system.

The institutional system is understood as such human-made limitations that structure economic, political and social interactions (NORTH, 1991).

As these interactions take place under uncertain conditions, with asymmetric and not full informedness, it is the institutional system that ensures the *ex post* fulfilment and enforceability of the *ex ante* commitments (NORTH, 1991, GREIF, 1993), which fundamentally determines the options and limitations of the players.

The two main factors influencing the commitments made are social capital and formal institutions (KEEFER – KNACK, 2005).

2.3.1. Social Capital

Social capital is interpreted as the entirety of the norms and networks that facilitate collective action (WOOLCOCK, 1998). The former determines what a specific group of people will perceive as right or wrong, while the latter involves the horizontal interactions within the group (COLEMAN, 1990).

According to COLEMAN (1988), three forms of social capital can be distinguished: information networks, social norms, as well as commitments and expectations², but in all of them trust plays the key role.

FUKUYAMA (1995b) regards trust to be an essential factor of the exploitation of social capital, because social capital can be understood as the ability of groups of

² When one of the parties benefits the other, then the person also trusts that later on the other party will behave similarly, i.e. both expectations and commitments arise.

people whereby they act together, in organizations towards the accomplishment of common objectives, while the efficiency of their actions are largely influenced by the given level of trust.

The potentials of trust and its inseparable companion fraud can be clearly demonstrated in the Prisoner's Dilemma game (NOWAK – SIGMUND, 2000). The game is played by two players: Anna and Bob, both of them are profit maximizing, meaning that they strive for having the largest possible payments. They have two options: they will either cooperate, or compete with each other. The payments are shown in Table 1. The largest payment is ensured by mutual cooperation. However, a problem is that the game is played simultaneously, and either of the parties may rely on cheating in order to guarantee the largest sum of individual payment for him.

In the absence of trust, as they are afraid of deception, the parties will opt for the competing strategy, and finally the 0, 0 combination will be the ultimate payment of the game (which is the Nash equilibrium outcome of the game). With trust, parties collaborate with each other, and therefore they will be able to realize the 5, 5 payments for themselves, which is at the same time Pareto efficient. The key is the existence and extent of trust.

Table 1 Prisoners' Dilemma

Anna			
Cooperate	Compete		
5, 5	-1, 6	Cooperate	Bob
6, -1	0, 0	Compete	

Source: Based on Mészáros (2005)

According to WOODRUFF (2005), the emergence of trust can be promoted in three ways. Formal contracts that are enforceable by courts of justice, historic experience and the reputation of the partner arising from third party relations³ will all

³ See also AXELROD (2006)

have positive influence on the emergence of trust, because in all three cases enforceability or the belief in its pointlessness arises.

Decision-making itself can be described as the final outcome of a complex process during which the reliability of the other party will have an outstanding role together with the associated risks, the uncertainty of the correctness of information, the existence of common objectives and values, as it has been pointed out in the SCHELLING (1963) analysis. Furthermore, the decision-making situation is largely influenced by the extent to which other alternatives are available, what values are deemed to be important, and how they are ranked. In consideration of all these aspects, at the end of the process it will be up to the own judgment of the decision-maker (as depending on how much the situation is seen as attractive, and what emotions and impressions influence him) whether the given situation is regarded to be worth cooperation or not (AL-MUTAIRI ET AL., 2008).

Within the framework of game theory, it can be demonstrated that under certain conditions cooperation is the best strategy (AXELROD, 2006; HODOSI, 2008). While the Tit For Tat (TFT) strategy proves to be an efficient catalyst of cooperation in populations where the large majority of the individuals are selfishly competitive, WSLS (Win-Stay, Lose-Shift) or in another name the perfect TFT⁴ is the most suitable for the maintenance of cooperation and trust (IMHOF ET AL., 2007).

The emergence and maintenance of trust are fundamentally determined by the factors that have been mentioned above as they influence the strategy of game theory. It is also important whether it is a non-recurring or recurring game, and what the relationship is like in the case of a repeated game (whether the decision relies on an initial or well-founded trust). Another key influencing factor is how much the emergence of trust is disturbed by imperfect and asymmetric information and to what extent the values and value systems of the players overlap (SCHELLING, 1963).

If the players of the economy do not trust each other, even upon the occurrence of the slightest problem they will try to enforce their claims in legal proceedings (TÖRÖK, 2007). Without trust, transactions are possible only with strong control,

⁴ It is called the perfect TFT, because it eliminates the following two mistakes of TFT:

- it is not capable of handling errors
- vulnerability of the population consisting of individuals who play TFT to the appearance of always competing, mutant strategies

complicated contracts, rigid regulation of decision-making and structures that are extremely costly and therefore less efficient (TARNAI, 2003).

2.3.2. Formal Institutions

If the level of trust is limited or negligible the role of other guarantees are appreciated as they are needed even more for the creation of transactions and for ensuring credible commitments (NORTH, 1991). Formal institutions such as the constitution and legal system are able to address the lack of confidence thus changing the parties' bargain edge position (HODGSON, 2003).

For the operation of a market system, it is inevitable to have an appropriate legal system that shall fulfil three functions: define property rights, ensure transferability and protect private property (RUBIN, 2005).

The system should unambiguously define how property rights are to be understood. With respect to the transactions, it is an important element which particular person owns the individual assets, and what rights he has.

The right that the individuals are actionable allows them to make promises, assume commitments (SCHELLING, 1963), and thus the legal system itself becomes a framework that encourages the enhancement of trust and cooperation.

The existence of adequate legal regulations, the protection of property rights and the enforceability of contracts suppress the incentives for cheating (KEEFER – KNACK, 2005) that can be demonstrated within the context of the above-mentioned prisoner's dilemma game as well (HODGSON, 2003). If in the course of the original game there are no informal or formal institutional frameworks, no cooperate–cooperate outcome could be achieved, because either both players would compete, or the outcome would become cooperate–compete. In this latter case, the cooperating player will pay the “sucker's price”, while the competing individual will maximize the payments achievable during the game.

Whenever a third party – formal institution – intervenes, the outcome of the game can be altered by encouraging the cooperating outcome via the determent of cheating or prevention (HODGSON, 2003). If deceit is taxed or declared to be illegal, the extents of payment can be influenced, which leads to the game presented in Table 2. In this case it

is not the Prisoner's Dilemma game that we face, because it is worth for neither party cheating, the incentives have become eliminated. By influencing the rules of the game, it is not only the costs of exploitation that can be increased, but also the gains of cooperation (MIKE, 2008).

Table 2 External Enforcement

Anna			
Cooperate	Compete		
5, 5	-1, 3	Cooperate	Bob
3, -1	-2, -2	Compete	

Source: Based on MÉSZÁROS (2005)

As shown in the illustration co-operation ensures the highest pay-outs for both Anna and Bob -regardless the strategy of the other party, thereby eliminating the uncertainty arising from the asymmetric information and lack of trust.

The potential to influence the game to such a direction is strongly dependent on the extent to which the legal system is in fact enforceable. Compliance with the legal regulations is based on several factors, such as the prestige and legitimacy of the legal system, whether the given norm coincides with the interests of the follower and ethical standards, and if the infringement of the norm has any negative consequence (SAJÓ, 2008).

If the enforceability of contracts is not ensured, and there is no adequate legal framework, the credibility of the commitment of the contracting parties becomes questionable (KEEFER – KNACK, 2005), and the consummation of the transactions will return to the market even if it is not the most efficient solution.

If the set of rulers is not clarified or transparent, it will encourage corrupt behaviour. Legal regulations will be applied arbitrarily, property rights will be questioned, the economic system will remain uncontrolled, while the competitive spirit will flag with the diminishing trust in the system (KRASZTYEV – GANYEV, 2005).

Therefore corruption will set back economic growth both directly (LAMBSDORFF, 2006) and indirectly, via the decline of the level of trust.

In view of the protection of property rights, one of the most important objectives of the legal system is to internalize the external costs of acts by potential perpetrators (RUBIN, 2005). This requires the state to monitor and make sanctions and that appropriate infrastructure and resources are available. However, the obligation to provide information, which is the basis of monitoring, puts a burden on the economy making trade more expensive. Although the legal system is essential for the elimination of market failures and reduction of inequalities and risk reduction (VOERMANS, 2008), the limits impose the operators as well. Therefore, it is essential to form an effective legal system that does not include unnecessary regulations.

Several studies have previously warned of the impact of necessary information for the enforceability saying that the process can increase demand for regulation and government intervention (WEGRICH, 2009), resulting in further complication for the market participants. By simplifying and clarifying the quality of public services law becomes more efficient (VOERMANS, 2008) and transaction costs can be reduced through the commitment of ensuring authenticity.

From an economic perspective, the legal system and property rights have the principal function of creating incentives for economic players to pursue productive activities (HEITGER, 2004; RUBIN, 2005). If property rights are not clarified, the profit will not be realized by the original investor, which hinders the implementation of further investments.

Ideally, the asset is owned by the actor who esteems it the most. However, the costs of a transaction would never reach zero, and therefore if the costs of the exchange exceed the benefit of the asset with the highest-esteeming actor, no correction will take place. If property rights are not defined in detail it will give rise to an incentive for the inefficient use of assets (for instance, sales under the effective market price, black economy), thus legislation plays a crucial role.

The regulation of property rights ex ante determines the ex post outcomes of the subsequent disputes, influences the degree and orientation of investments and innovation. Systems that can be characterized by patents, copyrights, trademarks and other strong protections of properties host permanent and long-term investments. Legal protection substantially determines the ratio of manufactured to planned products, the

price and thus the demand, and affects market players as an innovation incentive (DEMSETZ, 1982).

Property rights influence transaction costs (TÖRÖK, 2007), the performance of the economy, while they represent specific incentives for the consideration of the short-term and long-term ratio of costs to profit, thereby contributing to the creation of economic welfare. HEITGER (2004) showed that one unit change in the protection of property rights generates more than double growth in the economic growth rate, while the enhanced protection of property rights increases the accumulation of the physical and human capital. Classic growth factors can exercise their effects on the economy only if the directly influencing property rights are guaranteed (HEITGER, 2004; RUBIN, 2005).

The law ensures that the individuals are accountable for their actions which allows them to make promises and commitments (SCHELLING, 1963), thus the legal system itself can increase social trust and reduce the costs of transactions.

2.4. Social Trust

As we have seen, social trust plays a key role in reducing transaction costs through ensuring credible commitments, thus in the foregoing we focus on the theoretical background of social trust.

Extensive literature deals with the question of social trust and its origin as part of social capital research. We can distinguish two separate theoretical approaches in this regard, one that focuses on the society and its level of participation in voluntary associations (PUTNAM, 1993; FUKUYAMA, 1995b), and one that emphasises the importance of formal institutional background in generating social trust (LEVI, 1998; Rothstein, 2005). As the findings of many opposing scholars of the former theory (DELHEY – NEWTON, 2005; USLANER, 1999; ROTHSTEIN, 2011) found no positive connection between voluntary membership and social trust, in current research we rely on the institutional approach and conduct our analysis in this framework.

Initially, interpersonal trust comes from within families as this is the first source of our interactions with others. Later, individuals may be affected by members of the wider community and the more general, non-family norms. All these external effects

help create trust outside the family and then contribute to the emergence of social trust (WHITELEY, 2000). When the process of forming the family (FUKUYAMA, 1995b) and community trust is slowed down by certain factors, the transaction cost reducing property of trust becomes limited. Particularly important role is played by the structure of the society and its organization (HODOSI, 2013). In certain areas where communities live next to each other without interaction, general interpersonal trust is limited as well. These groups – depending on the level of trust within the society – may be disruptive to the widespread trust (KNACK, 2001) and can discriminate not only against outsiders of the group, but also indirectly against the members of the group (WOOLCOCK, 1998; HODOSI, 2013). Due to ethnic, racial or income differences this can be cumbersome and a slow process thanks to the inherently less frequent interactions (MCPHERSON ET AL., 2001)

Therefore we propose a new theoretical framework – the social structure framework⁵ – in which we examine the features of the society from the perspective of trust.

2.4.1. Social Structure Framework

Theorists argued that trust, norms and networks as the main components of social capital are crucial to build an efficient society (PUTNAM, 1993). Identical norms (or formal external enforcement options) are the basis of generalised trust that cannot show its positive society-wide effect without sufficient networks.

It is important to distinguish between the various forms of trust and their radius⁶ as they affect the population on different levels. Based on Fukuyama's (FUKUYAMA, 2000) and WOOLCOCK'S (1998:172) work while adding external enforcement to the

⁵ A special thank you is due to Dr. Pál Czeglédi for helping to improve the concept of social structure framework.

⁶ Radius of trust: “that is, cooperative norms like honesty and reciprocity can be shared among limited groups of people and not with others in the same society.” (FUKUYAMA, 2000, p.17) The term “radius of trust” can be defined as the scope of individuals who are trusted.

picture, we can create a social structure framework incorporating the radius of trust and the level of intra-community and extra-community ties to examine the different forms of trust and see if there is need for formal external enforcement (Table 3).

Table 3 The Social Structure Framework

		Need for Formal External Enforcement		Radius of Trust
		High	Low	
Extra- community Network	High	Social individualism	Social capital	
	Limited	Loose communities/groups	Close-knit communities/groups	
	Low	Social exclusion	Families	
		Low	High	
		Intra-community Trust		

Source: Based on the work of FUKUYAMA (2000) and WOOLCOCK (1998:172)

In case of a low level of out-of-group networks and intra-community ties, social exclusion can be detected as such people can benefit from neither group-membership nor the wider community. The radius of trust is almost non-existent in this case.

At the other end of the scale we find social individuals, who are benefiting from an extended extra-community network, but do not feel that people can be trusted generally. This lack of trust has a wide-radius and can have corrosive effects to economic performance.

Familial trust (FUKUYAMA, 1995a) is a narrow-radius form that exists on the level of family, creating a very close-knit group of relatives. Within ethnic, religious or any other form of groups wider – but not wide enough – trust can be detected limited to such group. Depending on the level of this intra-community trust, we can distinguish between loose and close-knit groups. These formations can be disruptive to wide-radius

trust (KNACK, 2001) and can discriminate not just against the outsiders, but as WOOLCOCK (1998) argues, indirectly against the insiders, too.

Although close communities can enhance efficiency and create a strong support base for members, the ability to utilize these relations while forging new ones outside the group as well is crucial on the long run. If it becomes successful on a large scale, social trust and social capital emerge.

In low trust formations, the access to formal external enforcement options is crucial as there is a high demand for them in the absence of trust. This need is basically identical with the demand for regulation, which controls in- and out-group linkages as well.

In a society where several communities exist next to each other, but the extra-community ties remain limited the externalities of such groups can tend to be high. People like to interact with individuals with similar values, or in other words with agents who are closer to them in the social space (AKERLOF, 1997). The general views of these groups affect members' choices significantly. Approval of friends and relatives means reinforcement for the individual and creates stronger bonds within the community.

The picture becomes even more complicated if different ethnic⁷ or racial groups are involved. Social trust declines when social distance⁸ increases (ZAK – KNACK, 2001), which process can be reversed if more similar persons interact or norms with wider radius emerge incorporating different classes or ethnic groups. Extending one's external-community links is not an easy task, as participating in social activity is less frequent among individuals living in areas that feature income inequality or racial and ethnical fragmentation. ALESINA and La FERRERA (1999) found that “an increase in Gini by one standard deviation leads to a reduction in the probability of participation of

⁷ As ‘in government research minority ethnic groups are differentiated based on a combination of categories including ‘race’, skin colour, national and regional origins, and language’ (OFFICE FOR NATIONAL STATISTICS, 2003:7) we mean the same content when using the term ethnic group. Please note that when we use ethnicity as an aggregate term, we do not indicate that ethnic groups are homogeneous. As the analysis will show, there are indeed differences.

⁸ We use the term ‘social distance’ as the social diversity of interacting agents.

24 percentage points.” The same growth “in racial fragmentation implies a reduction in the propensity to participate of about 8 percentage points. A similar result (6 percentage points) holds for the ethnic fragmentation.” (ALESINA – LA FERRERA, 1999:23)

In neighbourhoods where racial diversity is high deprivation is usually present as well causing a low number of interactions and destroying positive attitude among residents (LETKI, 2008). The two factors reinforce each other and create a negative spillover effect resulting in a low level of interpersonal trust.

When there are communities that are internally homogenous but different from other social groups, the evolvement of trust is difficult as people tend to establish contact with similar persons (MCIPHERSON ET AL., 2001) and the exclusion effect of group dynamics work in the same time.

In societies, where such social trust limiting factors are present, the legal system plays a crucial role in ensuring external enforcement as in creating the framework conditions of credible commitments. To be able to do so, it has to possess certain features, thus in the forthcoming we focus on the theoretical background of a high quality legal system.

2.5. The Rule of Law

As defined in the current introduction sub-chapter, “the law is a body of abstract rules of justice that bind the community together” (FUKUYAMA, 2012:245). It is important to distinguish between law and legislation though as under legislation we mean a “function of political power that is the ability to make and enforce new rules based ultimately on some combination of power and authority” (FUKUYAMA, 2012:246). Rule of law exists if the law is sovereign over legislation meaning that the legislative institutions create new laws based on and in accordance to the existing set of laws. Legal institutions need physical facilities and also big investments in human capital in the form of training of lawyers, judges and the police as they are the institution that enforces the law. The most important feature is that the legal system has to be legitimate and authoritative.

From an economic perspective the importance lies in the transparency and impartiality of the system as these two factors ensure the possibility of external enforcement which is crucial to encourage trade.

Although FRIEDRICH HAYEK (1976) brought great emphasis on that law preceded legislation and that social order was created incrementally and was decentralised, according to FUKUYAMA (2012) the emergence of the rule of law was “critically dependent on enforcement by a strong centralised state” (FUKUYAMA, 2012:253). The legitimacy and credibility of the rule of law rests on the law itself and the institutions that enforce it – namely the judges, lawyers, courts and the police. Great emphasis is put on the perceived fairness of the law as it is not enough to be perceived as fair but it has to be universally applied as well.

To ensure a fair normative system the law has to be enforced. If the authoritative power of a country is lacking the capacity to do so, the legitimacy of the law becomes questionable.

According to TOM BINGHAM (2010) we can distinguish between the following principles that govern the main features of the rule of law.

The first such principle is the accessibility of the law. It is important that the law is accessible, clear and predictable. As without certain accessible rules the conduct of trade and business investment cannot be successful. The second principle is that disputes should be resolved by applying the law and not by discretion. In other words, the law has to be utilized universally and not based on discretion. The third principle is equality before the law, meaning that regardless of the ethnical, racial or any other type of background of the person or legal entities the law has to be applied equally. The fourth main feature BINGHAM highlights is that “public officers have to act in good faith and fairly and with the purpose for which powers were conferred” (BINGHAM, 2010:60) Human rights also have to be ensured while the rule of law implies that there is compliance by the state regarding its obligations in international law as well as in national law. A further main feature of the rule of law is the importance of dispute resolution and the way disputes are resolved. As the rule of law requires access to court and access to justice, there are two potential obstacles, namely expands and delay. Either the high costs of the litigation or the delay of judicative procedures can hinder access to justice. The last main feature is that all trials have to be fair as without fair judicial procedures the rule of law cannot be present in a country.

2.5.1. Legitimacy

As FUKUYAMA and BINGHAM highlighted legitimacy plays an important role with legal authorities. Many scholars did research regarding the legitimacy of the legal system and law (WEBER, 1947; FRENCH – RAVEN, 1959; EASTON, 1965).

To secure compliance it is important to know the public opinion on the legitimacy of the legal system and legal authorities, especially the representatives of the legal authorities towards the public e.g. police officers, judges and lawyers. According to TYLER (2006) confidence in the legal system is a crucial aspect of the public acceptance of the legal system and the law. We can define legitimacy as the following: “in a political system in which the governing group bases its activity on a principle which the members of the system consider to be adequate grounds for obeying their rulers, the power is set to be legitimate.” (EASTON, 1958:180) Legitimacy is based on just procedures. There are two contrasting perspectives in this respect: the instrumental and the normative one (THIBAUT – WALKER, 1975; THIBAUT – WALKER, 1978; TYLER, 2006). The instrumental perspective bases the level of fairness of the procedure on the outcome, while the normative prospective takes into account many other aspects of the procedure as well. The Chicago study (TYLER, 2006) reinforces the latter normative prospective and identifies seven different factors that independently influence the judgement of public about the fairness of the procedures: (i) to have a chance to participate in the decision making process, (ii) to be heard by all participating parties so everyone’s argument and opinion is exposed to the other parties as well and (iii) to experience neutrality in the decision making process. Also, while (iv) honesty and objectivity of the decision makers play an important role, (v) people put great emphasis on the way they were treated during the decision making process, and (vi) on the motivation of the authority as the perceived fairness of the motivation weighs heavily on the general public’s opinion on the overall fairness of the procedure. Finally, (vii) the study also found that the outcome of the procedure matters as well (TYLER, 2006:163-164) showing that the instrumental perspective tackles just one aspect of the way people see just procedures.

Fair procedures play a key role in the social trust-enhancing feature of the legal system as well. We continue our analysis with focusing on the relationship between social trust and the legal framework.

2.6. Social Trust and the Legal System

From the perspective of social trust it is important to distinguish the representational and legal and administrative sides of democratic institutions (ROSE-ACKERMAN, 2001; ROTHSTEIN, 2005). ROTHSTEIN (2005) showed that in Sweden there is a positive correlation between social trust and trust in social institutions just in terms of the implementing institutions and not regarding the representative or political institutions. Also ROTHSTEIN argued that the rule of law matters more than education and participation in voluntary associations in terms of how much people state that most people can be trusted in general. In line with his findings LA PORTA ET AL. (1997) showed in 140 countries that the level of social trust positively correlates with the efficiency of the legal institutions and with the quality of public administration.

ROTHSTEIN argued that there is a positive link between legal institutions and social trust. Firstly, the legal system has a special task of enforcing the commitment of the people in the society. Secondly, if people believe that law enforcement authorities work effectively then it is rational to conclude that the legal system will find and punish those who perform traitorous behaviour (LEVI, 1998; ROTHSTEIN, 2005:112; ROTHSTEIN, 2011). To create trustworthy institutions, two features of the institutions play a crucial role, namely impartiality and efficiency. (LEVI, 1998, ROTHSTEIN – STOLLE 2003, ROTHSTEIN, 2005) Impartiality implies that every citizen and legal identity has to be treated equally before the law (ROTHSTEIN, 2005:109) Equality before the law means that everyone "is tested on equal terms with everyone else before the law" (ROTHSTEIN, 2005:133).

The efficiency criterion ensures that there is a high quality legal system that benefits all market agents on the long run (ROTHSTEIN, 2011:209).

Going back to BINGHAM's (2010) set of principles that govern the main features of the rule of law, it is important to highlight that four of them represent a form of impartiality measures, while two of them features efficiency criteria.

Universally applied law, equality before law, public officers acting in good faith and fair trials are all a part of the impartiality requirement. Clear and predictable legal regulations and the need of access to court and justice without delay are both addressed within the efficiency pursuits.

The more impartial and efficient the legal system is, the higher the acceptance and compliance of the law becomes. On the one hand it reduces the costs of transactions; on

the other hand it enhances social trust further deteriorating the expenses of trade. The higher level of social trust decreases the need for complicated regulations, which in turn creates an incentive to make the legal system even more transparent and efficient.

Thus the dissertation focuses on these two aspects of the legal system – impartiality and efficiency – when conducting research on their impact on social trust.

2.7. Empirical Evidence

As we have seen earlier, extensive literature deals with the evidence of how trust and the legal system decrease transaction costs (COASE, 1960; FUKUYAMA, 1995c). We have also showed that there is a positive relationship between the two factors, i.e. the more impartial and efficient the legal system is the higher social trust shall emerge (LA PORTA ET AL., 1997; ROSE-ACKERMAN, 2001; ROTHSTEIN, 2005).

To corroborate the correlation we also examine it through the comparative analysis of 24 European Union member states⁹.

We measure the impartiality of the legal systems by the Quality of Government Institute's Impartiality of Public Administration Index.

Impartiality is understood as the most important element of quality of government. ROTHSTEIN and TEORELL have even defined the term quality of government as “the impartiality of institutions that exercise government authority” (ROTHSTEIN – TEORELL, 2008:165). “Impartiality is a “procedural norm that does not affect the contents of specific policies” (ROTHSTEIN – TEORELL, 2008:166).

It is the way the representatives of the output side of the government institutions – judges, police officers – act while enforcing and applying the law. Their personal opinions and experiences cannot be taken into account as all members of the public have been treated the same way.

⁹ The analysis intends to focus only on European Union member states; hence no country outside the EU was added to the data set. As there is a limited availability of some of the measures used, the data set incorporates 24 countries. A further limitation of the analysis is that the legal efficiency measures are available only for the year of 2003, thus dynamic analysis is not possible in this regard.

To quantify the efficiency of the regulatory framework we propose a new measure in the form of the costs of administrative burdens. The reason behind it is that from the perspective of businesses a part of the costs of regulation is given by the costs of administrative burdens. The lesser regulation the legal system impose on the economy, the lesser costs occur at the business and third sector level, thus the more efficient the legal system is in a monetary sense¹⁰.

Based on the terminology of the European Union, administrative burdens are defined here as the obligation of businesses and third sector to provide information, “which is carried out solely because of a legal requirement at EU level.” (EUROPEAN COMMISSION, 2012:7) The associated costs are called administrative costs.

In the light of the theory, it is expected that a legal system that poses high administrative burdens on the given economy and showcases a lower level of impartiality tends to be accompanied by a lower level of social trust.

2.7.1. Impartiality of the Legal System and Social Trust

Figure 3 displays the correlation between our impartiality measure and social trust. We use Impartiality of Public Administration Index¹¹ of 2008 and social trust data of 1999. As the informal environment tends to change incrementally and over a long period of time, the time difference between the data sets does not cause substantial bias in the analysis. Both data sets are displayed in Table 26 in Annex.

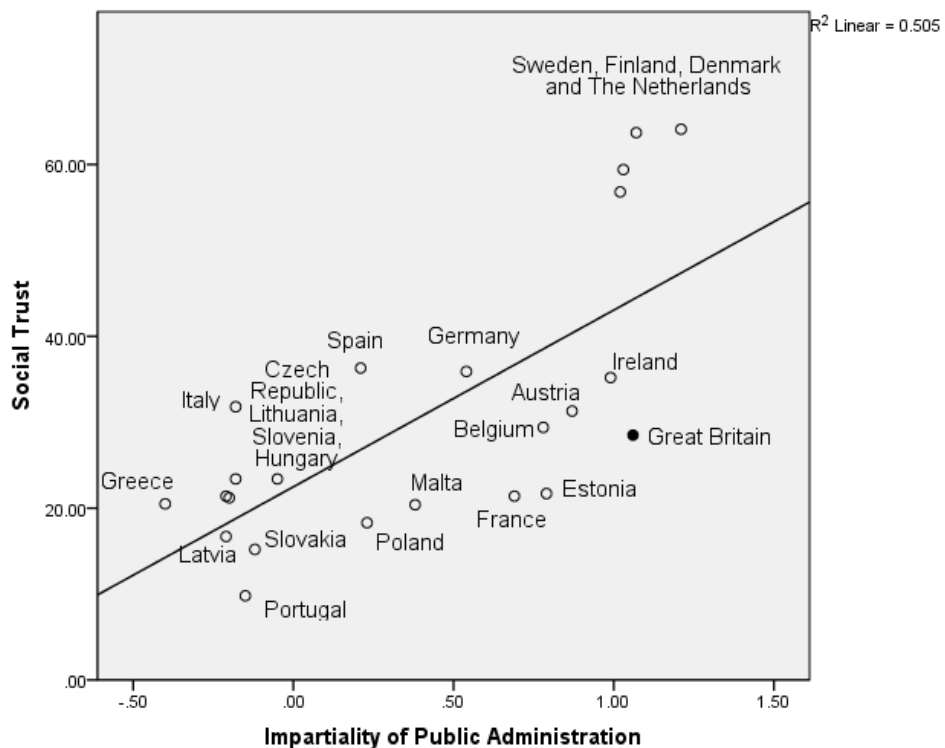
The results confirm our initial assumption that the more impartial the legal system is the higher level of social trust can be detected as they describe 50.5% of each other’s variation.

¹⁰ Even when the correlation level of social trust and administrative costs is compared to the correlation between social trust and the World Bank Governance Indexes, the administrative cost as a measure of the legal system stands strong. All correlations are significant and above 50% using the same sample as in the main analysis. Please see Table 25 in Annex for results.

¹¹ It “measures to what extent government institutions exercise their power impartially” (QOG, 2012:22).

The Nordic Countries and The Netherlands show the highest levels of impartiality and social trust. In these cases the level of trust is outstandingly high (above 50%), whereas the same values of the other countries are below the 50% threshold, thus we can say that these countries feature distrust.

Figure 3 Impartiality of Public Administration and Social Trust



Source: Based on WVS (2008) and TEORELL ET AL. (2011) data sets, using PASW Statistics 18.0 [N=23, Pearson correlation: .711, Sig. (2-tailed): .000]

The least impartial country is Greece, while the least trusting one is Portugal in our sample. Slovakia, Latvia, Hungary, Slovenia, Lithuania and the Czech Republic feature limited level of impartiality and social trust. From Spain till Ireland we can detect medium level of impartiality paired with a level of social trust between 20% and 40%.

On the other hand Figure 3 highlights an interesting anomaly, the case of Great Britain. Opposite to our expectations a high level of legal impartiality is accompanied

by a surprisingly low level of social trust. It is even more noteworthy when we take into account the fact that we are talking about the fatherland of the Rule of Law.

It is a puzzling case, one which suggests that high quality legal framework is a necessary but not sufficient condition to build social trust leading to the question of what other factors are needed on top of ‘good’ institutions to allow people to trust in each other in general.

2.7.2. Efficiency of the Legal System and Social Trust

Figure 4 shows the correlation between the efficiency of the legal system – administrative costs – and the level of social trust. The 2003 costs caused by administrative burdens are presented in Table 26 (please see Annex) in percentage of the GDP (EUROPEAN COMMISSION, 2006).

The table also presents the level of trust, expressed in percentage of the interviewees. With the exception of the Finnish data from the year of 2000, all the other values are from 1999 (WVS, 2008).

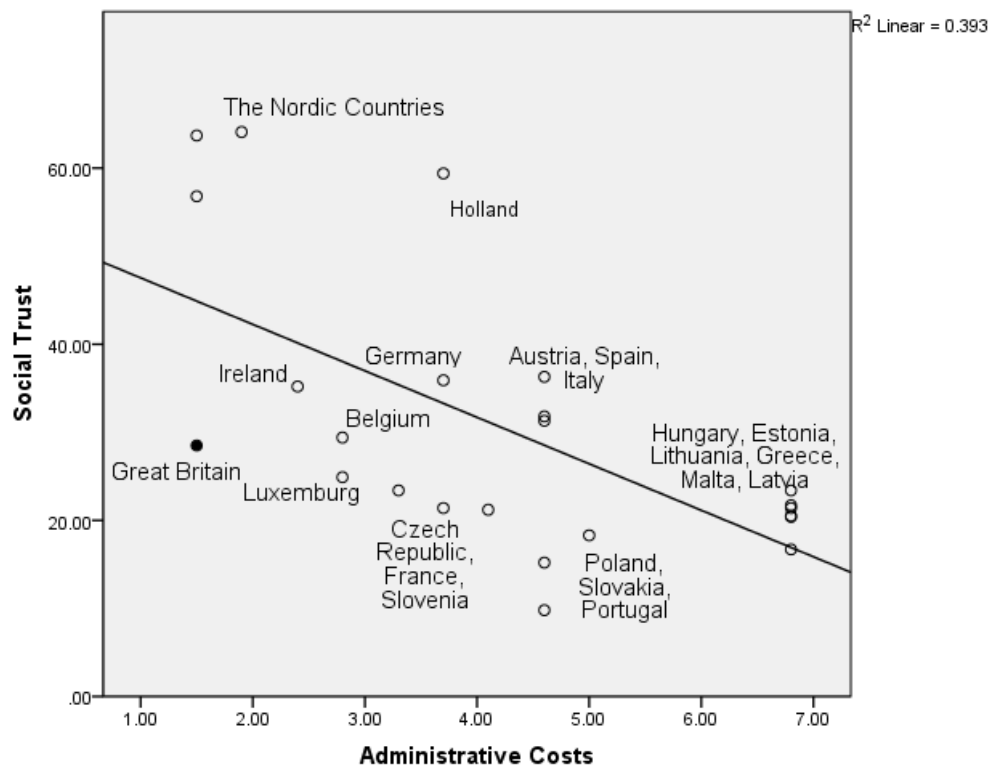
As expected there is a significant negative relationship between the level of administrative costs an economy has to endure and the level of social trust the same society enjoys meaning that the more efficient the legal system is the higher level of social trust can be found. The variables describe almost 40% of each other’s variation that is lower than what we found in case of the impartiality index, but still presents a high explanatory power.

Again, we find the Nordic Countries at the top of our sample, while Greece is accompanied by Hungary, Estonia, Malta, Lithuania and Latvia at the other end of the scale.

Poland, Slovakia and Portugal have to bear a high level of administrative costs, which in turn is accompanied by the lowest levels of social trust. Although Austria, Spain and Italy have to endure a similar level of administrative burdens, their higher level social trust improves the situation.

From Ireland to Slovenia, the countries feature a moderate level of administrative burdens paired with medium level social trust.

Figure 4 Administrative Costs and Social Trust



Source: Based on WVS (2008) and EUROPEAN COMMISSION (2006) data sets, using PASW Statistics 18.0 [N=24, Pearson correlation: $-.627$, Sig. (2-tailed): $.001$]

Figure 4 also identifies the same anomaly, the case of Great Britain as Figure 3 did in the previous section. As the fatherland of the Rule of Law, we would expect that being among the countries with the highest level of legal efficiency; it features a high level of social trust as well. Remarkably it is to the contrary as social trust is just at the level of 28.50% that is around half of the other countries' level that have the highest quality legal framework.

It indicates that a high quality legal framework is a necessary but not sufficient condition to build social trust. It creates the question of what other factors are needed on top of 'good' institutions to allow people to trust each other in general.

2.7.3. Cluster Analysis

To be able to see if Great Britain remains an anomaly when examined based on social trust, legal impartiality and legal efficiency at the same time, we investigate the same data set¹² we used in chapters 2.7.1. and 2.7.2. to perform a cluster analysis.

As in the case of all cluster analyses our aim is to achieve high internal homogeneity and high external heterogeneity. Our sample can be classified as a small one, thus we utilise a hierarchical clustering technique. For measuring inter-group similarity the method of Within-Groups Linkage is chosen as this approach allows the expansion of the cluster only if the resulting average distance between the cluster members is smaller than in the case of any other aggregation path. Distance is defined and measured as the square of Euclidian distance. As we are dealing with data of different scales at the same time, standardisation is necessary, for the purpose of which Z-scores are calculated.

The number of clusters is determined based on the increment of internal heterogeneity, the level of which augmented substantially after the creation of the fifth cluster.

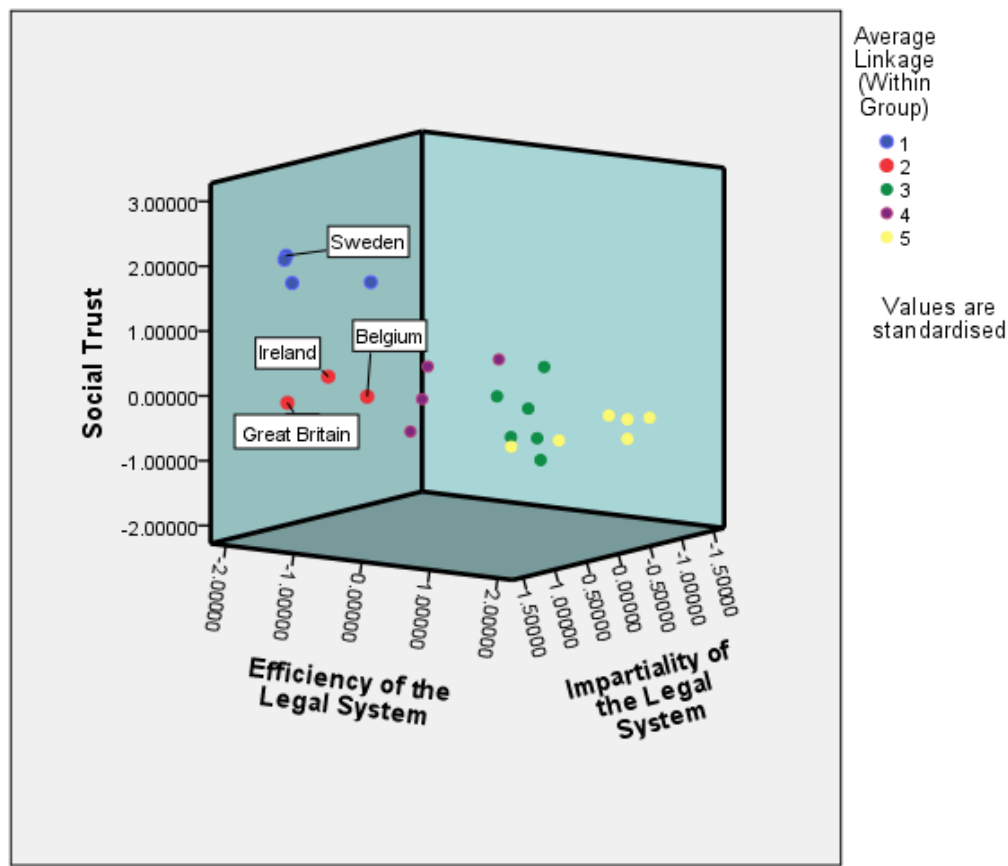
Figure 5 displays the results in a three-dimensional way.

As expected based on the two-dimensional Pearson correlations, cluster one includes¹³ the Nordic Countries and the Netherlands, cluster two incorporates Great Britain, Ireland and Belgium, cluster three consists of Czech Republic, Slovenia, Slovakia, Portugal, Poland and Italy. Cluster four groups France, Germany, Spain and Austria together; while cluster five contains Hungary, Greece, Latvia, Lithuania, Malta and Estonia (Please see Table 26 in Annex).

¹² Except Luxemburg as data on Impartiality of Public Administration is not available.

¹³ Please note that one member of cluster one is just partially visible on Figure 5 as it is partly hidden by the sign of Sweden.

Figure 5 Results of the Cluster Analysis



Source: Based on WVS (2008), TEORELL ET AL. (2011) and EUROPEAN COMMISSION (2006) data sets, using PASW Statistics 18.0

A large gap between two clusters – cluster one and two – becomes visible on Figure 5. While cluster one showcases the sample countries of the relationship between social trust, impartiality of the legal system and efficiency of the legal system, cluster two represents a group of paradox countries – the cases of Great Britain, Ireland and Belgium. These countries are positioned similarly to the members of cluster one in the three dimensional space except for one aspect, the feature of social trust. Although they developed a high-quality legal system, their level of social trust is far from the expected level. Great Britain stands out even from this group as the lowest social trust level is accompanied by the highest efficiency and impartiality values in this case confirming the results of chapters 2.7.2. and 2.7.3 that Great Britain represents an anomaly in our analysis.

Our findings are in line with the results of DELHEY – NEWTON (2005:324), who investigated the relationship of social trust, political and economic factors among 60 countries including USA, New-Zealand, Australia. They identified Great Britain as an exception in their study as they could not reason why the country's social trust level is similar to Bulgaria's, while they stand at the other end of the spectrum in terms of social and formal institutions.

The case of Great Britain is indeed puzzling suggesting that high quality legal framework is a necessary but not sufficient condition to build social trust. It leads to the question of what other factors are needed on top of 'good' institutions to allow people to trust in each other in general.

2.8. Summary

The aim of current chapter was to provide a comprehensive theoretical background and some empirical evidence as well regarding the relationship of the legal system and social trust.

We first focused on the theory of transaction costs and showed that the key feature of both social trust and the legal system is their transaction cost reducing quality.

As the economic interactions take place under uncertain conditions, with asymmetric and not full informedness, it is the institutional system that ensures the ex post fulfilment and enforceability of the ex ante commitments (NORTH 1991; GREIF, 1993), which fundamentally determines the options and limitations of the market actors.

The two main factors influencing credible commitments are social trust and the formal institutions (KEEFER – KNACK, 2005), which we investigated from a game theoretical point of view.

We have also analysed the theoretical background of social trust. We proposed a new theoretical framework – the social structure framework – in which we examined the features of the society from the perspective of trust.

Based on FUKUYAMA'S (2000) and WOOLCOCK'S (1998:172) work while adding external enforcement to the picture, we created a social structure framework incorporating the radius of trust and the level of intra-community and extra-community

ties to examine the different forms of trust and see if there is need for formal external enforcement.

When social trust is lacking, the legal framework becomes crucial in ensuring external enforcement and thus credible commitments. To be able to do so, it has to possess certain features, thus we continued with focusing on the theoretical background of a high quality legal system.

To secure compliance with regulations legitimacy of the legal system – with other words confidence in the legal system – has to be ensured (TYLER, 2006), the basis of which is just procedures.

We also focused our attention on the theoretical background of the relationship between social trust and the legal system. We identified two key features of the legal institutions – impartiality and efficiency – that influence social trust.

At last but not least we compared these two features of the legal system with the level of social trust in 24 European Union member states as part of our empirical investigation.

We measured the impartiality of the legal systems by the Quality of Government Institute's Impartiality of Public Administration Index, while we proposed a new measure for the efficiency of the regulatory framework the costs of administrative burdens.

In the light of the theory, it was expected that a legal system that poses high administrative burdens on the given economy and showcases a lower level of impartiality tends to be accompanied by a lower level of social trust.

The Pearson correlations confirmed our initial assumption that the more impartial the legal system is the higher level of social trust can be detected. Also as expected there is a significant negative relationship between the level of administrative cost an economy has to endure and the level of social trust the same society enjoys meaning that the more efficient the legal system is the higher level of social trust can be found.

However, the correlations together with the cluster analysis also identified the crucial case of Great Britain. As the fatherland of the Rule of Law, we expected it to have a high level of social trust. Remarkably we found the exact opposite as despite being among the countries with the highest level of legal impartiality and efficiency social trust is just at the level of 28.50%.

The found anomaly classifies Great Britain the perfect pathway case in our quest to understand more the relationship between the legal system and social trust and uncover the key elements obstructing the trust-enhancing effect of the legal system.

In the forthcoming, the dissertation focuses on these two aspects of the legal system and conducts research on their impact on social trust through the analysis of Great Britain.

3. Social Trust and the Legal System in Great Britain

3.1. Introduction

As demonstrated in chapter 2, a low level of social trust tends to be accompanied by a complicated legal system posing high administrative burden and low level of legal impartiality on the given economy. As a result of the empirical analysis we identified the crucial case of Great Britain, where a high level of legal efficiency and impartiality is paired with a low level of social trust.

The forthcoming three chapters aim to explore this paradox and answer the question: what are the key factors eliminating the trust-enhancing effect of the legal system.

In doing so, we need to go back to the origin of social trust, with which extensive literature has dealt as part of social capital research. As discussed earlier, we can distinguish two separate theoretical approaches in this regard, one that focuses on society and its level of part-taking in voluntary associations (PUTNAM, 1993; FUKUYAMA, 1995b), and one that emphasises the importance of formal institutional background in generating social trust (LEVI, 1998; ROTHSTEIN, 2005). Although in our analysis we are focusing on the latter approach, it is worth showing that despite the fact that around 50% of the population volunteered under the supervision of organisations between 1981 and 1999 (WVS, 2012), society as a whole was not able to generate social trust in Great Britain¹⁴ (WVS, 2008). According to the society-centred approach, belonging to voluntary organisations should hold a significant role in creating society-wide trust, thus we cannot explain the experienced paradox within this framework¹⁵.

¹⁴ 67.4% felt that they can never be cautious enough with other people in Great Britain in 1999.

¹⁵ It reinforces the findings of opposing scholars of the theory (DELHEY – NEWTON, 2005; USLANER, 1999), who found no positive connection between voluntary membership and social trust.

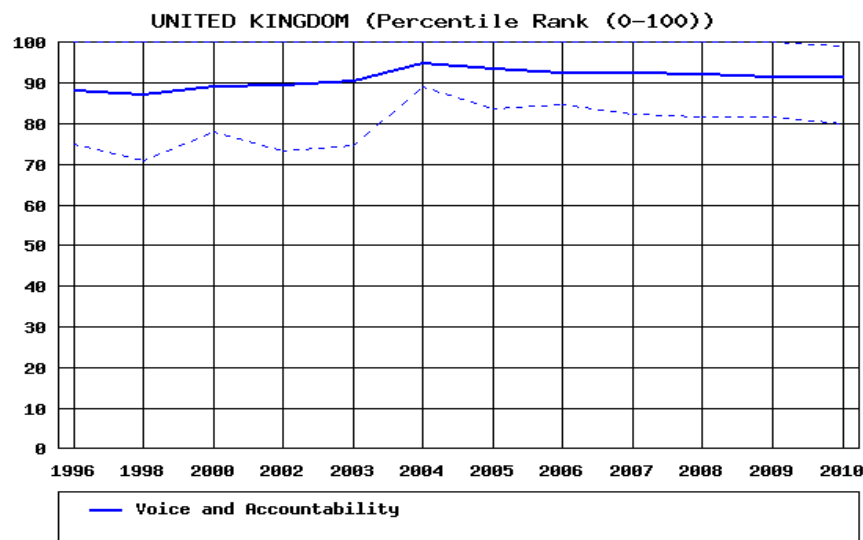
On the other hand, based on the arguments of the institutional approach, we expect to find a poor level of formal institutions, as it would give an explanation to our initial puzzle.

Thus in the forthcoming, we focus on the impartiality and efficiency of the legal system as the main formal institutional factors in generating social trust. It is followed by the description of our hypotheses.

3.2. The Legal System as Part of Good Governance

As the fatherland of the rule of law Great Britain complies with the features of good governance. Although there are different definitions on governance and extended research is dealing with the question of the quality of it, generally speaking the main factors are accountability, transparency, effectiveness, efficiency and consistency (ABDELLATIF, 2003; JALILIAN ET AL., 2006).

Figure 6 Voice and Accountability



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

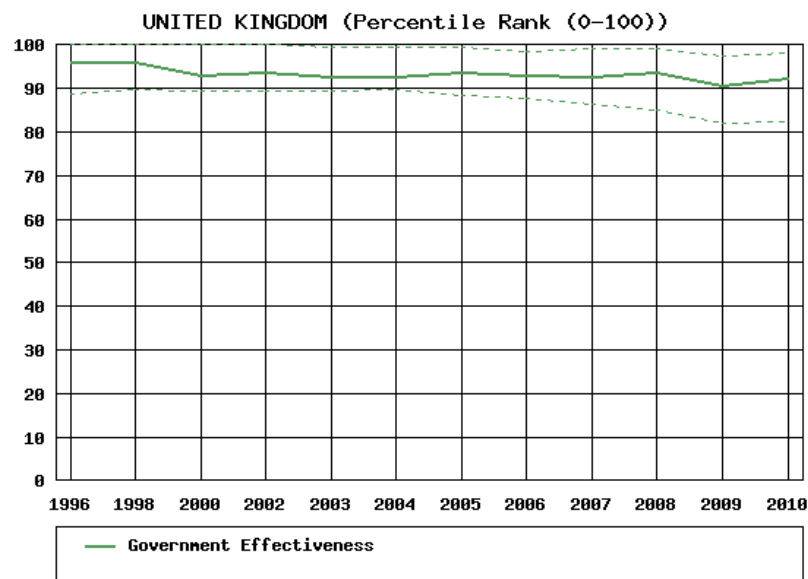
Source: KAUFMANN ET AL. (2010)

The voice and accountability indicator¹⁶ (Figure 6) shows an important aspect of the government. It ‘captures perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media’ (KAUFMANN ET AL., 2010:4), in other words it highlights the accountability and transparency of the system.

The figure shows that the level of voice and accountability was almost always above 90% and in the remaining cases just below of it, indicating a positive environment in this respect.

Figures 7 and 8 display the effectiveness of the government and the regulatory quality on an aggregate level.

Figure 7 Government Effectiveness



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

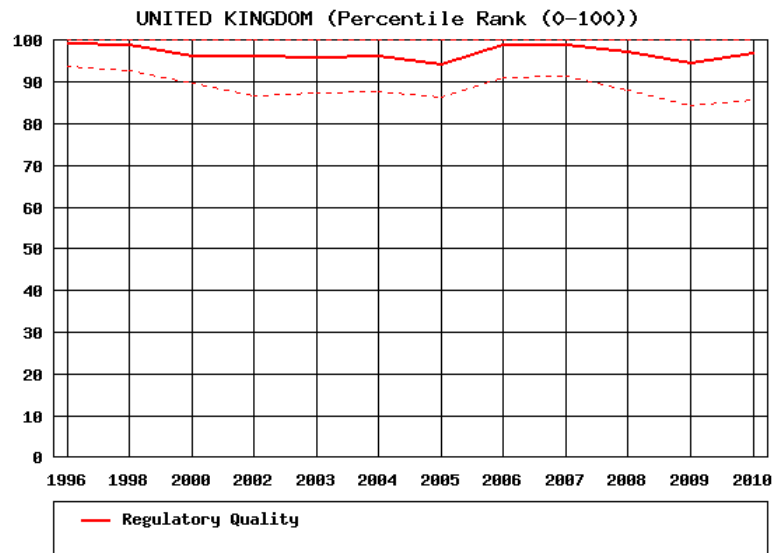
Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Source: KAUFMANN ET AL. (2010)

¹⁶ All World Bank data is showed with 95% percentiles. Where data was not available for Great Britain, we used aggregated data of the United Kingdom throughout the chapter.

As the figures show Great Britain has an excellent regulatory environment, provides high quality public services, policy design and implementation creating a level of transparency and consistency that ensures low level of risk to its citizens.

Figure 8 Regulatory Quality



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
 Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Source: KAUFMANN ET AL. (2010)

In total we can say that accountability, transparency, effectiveness and consistency as the main factors of high quality of government (ABDELLATIF, 2003; JALILIAN ET AL., 2006) were ensured at an aggregate level during this period providing a desirable framework for market-based economy. The legal system represents a crucial element of this framework as modern markets are unthinkable without legislation that constructs the conditions for market agents. It produces a social trust-enhancing environment, corrects market failures, protects the vulnerable ones and reduces inequality (VOERMANS, 2008). On the other hand regulation creates burdens at the same time. It can make market operations expensive, thus it is important to have impartial and efficient rules which impose the less possible costs on agents.

3.2.1. *Impartiality of the Legal System*

A new approach represented by BO ROTHSTEIN (2011) defines quality of government as ‘impartiality in the exercise of power’ (ROTHSTEIN, 2011:15). It means that non-discrimination is present not just at the input of the political system, but also at the execution side of public authority. In their words, the rules are valid for everybody without prejudice. It leads us to the mechanisms that ensure an impartial legal system, namely to the Rule of Law and its origins.

The history of English Law goes back to the Roman age. As with all modern Western European countries, *Britannia* used to be part of the Roman Empire. Being one of the provinces, the same bureaucracy, taxes, Roman law, measures and official language, Latin was in effect as in the rest of the Empire, but the British remained semi-detached similarly to the current semi-detached stage to the European Union and continental Europe (MORGAN, 2010; FUKUYAMA, 2012).

Uniquely when Britannia became independent from the Empire and the successor-state of Anglo-Saxon England was formed, none of the Roman heritage was preserved and an entirely new society, political values and a new language, the Anglo Saxon or Old English was developed (STARKEY, 2010). But the heart of the nation – the institution of monarchy – was not invented by the Anglo-Saxons. The ‘English kingship was a plant of English growth, developing in England out of the conditions which followed the Anglo-Saxon conquest’ (STARKEY, 2010:22).

When the place of Anglo-Saxon aristocracy was overtaken by the Norman elite in the 11th century, it resulted in a significant French influence on the British culture. At the same time a new institutional framework emerged representing a fresh start (GILLINGHAM, 2010) as William of Normandy sought the advice of the council of clergy and nobility in law-making, which became the predecessor of the later Parliament of England.

Fundamentals of the current legal system – the common law – have been grounded during the 12th century, too (GLAESER – SHLEIFER, 2001; FUKUYAMA, 2012). Originating from the English politics and society the first major historical and constitutional milestone, the Magna Carta was annulled by the Pope in 1215. Before the Great Charter the King had unlimited legislative and executive power, but even he had

to meet some constraints of law afterwards as without the consent of the council he ceased to be able to levy new taxes (STARKEY, 2010; BINGHAM, 2011).¹⁷

In the constant development of the rule of law the writ of habeas corpus and the abolition of torture played a significant role. The possibility of challenging the court because of unlawful order created incentive to law-based judgements, while the rejection of evidence gathered by torture ensured fair legal proceedings.

Over the centuries the English Parliament gradually created burdens on the Sovereign's authority. One of the major steps in the evolution of the rule of law was the Petition of Right 1628 (BINGHAM, 2011), as detainment by the King without prior trial became unlawful.

The culmination of limiting the King's authority was probably the Civil War and the trial and execution of Charles I. Although the Magna Carta and the Petition of Rights provided certain rules for the Sovereign, in practice they were not always complied with in preceding years. In 1688-89 a new approach arose as the throne was offered to William of Orange based on the terms set out by the English Parliament. The conditions focusing on the rules that the Crown should be subject to were laid down in the Bill of Rights 1689 (BINGHAM, 2011). The principal of parliamentary supremacy was settled and the power of all forthcoming monarchs was constrained, being forced to accept the existence of constitutional monarchy (MORRILL, 2010; LANGFORD, 2010).

A great step forward regarding the evolution of the rule of law came true with the Act of Settlement in 1701 as part of the conditions the judges became protected against even the highest authority and the 'foundation of judicial independence was laid' (BINGHAM, 2011:25).

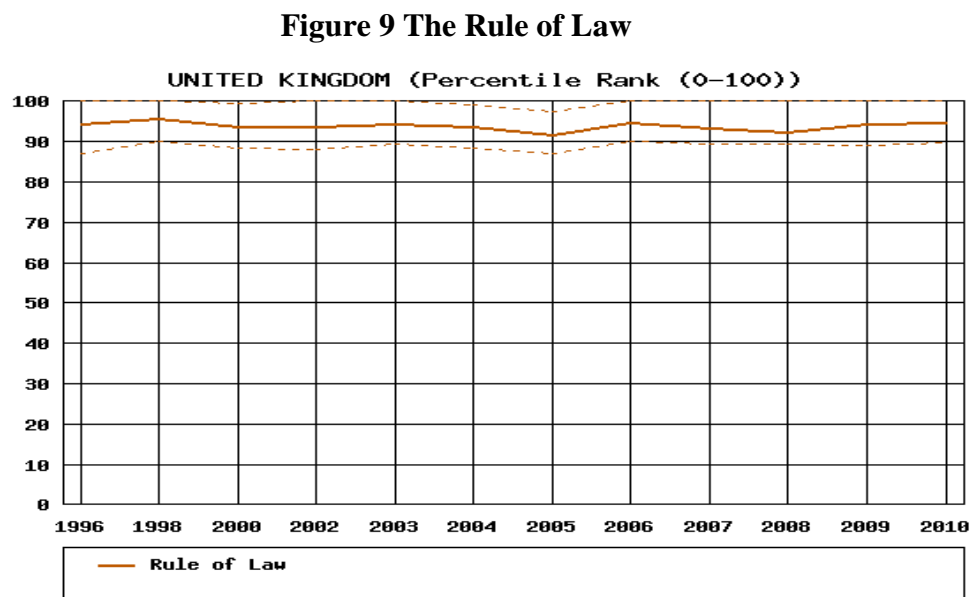
A turning-point emerged in politics and trade when the Parliament passed the Slave Trade Act in 1824 (THE OFFICIAL HOMEPAGE OF UK LEGISLATION, 2011e) and the Slave Abolition Act in 1833 (THE OFFICIAL HOMEPAGE OF UK LEGISLATION, 2011f), the latter terminating slavery in the whole British Empire.

During the 18th and 19th century the country developed from a natural state to an open access social order consisting of three main principle, "the rule of law for elites,

¹⁷ At the same time significant number of educational institutions was established nation-wide and by 1220s Universities of Oxford and Cambridge were founded with the possibility of studying for example administration and legal procedure (GILLINGHAM, 2010).

perpetual forms of organizations for elites (including the state itself) and political control of the military” (NORTH ET AL., 2006:52), thus fulfilling the criteria of being at the highest level of economic and social development by NORTH ET AL. (2006).

As a result, data from the end of the 20th century shows an exceptionally high level of quality regarding the rule of law. Figure 9 displays the World Bank’s Rule of Law indicator showing that the level of it exceeded the 90% during the whole period between 1996 and 2010.



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
 Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Source: KAUFMANN ET AL. (2010)

Impartiality of the legal system can be also captured by the level of general confidence in the law enforcement forces, i.e. the police and courts (ROTHSTEIN, 2011).

When examined as average values for the period of 1981-1999, equality by law is constantly ensured as 78.2% of the population expressed high confidence in the police¹⁸ (WVS, 2012b), while the majority of people trusted the justice system¹⁹ as well (WVS, 2012c). On the other hand the yearly data shows a more mixed picture. Trust in police declined from 86.8% in 1981 to 69.60% in 1999 (WVS, 2012b) and trust in the justice system decreased from 66.6% in 1981 to 49.1% in 1999 (WVS, 2012c), while social trust dropped from a level of 42.5% to just 28.5% during the same period of time (WVS, 2008).

These results are somewhat contradictory to the picture we drew based on the World Bank Rule of Law Indicator presenting the need of further investigation of the perceived impartiality of the legal system.

3.2.2. Efficiency of the Legal System

As we have shown earlier, regulation creates burdens. It can make market operations expensive, thus it is important to have not just impartial but efficient rules imposing the least possible costs on market agents as well. In the current section we explore this latter feature to be able to decide if efficiency should also be further scrutinised together with the impartiality of the legal system.

Having clear and consistent structure to central government with a unified, professional Civil Service since 1854²⁰ (THE OFFICIAL HOMEPAGE OF PARLIAMENT, 2012) meant a good basis in Great Britain. Also ‘governing by numbers’ (WEGRICH, 2009) was a tradition as measuring performance by indicators has been a common policy at the Treasury since the twentieth century.

Still, when Mrs Thatcher’s government started to introduce a new approach in public administration in 1979, the since so-called New Public Management (NPM) meant a significant change. It ‘broke up the old ‘club government’ style of informality’ (WEGRICH, 2009) and shifted the procedures from the traditional combination of low

¹⁸ A great deal of confidence: 27.8%, Quite a lot of confidence: 50.4% in Great Britain.

¹⁹ A great deal of confidence: 14.5%, Quite a lot of confidence: 42%; in Great Britain.

²⁰ The 1854 Northcote -Trevelyan Report established Her Majesty’s Home Civil Service.

market sector influence and officers whose hands were tied to a much higher involvement of the market and higher level of freedom of public officers to make decisions (FALCONER, 2012).

Detecting organizational inefficiencies was the first step to simplify processes and reduce the demand for workforce. As part of the Financial Management Initiative output measures were created and implemented at the state departments, while at the level of individual performance based wages were introduced. A major achievement of the Thatcher government was the differentiation in practice between policy design and implementation with the introduction of executive agencies, whose responsibility was the delivery of public services (FALCONER, 2012). Generally the main focus was put on cost-saving and decentralisation, as part of which the state-owned companies started to be privatised and public sector services became open to private companies to compete for in the forms of tenders²¹.

The commenced reforms continued regardless the forthcoming parties' political identity as the Major and also the Blair government considered the changes important. During those years the Citizen's Charter, market pricing and resource accounting became implemented, all of which hold particular significance in the paradigm shift from a centralised public affair management to a decentralised, market-oriented approach.

Although it is fair to say that the peak of NPM was between 1980 and mid-1990s, the Blair government fine-tuned most of the reformed policies (WEGRICH, 2009) while initiating a new budgetary system to enhance efficiency as part of its pursuit to increase fiscal responsibility. Clear short-term and medium-term fiscal rules were introduced with the aim of increasing credibility and economic stability (D'SOUZA, 2012). They also divided the budgets to two separate levels. Budgets of Departmental Expenditure Limit were set for three years and being decided every two years, while the Annually Managed Expenditures were reviewed twice a year ensuring a certain level of flexibility but also promoting the need of timely and realistic financial planning among the departments. The main characteristics of performance management became being focused, appropriate, balanced, robust, integrated and cost-effective, which allowed

²¹ Although several criticism of the Thatcher Government has been articulated since, they are not relevant from the perspective of current research.

further improvement in the level of efficiency and value of public services (FALCONER, 2012).

Although the aim of NPM was the same all along the years, the implementation of the programmes in real life proved hard at points, which resulted in opposite solutions. WEGRICH (2009:149) calls them ‘pendulum swings’ and identifies four main areas: the progress from market-influence to performance management; from redundancies to investment in public service and staff; from decentralisation of the system back to integrating them; and from monitoring the organisations individually to promoting cross-cooperation among them.

One aspect never changed though: the need for measuring performance centrally with quantitative indicators. The necessary information to prepare evaluations further increased the demand for regulations and government intervention (WEGRICH, 2009), which influenced not just the public sphere but the market agents as well.

3.2.2.1. Administrative Burden

In a 2006 report the Better Regulation Commission addressed these issues and warned about the self-reinforcing effect of state regulations (VOERMANS, 2008) supporting the theoretical background of the already commenced Administrative Burden Reduction Programme (ABRP). The programme – supervised by the Better Regulation Executive – started in 2005 as part of the Better Regulation agenda with the exact purpose of ‘reducing the costs of demonstrating compliance with regulations imposed on businesses and third sector organisations’ (DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS, 2010). Simpler rules can be more effective, provide higher quality of public service and make bureaucracies more efficient (VOERMANS, 2008).

The target of the programme in numbers was to reduce administrative burdens by 25% till May 2010²². The same 5-year initiative was taken up by the European Union as part of its already running Simplification Rolling Programme in 2007 with a deadline of 2012 (EUROPEAN COMMISSION, 2009). To be able to measure the changes

²² The target included the whole United Kingdom, not just Great Britain.

correctly an appropriate and universal system was needed. The calculations were undertaken according to the Standard Cost Model (SCM) developed in the Netherlands and uptaken by the whole of Europe.

The model disintegrates regulations to manageable elements and then calculates the relevant costs by identifying the involved time to comply, the wage rate of person who executes the tasks, the number of organisations affected and the frequency of execution (DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS, 2010). The baseline measurement took place between May 2005 and May 2006 in each and every central government department.

After assessing the initial level of costs public organisations started to implement the four main components of the regulatory reform. Simplifying and modernising the already existing regulations was a high priority as well as creating better regulation tools. Impact assessment reports became the basis of new rules as part of the attempt to improve regulation design. There was a high emphasis on changing attitudes of regulators to take the involved level of risk into account more. And as part of the EU England and the United Kingdom were committed to work together with the other member states to improve European legislation (DONELAN 2008, NATIONAL AUDIT OFFICE, 2008).

The simplification of regulations did not only mean to reduce and merge rules, but also to cut down the time and paperwork needed to comply with them as well as making the regulations more accessible and easier to understand. Old guidance on regulation has been revised and rewritten in simpler language highlighting the difference between compulsory and voluntary obligations (BETTER REGULATION EXECUTIVE, 2006).

The result is that the country met its original targets of 25% reduction and over performed with 1.62 percentage points by May 2010 execution (DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS, 2010). According to the BETTER REGULATION EXECUTIVE (2009) a total benefit-cost ratio of 1.85 was produced in the financial year of 2008-2009, meaning that government regulations delivered £1.85 annual benefit at a cost of £1.

As part of the Forward Regulatory Programme the Government committed to further explore the reduction possibilities and achieve an additional £6.5bn net savings by decreasing paperwork and widen regulatory costs theme by theme rather than by departments between 2010 and 2015. (BETTER REGULATION EXECUTIVE, 2010).

As a result we can conclude that Great Britain created a legal environment, where efficiency measured as clear and accessible regulations is highly present at a macro level.

3.3. Hypotheses

As we have seen at the beginning of the current chapter, traditional social capital literature is not able to explain the low level of trust in our case, while the impartiality and efficiency measures of the legal system show a high quality legal framework at a macro level.

On the other hand taking into account the results of the yearly data of confidence in the law enforcement as a proxy for impartial legal system (ROTHSTEIN, 2011) we showed that the level of general trust in police dropped 17.2 percentage points, while trust in the justice system decreased by 17.5 percentage points between the period of 1981 and 1999 (WVS, 2012b; WVS, 2012c)

Within the same period of time, social trust declined from a level of 42.5% to just 28.5% (WVS, 2008), while the level of ethnic heterogeneity increased substantially during these years (OFFICE FOR NATIONAL STATISTICS, 2013).

Based on the social structure framework we presented in chapter 2, we know that social trust declines when social distance increases due to ethnic or racial characteristics (ZAK – KNACK, 2001).

As a result, we suggest a new comprehensive approach incorporating the analysis of immigration, integration, inequality and access to impartial justice data to shed light on the trust-eliminating mechanisms based on the comparison of two sub-populations: the minority and majority ethnic groups. Thus we continue the research within the framework of an embedded within-case analysis.

Based on the findings of current chapter's exploration of the legal system and also drawing on the social structure theory – which incorporates the radius of trust and the level of intra-community and extra-community ties and demand for formal external enforcement –, we propose the following hypotheses.

H₁ The minority ethnic groups' exposure to poverty and deprivation is on a higher level than the majority ethnic group.

H₂ The spatial and socio-economic concentration of minority ethnic groups paired with living in ethnically highly diverse areas limit the minority communities' extra-community networks, which leads to a lower social trust level among the ethnic minorities.

H₃ There is a language barrier among the minority ethnic groups that enhances social fragmentation.

H₄ Access to impartial justice is limited in case of minority ethnic communities.

H₅ Above factors together lead to social fragmentation where social trust cannot emerge as the socio-economic and economic features destroys extra-community links, while the limited access to impartial justice compromises the availability of formal external enforcement.

3.4. Summary

As we have seen, on macro level Great Britain has an excellent regulatory environment, provides high quality public services, policy design and implementation thus creating an advanced level of transparency and consistency. The legal and administrative branches of the state and the general trust in these institutions – as the most important factors in generating social trust (ROTHSTEIN, 2011) – are also on a high level when examined as average values for the period of 1981-1999.

On the other hand the yearly data shows a more mixed picture suggesting that a deeper analysis of these indicators should be carried out. Also, within the same period of time, social trust declined from a level of 42.5% to just 28.5% (WVS, 2008), while the level of ethnic heterogeneity increased substantially during these years (OFFICE FOR NATIONAL STATISTICS, 2013).

Based on the social structure framework we presented earlier, we know that social trust declines when social distance increases due to ethnic or racial characteristics (ZAK – KNACK, 2001).

As a result we suggest continuing our case study within the format of an embedded within-case analysis focusing on two social groups: the minority ethnic groups and the majority ethnic group to investigate the proposed hypotheses.

4. Social Trust and the Legal System by Ethnicity – Qualitative Analysis

4.1. Introduction

The current chapter aims to provide a comprehensive insight to explore the mechanisms behind the relationship of the legal system and social trust with the help of qualitative analysis of the minority and majority ethnic groups.

The chapter consists of the investigation of social heterogeneity, income inequalities between different ethnic groups, their geographic and socio-economic concentration, language barriers and their impeded access to justice. The aim is to show how these factors affect social trust and hinder credible commitments and thus transactions through limiting informal and formal external enforcement.

To be able to investigate our crucial case in-depth a new theoretical framework – social structure theory – was introduced in chapter 2, within the framework of which a longitudinal qualitative evaluation will be executed with the help of official statistic data sets.

Although comprehensive literature analysed the relationship between immigration and social capital measured as volunteering and membership in associations stressing a negative correlation between them (KNACK – KEEFER, 1997; ALESINA – LA FERRARA, 1999; COSTA – KAHN, 2003; PUTNAM, 2007), few studied social trust as an independent variable (DELHEY – NEWTON, 2005; HERREROS – CRIADO, 2009). In the latter case researchers focused on cross-national analysis and explored statistical correlation between ethnical fragmentation and trust, but none of them concentrated on within-country analysis exploiting the combined data of immigration, integration, inequality and access to justice from the perspective of social trust.

We are going to analyse the minority and majority ethnic groups from an economic and socio-economic perspective to show that two factors – concentrated highly diverse areas and tight communities living next to each other – together with deprivation of minority groups undermine social trust, hindering the availability of informal external enforcement.

Then we focus on the level of quality of the legal system by the two ethnic groups. We suggest that access to impartial and efficient justice is limited in case of the minority ethnic groups impeding their access to formal external enforcement.

4.2. Social Heterogeneity

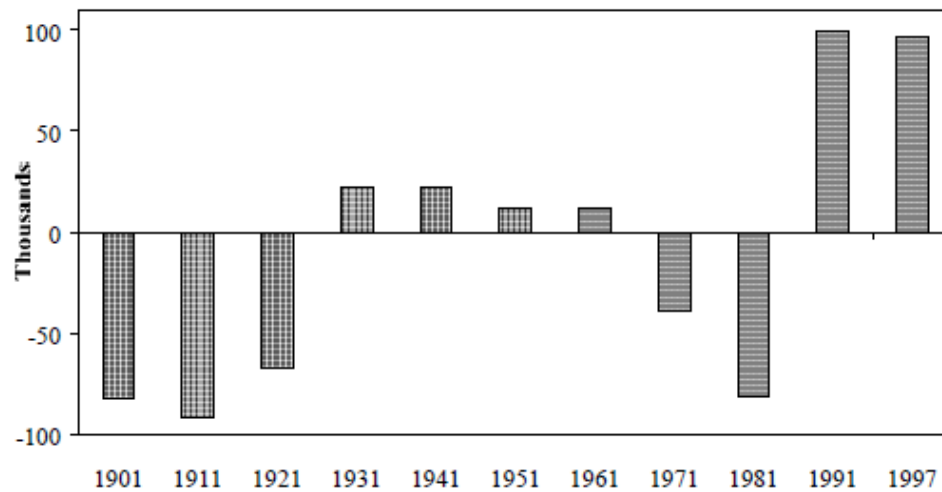
Our within-case analysis starts with the survey of immigration trends and the examination of inequality data through deprivation measures to show that the two ethnic groups possess different socio-economic features that highly influence social trust²³.

We propose that two factors – concentrated highly diverse areas and tight communities living next to each other – together with deprivation of minority ethnic groups have a direct effect in undermining social trust.

To examine the heterogeneity of the British society we use immigration data. Although at the beginning of the 20th century Great Britain was a net exporter of population (Figure 10), after the First World War the trend has been reversed as many of them returned (HICKS – ALLEN, 1999:7). Later, after the Second World War, the country had to face not just several austerity measures, but also the constantly increasing problem of limited workforce. The government saw the solution in foreign immigrants and, as a result, thousands of foreigners chose Great Britain as their new home (HICKS – ALLEN, 1999), most of whom were blue collar workers. The cultural and demographic changes begun at the time created a process that has influenced the landscape of the country significantly in the upcoming years.

²³ Please note that this sub-chapter consists of English, British and United Kingdom data as well due to the lack of disaggregated data sets in certain cases. The level of data used is always indicated.

Figure 10 Annual Net Migration



Source: HICKS – ALLEN, 1999:7

In the '70s and '80s, emigration exceeded the number of immigrants as many individuals decided to live in Commonwealth countries. There was a significant drop in the level of emigrants choosing Canada as their destination in the 1980s, which further continued in the 1990s. The same process featured New Zealand and South Africa, while the number of immigrants coming from Other African Commonwealth countries, Bangladesh, Sri Lanka, India and Pakistan remained high throughout this thirty-year period²⁴ (HATTON, 2005:723).

A turnabout can be detected in the trend of European migration from the 1980s as emigrants became outnumbered by the newcomers. The impact of the European Union citizens was especially fundamental – their number had been doubled within twenty years.

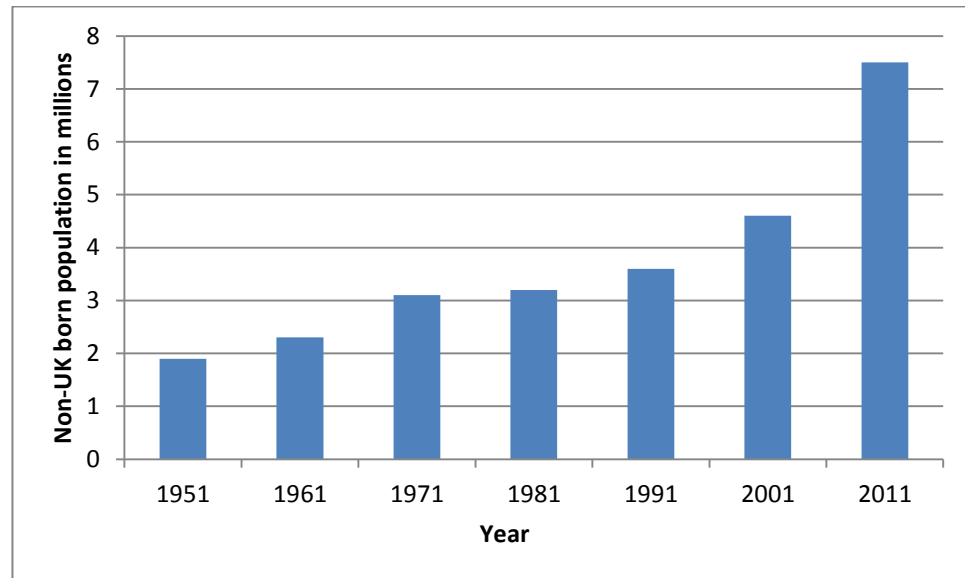
In 1951 there were 1.9 million non-UK born residents²⁵ (4.5% of usually resident population), while in 2011 their number reached 7.5 million (OFFICE FOR NATIONAL STATISTICS, 2011). Figure 11 displays the incremental increase of non-UK residents showing that in the years of 1990s their number rose by more than two-fold compared to the 1980s, whilst in the years of 2000s the increase was more than

²⁴ Data shows aggregated results for the United Kingdom.

²⁵ Data shows results for England and Wales.

sevenfold compared to the same baseline and more than threefold when compared to the 1990s change in non-UK born population.

Figure 11 Non-UK born Population



Source: Based on OFFICE FOR NATIONAL STATISTICS (2013)

A larger expansion occurred after 2004 when eight new member states (A8) won accession to the European Union. The level of A8 immigrants more than doubled in three years, reaching 112,000 in 2007, almost 90,000 of whom were Polish (OFFICE FOR NATIONAL STATISTICS, 2010). At the end of the decade 30% of immigrants arrived from the European Union as compared to the 13% level in 2000²⁶.

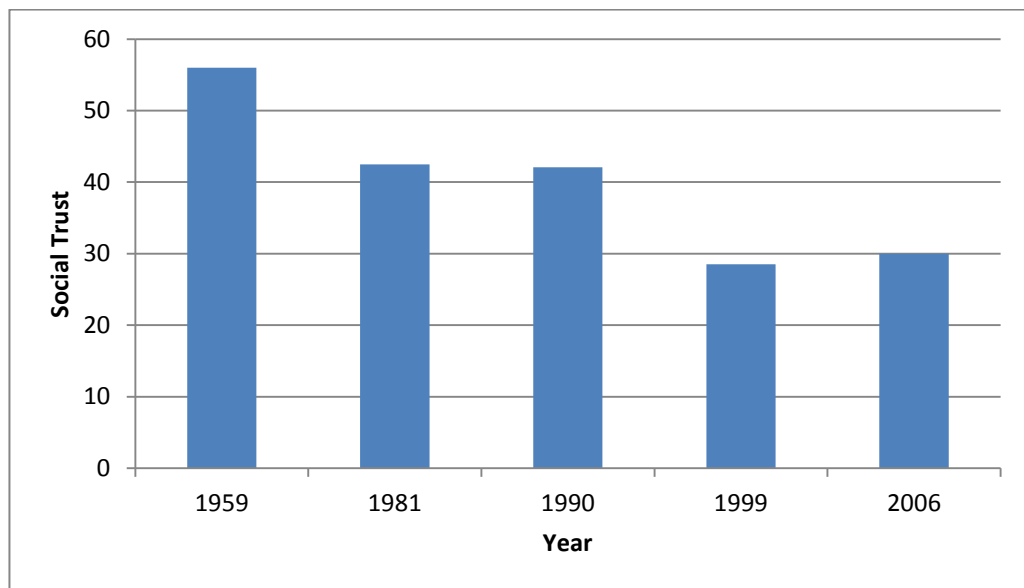
Figure 12 displays the change in the level of social trust between 1959 and 2006²⁷ (WVS, 2008b; WVS, 2008c; HALL, 1999), during the period of which a 26 percentage point drop occurred from 56% to 30%.

There was a significant negative leap during the 1960s and 1970s and then almost the same level of decrease but just in half period of time during the 1990s.

²⁶ Data used shows values of the United Kingdom

²⁷ Data used shows British values.

Figure 12 Social Trust



Source: Based on WVS (2008b, 2008c) and HALL (1999)

Figure 13 displays the changes of social trust²⁸ and non-UK born population over a 50-year period²⁹. It is nicely visible how the two trends moved together over the years, indicating interconnection between the two processes.

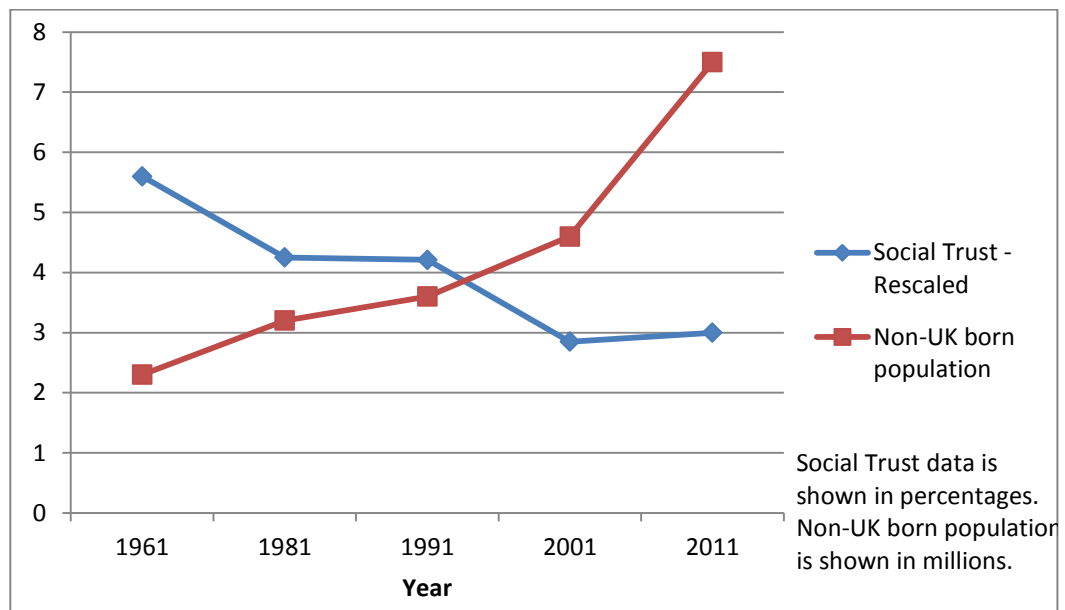
Not just the number, but the skillset of immigrants has changed over time as well as the presence of skilled workers raised from 40% in 1971 to 72% in 2000³⁰, which shows a fundamental shift in the features of newcomers. Also, while during the '70s a typical immigrant was between the ages of 15-24, in the '90s the number of people aged 25-44 increased significantly (HATTON, 2005) (Figure 14).

²⁸ Social trust values are rescaled (divided by 10) to be able to illustrate the values in the same figure.

²⁹ Values of Year shown in Figure 3 are valid for the non-UK born population. The figures are approximate values in case of social trust as values were available for 1959, 1981, 1990, 1999 and 2006. It does not interfere with our conclusions though as the differences are negligible.

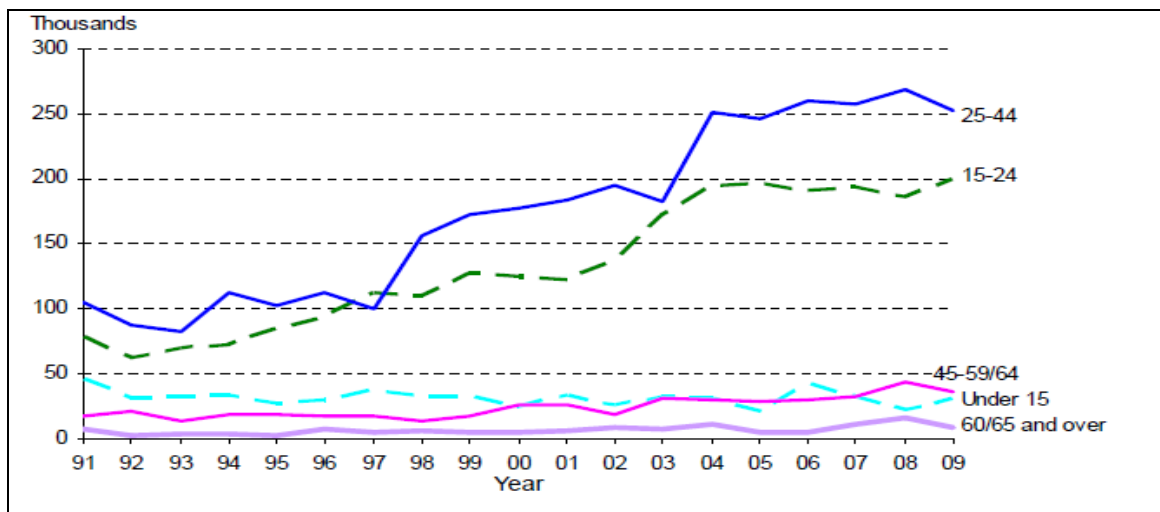
³⁰ As a result of British policy that incentivised skilled immigration within the period. The numbers shown are valid for the United Kingdom.

Figure 13 Non-UK Born Population and Social Trust



Source: Based on HALL (1999), WVS (2008b, 2008c) and OFFICE FOR NATIONAL STATISTICS (2013)

Figure 14 Immigration by Age Groups



Source: OFFICE FOR NATIONAL STATISTICS (2010:8)

The number of immigrants aged 25-44 continued to increase with a sharp leap in 2004 and amounting to nearly half of all newcomers in 2009, while the level of the

older age group and youth under 15 remained low³¹ (OFFICE FOR NATIONAL STATISTICS, 2010:8). In the first decade of the century, millions of adults ready to work entered Great Britain, but the White British population has not risen at all (Table 4).

Table 4 Annual Growth by Ethnic Groups

Ethnic group	<i>Thousands and percentages</i>				
	Mid-2001 population	Natural change	Net Migration and Other changes	Mid-2009 population	Average annual percentage growth
All Groups	52,360.0	1,093.8	1,355.3	54,809.1	0.6%
White: British	45,718.9	359.9	-396.7	45,682.1	0.0%
White: Irish	646.6	-51.3	-21.1	574.2	-1.5%
White: Other White	1,379.7	38.6	514.3	1,932.6	4.3%
Mixed: White and Black Caribbean	240.4	72.8	-2.6	310.6	3.3%
Mixed: White and Black African	80.7	35.6	15.5	131.8	6.3%
Mixed: White and Asian	192.3	82.8	26.5	301.6	5.8%
Mixed: Other Mixed	158.6	61.8	22.2	242.6	5.5%
Asian: Indian	1,053.9	88.8	291.5	1,434.2	3.9%
Asian: Pakistani	728.4	138.4	140.6	1,007.4	4.1%
Asian: Bangladeshi	287.0	55.5	49.7	392.2	4.0%
Other Asian	247.3	35.5	102.9	385.7	5.7%
Black Caribbean	572.4	22.3	20.5	615.2	0.9%
Black African	494.9	89.5	214.4	798.8	6.2%
Other Black	98.1	21.9	6.1	126.1	3.2%
Chinese	233.3	22.6	195.6	451.5	8.6%
Other	227.6	19.1	175.9	422.6	8.0%
Non-White British'	6,641.2	733.9	1,752.0	9,127.1	4.1%
Note: Figures may not sum due to rounding.					

Source: OFFICE FOR NATIONAL STATISTICS (2011:2)

The number of each and every minority ethnic group increased fundamentally more rapidly than the original population, but Mixed of White and Black African, Mixed of White and Asian, Other Mixed, Other Asian, Black African, Chinese and

³¹ Values shown are for the United Kingdom.

Other ethnic groups showed more than 5% enhancement annually³² (OFFICE FOR NATIONAL STATISTICS, 2006). As a result, the Non-White British population increased from 12.7% of the total population in 2001 to 16.7% in 2009 in Great Britain (OFFICE FOR NATIONAL STATISTICS, 2011).

Although the composition of these groups went through significant changes over the years, the extent of multiculturalism has grown rapidly since the 1970s.

4.3. Inequalities Between Ethnic Groups

On the other hand, income inequality rose significantly after 1984 (JENKINS, 1995) overlapping the newly positive net immigration trend. Changes-in-within-group-inequality contributed the most to the raise of total inequality in the '80s – more precisely “the increase in relative numbers of two comparatively poor groups, single adult with and without children” (JENKINS, 1995:45). As we will see, minority ethnic communities were heavily affected in this respect.

As Table 5 shows the involvement of Mixed, Black African, Black Caribbean, and Other Blacks in these groups was much higher as their number in lone parent families was at least the double of White British, while 25%, 27%, 28% and 29% of them, respectively, belonged to one person households³³ compared to 15% of their White counterparts³⁴ (OFFICE FOR NATIONAL STATISTICS, 2006:89).

Also, the level of Black Caribbean (20%) and Black African (22%) parents with dependent children was more than four times higher than the White population's (5%) and the involvement of Pakistani and Bangladeshi parents was higher with around 30% and 60%, respectively, in 1991 (Figure 15) (OFFICE FOR NATIONAL STATISTICS, 2006:90).

³² Values are obtained from data sets of Great Britain.

³³ Data shows all families except pensioners.

³⁴ Ethnicity-related values shown in this section are obtained from data sets of Great Britain.

Table 5 Ethnic Groups by Family Type

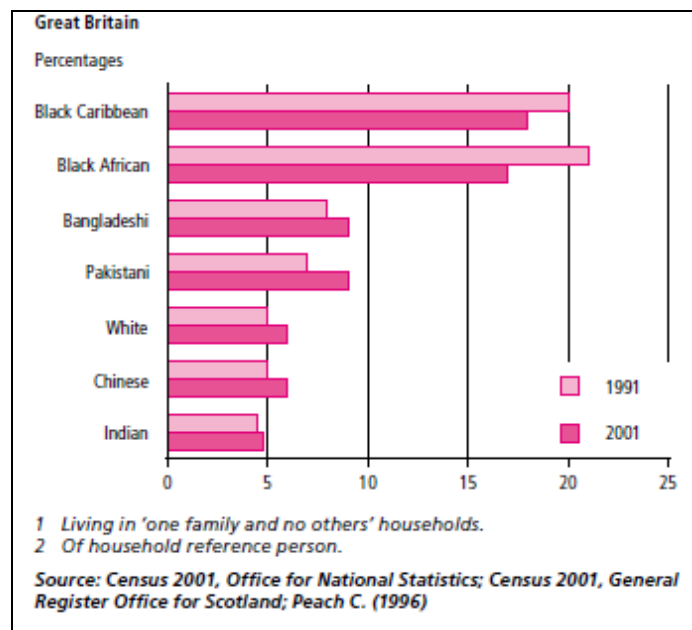
Great Britain										Percentages
	One person			One family and no others				Other households		All households = (100%) (numbers)
	Pensioner	Other	All one person households	Pensioner families ²	Married couple families ³	Cohabiting couple families ³	Lone parent families ³	All one family households	Other households	
White British	15	15	31	9	37	8	9	64	6	21,439,962
White Irish	18	20	37	9	30	7	10	55	8	383,805
Other White	9	20	28	5	36	9	8	58	14	587,947
Mixed	5	25	31	2	25	11	18	56	13	149,508
Indian	4	12	15	3	53	2	8	66	19	319,887
Pakistani	3	9	12	1	51	2	11	65	23	180,349
Bangladeshi	2	7	9	1	54	2	11	68	24	62,505
Other Asian	4	15	19	2	48	3	9	62	20	82,943
Black Caribbean	10	28	38	3	19	7	23	53	9	276,404
Black African	3	27	30	1	24	6	20	50	20	178,452
Other Black	5	29	34	1	17	7	28	53	12	31,631
Chinese	4	23	28	2	41	4	8	56	16	82,784
Other ethnic group	3	21	24	1	44	5	10	60	16	76,544
All households	14	16	30	9	37	8	10	63	7	23,852,721

¹ Of household reference person.
² One family consisting only of related people of pensionable age (men aged 65 and over and women aged 60 and over).
³ One family in which at least one person is below pensionable age with or without dependent children.

Source: Census 2001, Office for National Statistics; Census 2001, General Register Office for Scotland

Source: OFFICE FOR NATIONAL STATISTICS (2006:89)

Figure 15 Lone Parents with Dependent Children

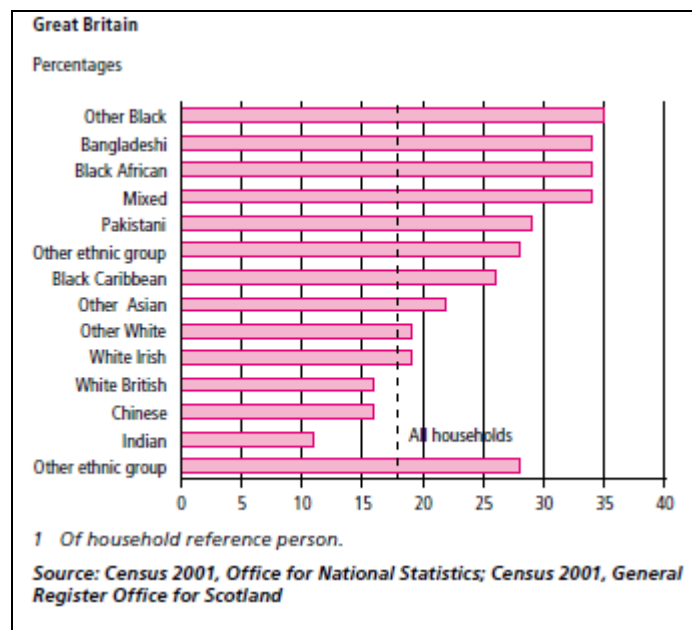


Source: OFFICE FOR NATIONAL STATISTICS (2006:90)

On the other hand, one fifth of the increase in inequality between 1981 and 1986 was caused by the rise of the numbers of non-elderly workless households (JENKINS, 1995). The proportion of these households within the ethnic minorities is almost double in the case of Indians, Black Caribbeans, Chinese, and almost triple or more than triple in the case of Mixed, Pakistani, Bangladeshi, Other Asian, Black Africans and Other Blacks compared to the White British group (OFFICE FOR NATIONAL STATISTICS, 2006:110).

The situation is even more worrying from a deprivation point of view, when we examine the level of households with dependent children but with no working adults (Figure 16).

Figure 16 Non-working Households with Dependent Children



Source: OFFICE FOR NATIONAL STATISTICS (2006:101)

Except Chinese and Indians, all ethnic minorities are significantly more exposed than the White British population. In the case of Other Blacks, Bangladeshis, Black Africans and Mixed individuals, the rate is two to one, meaning that these groups are

affected twice as much as the majority of population (OFFICE FOR NATIONAL STATISTICS, 2006:101).

We may conclude that within-group inequality is more substantial in these minority communities and, as a result, they were more exposed to the growing inequality trend started in the '80s than the White population causing to be subject of deprivation to a much larger extent. The process has not changed since as data shows the same pattern in the subsequent years as well. Statistics of low income households and unemployment figures are analysed in the forthcoming to highlight the more recent differences in deprivation between ethnic groups.

4.3.1. Income Measures

The income measure used is weekly net (disposable) equalised³⁵ household income³⁶. It incorporates total income – from all sources of every household member including dependants – after housing costs are deducted.

There is data available including housing costs as well but they “might overstate the living standards of individuals whose housing costs are high relative to the quality of their accommodation” (DEPARTMENT FOR WORK AND PENSIONS, 2012:4). Also “growth over time in income Before Housing Costs could also overstate improvements in living standards for low-income groups in receipt of Housing Benefit, and whose rents have risen in real terms” (DEPARTMENT FOR WORK AND PENSIONS, 2012:4), thus for our purpose household income excluding housing costs is the correct choice to work with.

Statistics of quintile income distributions of various ethnic groups show that while in case of the White sub-population income is equally distributed among the scale, the situation is much more one-sided in the minority groups (Table 6).

³⁵ ‘Equalisation adjusts incomes for household size and composition, taking an adult couple with no children as the reference point. For example, the process of equalisation would adjust the income of a single person upwards, so their income can be compared directly to the standard of living for a couple.’ (DEPARTMENT FOR WORK AND PENSIONS, 2012:55)

³⁶ Figures used are from data sets of the United Kingdom.

Table 6 Net Disposable Household Income

Percentage of individuals	Net equivalised disposable household income					Source: FRS 2010/11
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile	All individuals (millions)
Ethnic group of head (3-year average)						
White	18	20	21	21	21	54.4
Mixed	34	19	15	18	15	0.6
Asian or Asian British	39	23	13	12	13	3.3
Indian	29	21	16	15	19	1.5
Pakistani and Bangladeshi	51	28	9	7	5	1.3
Black or Black British	38	23	14	14	10	1.6
Black Caribbean	29	24	16	16	14	0.6
Black Non-Caribbean	44	22	13	13	8	1.0
Chinese or other ethnic group	36	19	14	13	19	0.8
All individuals²	20	20	20	20	20	61.1
1. Percentages may not sum to 100 per cent due to rounding.						
2. The totals for all individuals are shown for the United Kingdom for the latest year and are not three-year averages.						

Source: DEPARTMENT FOR WORK AND PENSIONS (2012:63)

The involvement of the latter in the bottom quintile is at least double of the White group (except Indian and Black Caribbean groups, they are affected with 11 percentage points more on top of White group's 18%). Two groups' exposure is extremely large, 51% of Pakistanis and Bangladeshis, and 44% of Black Non-Caribbean belong to the lowest income group. Also the proportion of Blacks, Black British, Pakistanis and Bangladeshis in the top quintile is very low, in case of the latter the figure is only 5%. Although it is fair to say that the income distribution of Indians and Chinese is more even than the rest of the minority groups and their rate in the top quintile is only two percentage points below the White group's figure, their percentage in the lowest quintile is still substantial.

The difference between minority and majority ethnic groups in terms of exposure to deprivation is also confirmed by the share of children living in low-income families.

Percentages of spouses living in families with income substantially lower than the median income threshold after housing costs show that minority children have to face poverty in a much higher degree than their White British counterparts.

Six percentage point more Indian and eight percentage point more Black Caribbean children live below the 50% of income threshold than Whites, while the figures are at

least double of the White ethnic group in case of the minorities (DEPARTMENT FOR WORK AND PENSIONS, 2012:114)

The number of children who live in material deprivation³⁷ accompanied with low or severely low income³⁸ is also significantly more substantial in case of the minority ethnic groups.

Again, minorities are exposed to such poverty on a much higher level, although two groups – Indians and Chinese – are affected similar to White children. On the other hand the number of Blacks, Pakistanis and Bangladeshis in material deprivation and low income are more than double than the Whites. Also nine percentage points more Mixed children belong to this sub-group than the ethnic majority.

If we have a look at statistics of children who live in severely low-income families, we find even larger gap between the minority and White population. The same two groups – Blacks and Pakistanis and Bangladeshis – are in the worst situation as their figures are more than triple the number of ethnic majority, while 2.5 times more Mixed children than White ones are influenced by such poverty.

4.3.2. Unemployment Rate

After examining statistics of low income households we focus on unemployment figures in the current section to further investigate the differences in deprivation between ethnic groups.

We consider White British unemployment rate as baseline, which was 4% among women and 6% among men in 2001³⁹. White Irish, Other White, Indian and Chinese men's unemployment exposure is around the same level matching the one of White

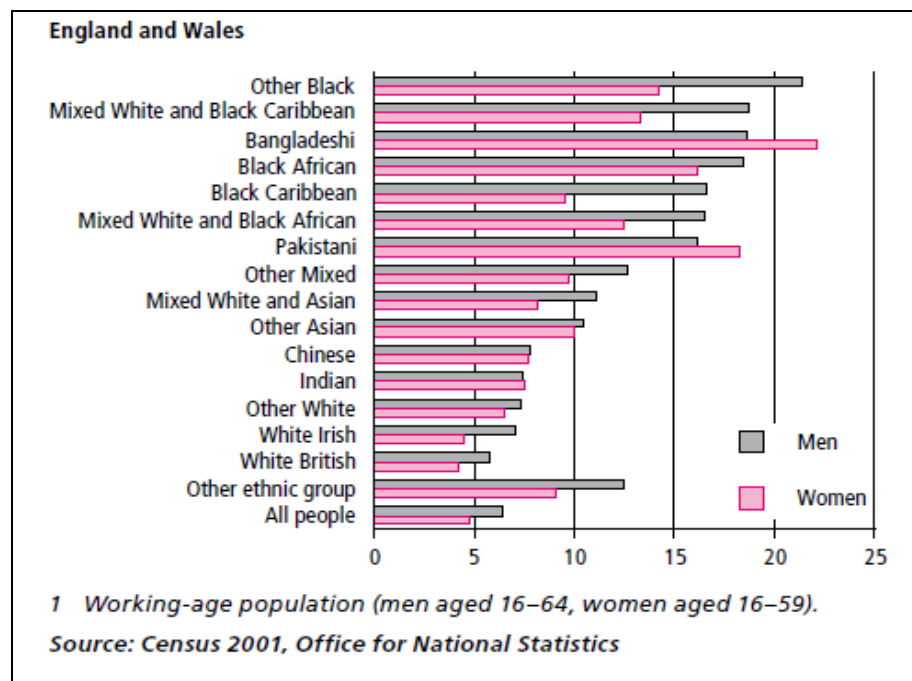
³⁷ A family lives in material deprivation if their respective score is 25 or more (DEPARTMENT FOR WORK AND PENSIONS, 2012). Data shows values of England and Wales.

³⁸ Low income is defined as household income below 70% of median income, while we mean on severely low income those who are living below the 50% threshold (DEPARTMENT FOR WORK AND PENSIONS, 2012).

³⁹ Data is for working age population, thus men aged 16-64 and women aged 16-59. (OFFICE FOR NATIONAL STATISTICS, 2006)

British. On the other hand, Other Asian, Mixed White and Asian, Other Mixed and Pakistani men are affected more than double than their White British counterparts. In the case of all the Black and Mixed White and Black ethnic groups this rate is three to one (Figure 17).

Figure 17 Unemployment Rate by Ethnicity

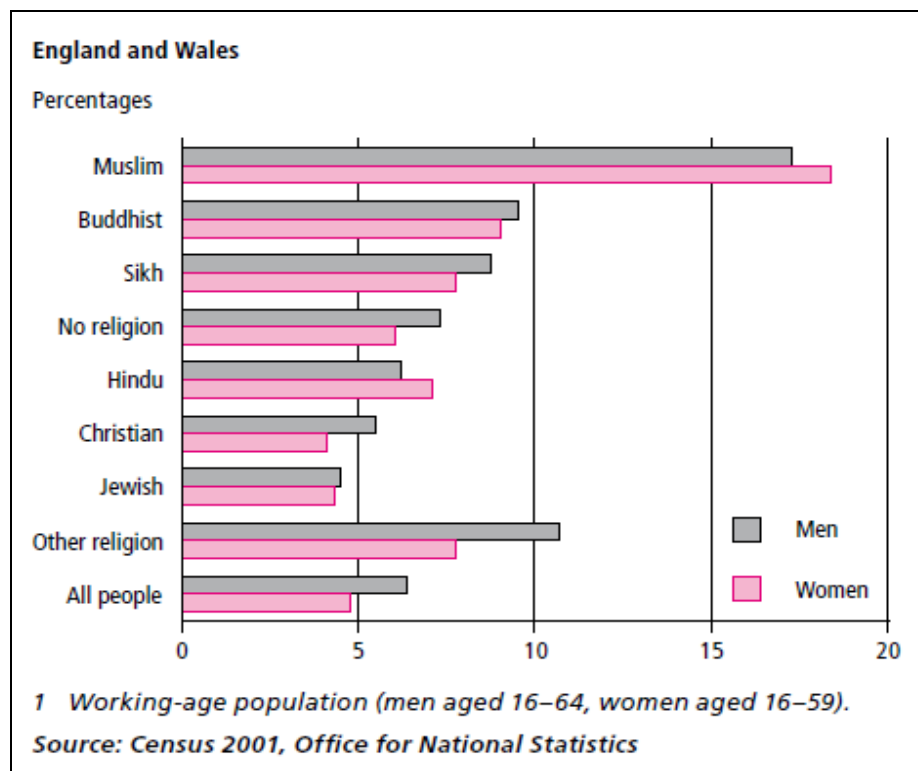


Source: OFFICE FOR NATIONAL STATISTICS (2006:122)

Except two cases (Bangladeshis and Pakistanis) the percentages of unemployed women are below the level of men (OFFICE FOR NATIONAL STATISTICS, 2006:122). White Irish women's figure is the same as White British (4%), but all the others are close to or above the line of twice the baseline. Exceptionally high numbers are accompanied by the Black African, Pakistani and Bangladeshi groups (16%, 18%, and 22% respectively). Also, if we take into consideration the decomposition of unemployment rate by religion, we find that Muslim individuals have by far the highest figures. People belonging to Buddhist, Sikh or Other religion, or those who are not religious at all are 1.5 times more affected than Christians.

As Figure 18 shows, there are also significant differences among individuals within the same ethnic group but with different religions. For example, White British Muslims' and Other White Muslims' unemployment rates are around three times higher than Christians and Jews with the same ethnic background (e.g. it is 19% among White British Muslim men, while just 4% within their Jews counterparts).

Figure 18 Unemployment Rate by Religion



Source: OFFICE FOR NATIONAL STATISTICS (2006:122)

Similarly large differences can be detected within the Black African ethnic group (Office for National Statistics, 2006). The unemployment rate gap between Muslim (28%) and Christian males (16%) is 12 percentage points and 16 percentage points between women (31% and 14% respectively) (OFFICE FOR NATIONAL STATISTICS, 2006:122).

Based on the mentioned statistics, we can conclude that minority ethnic groups are exposed to socio-economic inequality and deprivation at a much larger extent than

White British individuals. As we have discussed earlier, income inequality and deprivation makes extra-community links decrease drastically, thus ethnic groups' high exposure to these aspects initiates social fragmentation.

As around every seventh person is racially and ethnically different and their weight in influencing the social landscape is even larger due to their high concentration in certain areas, i.e. in London and the South East⁴⁰ (OFFICE FOR NATIONAL STATISTICS, 2006).

4.4. Geographic Concentration and Homogeneity

In the following, in order to show the geographic concentration we use diversity indexes⁴¹ representing the probability of an event that two randomly chosen persons within a given area will belong to different groups. "Scores are classed as highly diverse if they are 0.5 or higher" (OFFICE FOR NATIONAL STATISTICS, 2006:74), which means there is 50% or more chance to such event described above.

Figure 19 and 20 show that the distribution of individuals belonging to different religious and ethnic groups (respectively) are very focused and concentrated on similar areas in both cases.

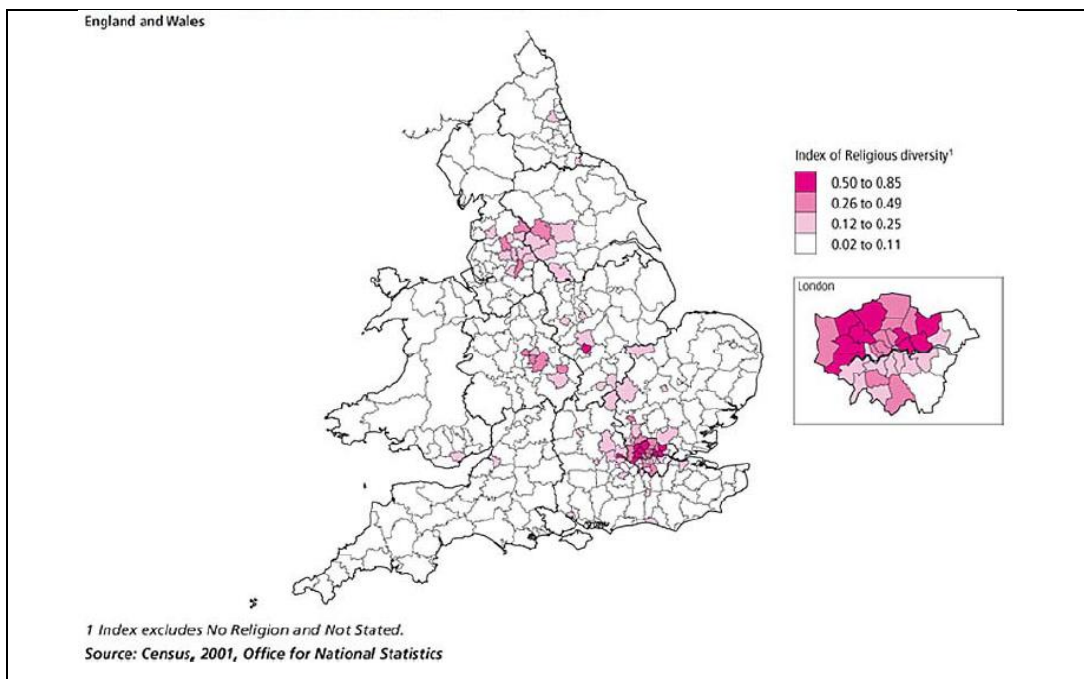
In most areas, a low level of religious diversity was typical as 76% of authorities had diversity scores of 0.10 or less and in the case of 7% of them the score was only 1% or below it in 2001. High scores (equal to or above 50%) could be detected in just 3% of all the areas – in North London, Leicester and Slough.

From an ethnic point of view Great Britain is a little bit more diverse as 59% had diversity scores below 0.11 and 21% had a figure equal to or less than 5%. Still, we can say that Great Britain is quite homogenous and the distribution of the ethnically and religiously different individuals is concentrated on similar territories.

⁴⁰ Based on values of Great Britain.

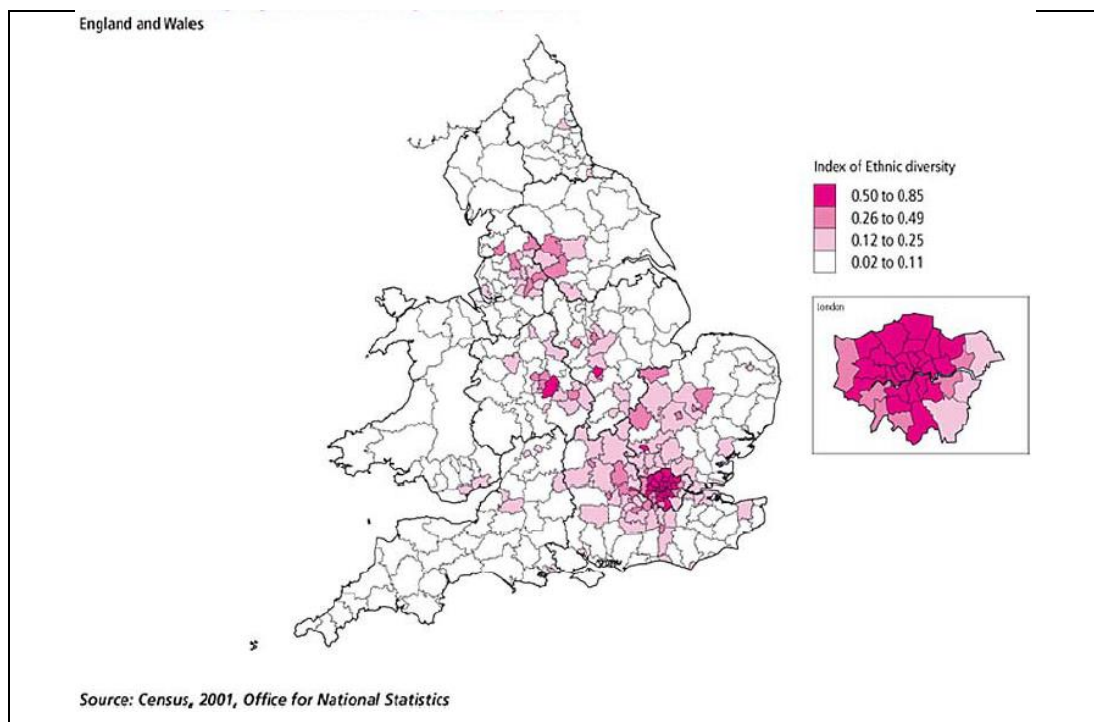
⁴¹ The indexes are based on values of England and Wales in 2001.

Figure 19 Religious Diversity



Source: OFFICE FOR NATIONAL STATISTICS (2006:76)

Figure 20 Ethnic Diversity



Source: OFFICE FOR NATIONAL STATISTICS (2006:75)

In some areas, the chance to randomly meet an ethnically different person is just 2%. The largest number of people with different background is concentrated in London as 39% of Muslims, 42% of Indians and almost 80% of Black Africans have chosen the capital as their place of living (OFFICE FOR NATIONAL STATISTICS, 2006). The relatively large number of ethnically, racially and religiously different individuals is accompanied by high geographical concentration strengthening their society-changing effect.

Numbers show that White British people live in the least diverse areas (with a diversity score of 0.16), while Black Africans tend to choose territories with the largest ethnical differences (score of 0.61). In many cases, variations are at least fivefold and there are enormous variances between majority and minority population (OFFICE FOR NATIONAL STATISTICS, 2006:76). We shall highlight that White British people tend not to mix, while minority groups prefer highly versatile environment making the interaction with individuals outside of their communities difficult. Such a limitation on extra-community linkages lead to disintegration that can be detected in household homogeneity data as well.

Statistics of households⁴² with complete homogeneity show the percentages of families where all members share the household reference person's (HRP) ethnic and racial background (OFFICE FOR NATIONAL STATISTICS, 2006). 97% of White British households live in complete homogeneity, while the minority groups' figures varies between 53% and 85% representing a lower level of consistency, but still a high level of homogeneousness.

Comparing the households from a religious perspective, we find unified families. Except for three groups (Any other religion, No religion and Buddhists), in 70% to 90% of cases people live with religiously identical individuals. Christians' figures show exceptional homogeneity as only one percentage of households includes persons from different religions, which corresponds to the high level of ethnic homogeneity within the White British group. Sikhs, Hindus and Muslims tend to live with more religiously dissimilar individuals as around one in ten of them choose to do so. Buddhists and members of Any other religion had the highest level of religious heterogeneity as

⁴² Data is available from 2001.

twenty-two and twenty-three percentage of them, respectively, contained person/s from a different religion to the HRP (OFFICE FOR NATIONAL STATISTICS, 2006:13).

In summary we can say that people prefer religiously and ethnically homogenous households. It creates culturally tight families with a suspected high level of within-group trust⁴³, but it also means that they rely on a low level of social network outside the family thus creating many small separate communities living next to each other without links.

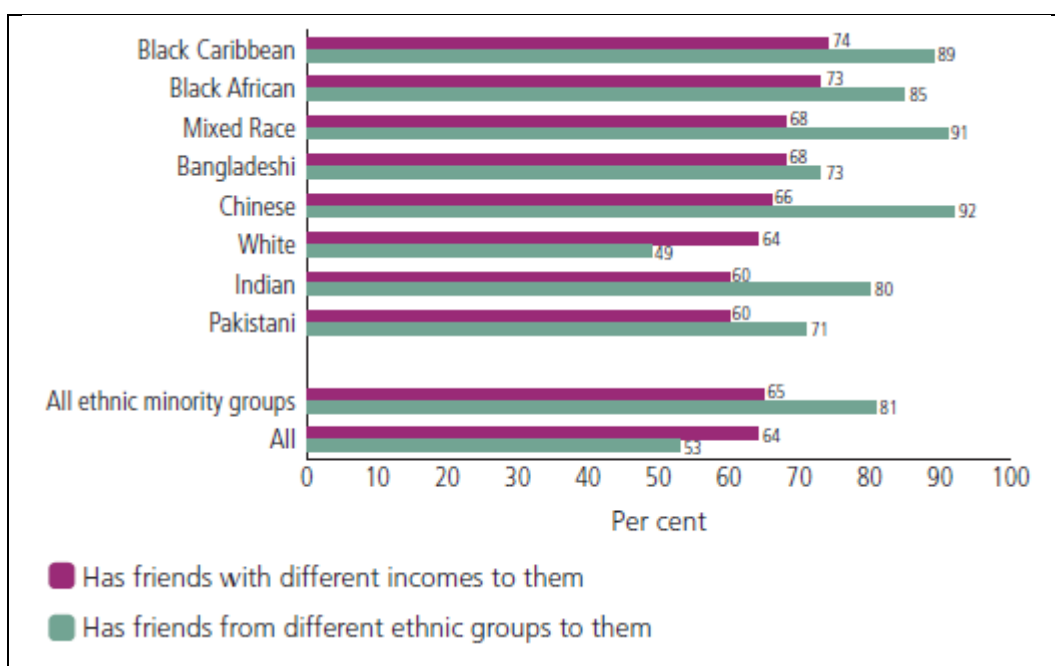
4.5. Socio-economic Concentration

Social fragmentation can be detected by the socio-economic concentration of the society as well. The proportion of people who have friends from different ethnic groups was just 53% in 2008-09, while 47% said that all their friends has similar ethnic background. The case is slightly better when people were asked how many friends they have with income sources alike. The friends of thirty-six per cent were earning similarly, while 19% said that more than half of their acquaintances live within different economic circumstances to them (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, 2010).

By comparing the proportion of friends from different ethnic and financial background by ethnicity (Figure 21) we find that just less than half of White people (49%) have friends from different ethnic groups, while the figure is 81% in case of all minorities. Three groups (Black Caribbean, Mixed Race and Chinese) have exceptionally high numbers as around 90% of them have friends even though they do not share similar ethnic roots (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, 2010:65).

⁴³ No data available on it unfortunately.

Figure 21 Proportions of People with Friends with Different Backgrounds



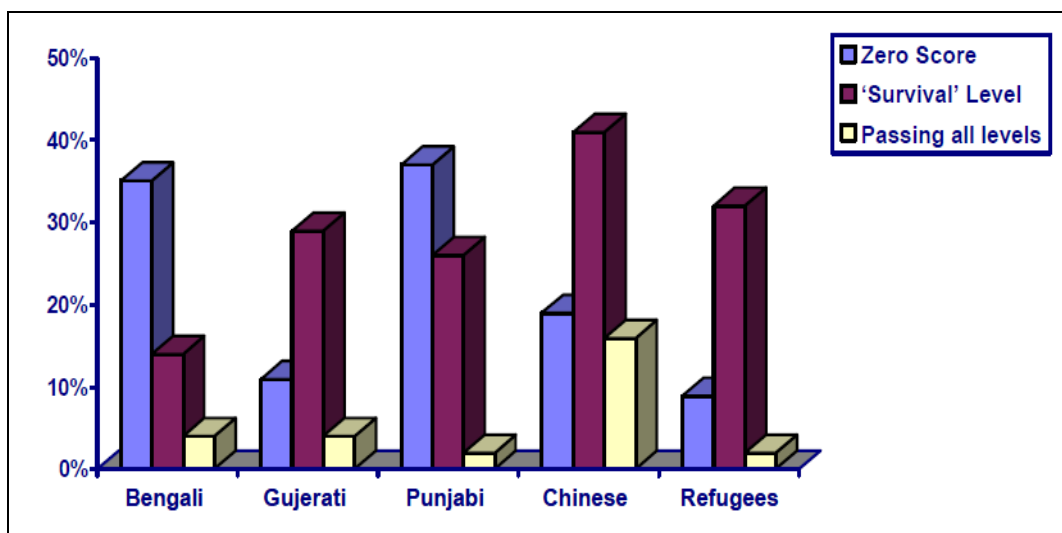
Source: DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT
(2010:65)

In terms of financial background there is no real difference between Whites (64%) and All minorities (65%), but a ten percentage point fluctuation can be observed within all the groups. It is interesting to highlight that while Whites have more friends with dissimilar incomes than friends with diverse ethnical background, until ethnic minorities tend to do the exact opposite. This shows a larger ethnical isolation of the White population and a more substantial financial segregation of minority groups. It is in line with the theoretical evidence about how newcomers influence existing community members as they feel of becoming strangers in their environment due to the recognisably different ethnic, racial, linguistic and cultural background of the immigrants. The effect is even larger when the movement is concentrated geographically – as we have seen it in the previous sub-chapter – as residents loose the sense of control over their neighbourhood (ANDREWS. 2011).

4.6. Language Barrier

On the other hand, a further contributing factor to the social fragmentation is the language barrier. Although it is hard to record the number of people living in Great Britain and having little command of English language, estimates⁴⁴ suggested a figure of 1.5 million in 2001 (SCHELLEKENS, 2001). It meant that 33% of foreigners did not speak English at a sufficient level to function within society or labour market. If we take into account that this figure was based on the assumption that in 2001 the number of second language speakers with inadequate English knowledge was threefold of the 1991 level, we can extrapolate the value and come up with an estimate of 4.5 million in 2011. Also, there is a large difference between the different linguistic groups in terms of language skills. More than three times more Chinese speaking people know English on a survival level than Bengali speaking individuals and almost fourfold are the difference between Gujarati and Punjabi linguistic groups regarding zero level English knowledge (Figure 22). Except for the Chinese group, one feature is common though, the number of individuals who pass all levels is under 5%, which is extremely low (THE WORKING GROUP ON ESOL, 2000:10).

Figure 22 English Knowledge by Different Linguistic Groups



Source: THE WORKING GROUP ON ESOL (2000:10)

⁴⁴ Data is based on figures of England and Wales.

This extent of lack of fluency severely affects people's ability to secure employment and be involved in the English speaking community or enjoy social services ensured by the government. Asking for help e.g. legal aid or being aware of the different opportunities present in the country becomes impossible for this segment of the population thus hindering their economic and social circumstances, or even causing social exclusion. It also may explain some part of the disproportionately high unemployment rate among immigrants and it certainly contributes to the fractionalisation from White British society.

4.7. The Legal System

A further trust-influencing aspect needs to be discussed as part of our social structure framework as the ethnic minorities' limited access to impartial and efficient justice and to the possibility of formal external enforcement hinders social trust to emerge⁴⁵.

In case of Great Britain where the level of social trust is low, the access to high quality formal external enforcement options is crucial as we have seen earlier at the social structure theory section in chapter 2. The high level of differences between the minority and majority ethnic groups in terms of deprivation paired with the geographically very concentrated, ethnically and racially heterogeneous areas and the fact that tight communities are living next to each other with limited extra-community links increase the demand for formal external enforcement substantially. Access to impartial and efficient justice becomes of greater importance as social trust – a framework condition of credible commitment – cannot fulfil its role properly, therefore the other framework condition the formal institutional background has to accomplish it.

⁴⁵ Due to lack of data by ethnicity, we use aggregated level data of Great Britain.

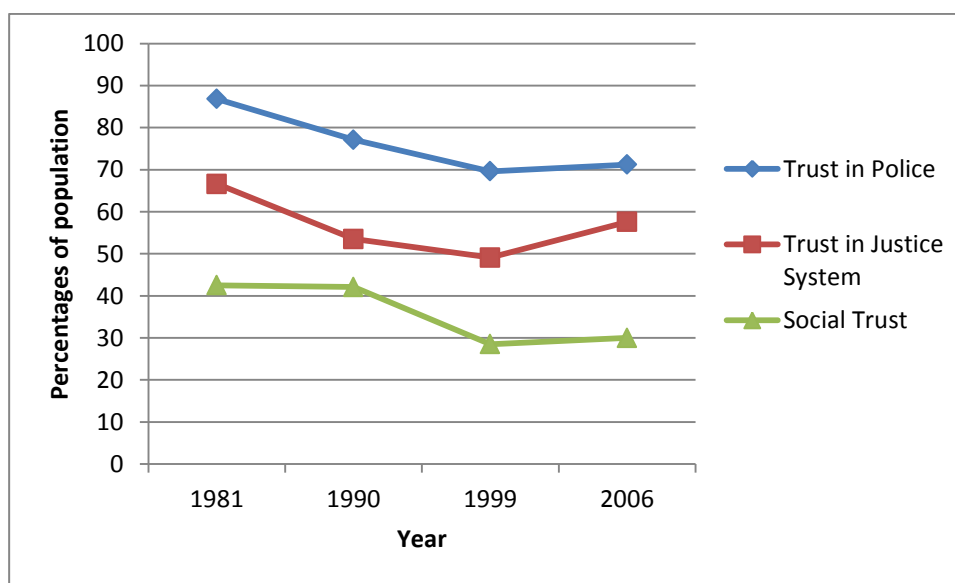
4.7.1. Impartiality

Although the aggregate level indexes show a high quality of rule of law, as we highlighted before, the individual level perceived fairness of the legal system is much lower when investigated as the level of general confidence in law enforcement (ROTHSTEIN – STOLLE, 2008:446).

Figure 23 shows the public's confidence in police, justice system and in people in general. Trust in police declined from 86.8% in 1981 to 69.60% in 1999 (WVS, 2012b) and trust in the justice system decreased from 66.6% in 1981 to 49.1% in 1999 (WVS, 2012c), while social trust dropped from a level of 42.5% to just 28.5% during the same period of time (WVS, 2008).

The three factors tend to move together in time, although it is important to highlight that one unit decrease in access to justice happens with more than one unit drop in the level of social trust. On the other hand 8.5 percentage point increase of trust in the justice system paired with a marginal improvement in trust in police resulted in just 1.5 percentage point increment in social trust. It is in line with ROTHSTEIN's argument of the imbalanced nature of trust, i.e. it is always easier to destroy than to improve it (ROTHSTEIN, 2005).

Figure 23 Trust in Police, Trust in Justice System and Social Trust



Source: Based on data from WVS (2012b), WVS (2012c) and WVS (2008)

As there is very limited data about the experience of the public of the legal processes and the law in England, PROFESSOR HAZEL GENN with her colleagues at the National Centre for Social Research aimed to fill the gap by conducting a survey-based research in the 1990s. They created the 'Path to Justice Survey' (GENN, 1999) as part of which they executed over a thousand of face to face interviews in the survey respondents' homes.

One of the questions of interests was the fairness of court. They tested the following statement with the survey respondents: "If I went to court with a problem I am confident that I would get a fair hearing" (GENN, 1999:228). The results showed that just a bare majority thought that the statement was true (53%) and only 5% of the respondents agreed strongly with the statement.

It is interesting to see that the perceived fairness of the court did not fluctuate based on the different age groups or income groups. However, one factor had a great influence, namely obtaining legal advice. 49% of those who sought legal advice thought they could trust in the court that they would have a fair hearing. This number was 60% among those survey respondents who did not seek legal advice at all.

As the ethnic minorities are more exposed to deprivation, their need to seek legal advice is higher as well. The 11 percentage point difference in the level of perceived fairness by the two groups suggests that the minority ethnicities are less confident they would get a fair and impartial hearing.

4.7.2. Efficiency

From the perspective of social trust the other important feature of formal external enforcement is the level of efficiency of the legal system. As discussed in chapter 3, when efficiency measured as clear and predictable regulations (via administrative burdens) it shows a high level of quality on macro level in Great Britain.

Going back to BINGHAM's (2010) set of principles that govern the main features of the rule of law, we can distinguish between two different efficiency criteria though.

Clear and predictable legal regulations are one of them, while timely and affordable access to justice is also addressed within the efficiency pursuits. Thus we focus our analysis on this latter case.

The 'Path to Justice Survey' (GENN, 1999) also tested the statement: 'The legal system works better for rich people than for poor people' (GENN, 1999:234), which we use as a measure of affordability of the legal system.

Almost 75% of all respondents agreed or strongly agreed the statement that the legal system works better for the wealthier. The opinions fluctuated based on the respondents' level of education. The respondents with a degree level qualification were less likely to agree with the statement, meaning that the higher educational background the person had, the less he or she was on the opinion that the legal system works better for the rich people.

Income also played a significant role regarding this question as more than half of those who earn over £41,000 annually strongly agree with the statement, indicating that they might have been aware of their advantage within the legal system (GENN, 1999:234).

As the income distribution of the minorities is much more low-income sided than the majority's, the survey results suggest that the legal system works better for the ethnic majority (and all higher-income households) than the minority groups.

It is also important to highlight the results of the next statement which is: 'Lawyers' charges are reasonable for the work they do' (GENN, 1999:237) as our second measure of the accessibility of the legal system. 72% of all respondents disagreed or strongly disagreed that the lawyers' charges are reasonable, which is a very high proportion of the sample.

It is in line with the findings of the final report of LORD JUSTICE RUPERT JACKSON (2010) on civil litigation costs: "In some areas of civil litigation costs are disproportionate and impede access to justice." (JACKSON, 2010:i)

Financial resources are essential in this context as, without sufficient resources, access to justice is very much limited or eliminated. "If neither party has adequate funding, the litigation will not happen. If only one party has adequate funding, the litigation will be a walk over" (JACKSON, 2010:41).

In order to overcome some part of the cost burden, legal aid has been introduced in the 1950s, which has gone through significant changes over time. Currently an independent government agency, the Legal Service Commission is in charge under the Access to Justice Act 1999 (JACKSON, 2010b). Aid is available for advice and litigation services for case types listed in the Act and based upon financial eligibility.

Except for two cases – immigration and mental health tribunals – full funding is not an option in civil law cases as the main priority is to help with early advice to avoid as many court proceedings as possible.

Entitlement for aid depends on gross and disposable income and disposable capital. Under the statutory charge, it is ensured that the legally aided client's recovered money or property is to be used to pay any outstanding balance on the client's legal aid account, thus Legal Aid can be seen as a zero rate lender as well. On the other hand, there is a trend of diminishing financial eligibility since the programme's initial establishment. In the beginning, 80% of the population was entitled for legal aid, while in 2007 just 30% classified (JACKSON, 2010c). Several concerns have been voiced about its considerable impact on limiting access to justice as aid plays an important role due to exceptionally high solicitor fees.

Guideline hourly rates – published by Her Majesty's Court Service annually – vary according to geographic location and the experience of the solicitor (Band A to D). While in the City of London the hourly rate of an experienced lawyer is around £400, out-of-London rates are just around the half of that (HER MAJESTY'S COURT SERVICE, 2012). Moreover, significant variations can be detected according to the solicitor's background, but comparing each figure to minimal wage (adult rate of £5.80 per hour), the excessiveness of fees is evident.

Although Great Britain provides a high quality regulatory framework, the benefits of such system can be utilized on a limited level in low-income households. As the ethnic minorities are more exposed to poverty and deprivation, their access to impartial and efficient justice system seems to be restricted.

4.8. Summary

The current chapter aimed to solve the puzzle of Great Britain with the help of an imbedded within-case analysis focusing on two sub-populations, the minority and majority ethnic groups.

As traditional social capital literature was not able to explain the anomaly of our case, we proposed a comprehensive approach including the analysis of immigration, integration, inequality and access to impartial and efficient justice data set. They were

examined in the matrix of extra-community network, intra-community trust, radius of trust and need for formal external enforcement.

As we have showed, income inequality played a significant role in creating social fragmentation. It rose considerably after 1984 (JENKINS, 1995) overlapping the newly positive net immigration trend. Changes-in-within-group-inequality contributed the most to the raise of total inequality in the '80s – more precisely 'the increase in relative numbers of two comparatively poor groups, single adult with and without children' (JENKINS, 1995:45). Minority ethnic communities were heavily affected in this respect and were exposed to socio-economic inequality and deprivation at a much larger extent than White British individuals. As discussed in the theoretical overview, income inequality and deprivation makes extra-community links decrease drastically, thus ethnic groups' high exposure to these aspects initiates social fragmentation.

The analysis also showed that minorities are geographically highly concentrated and that people prefer religiously and ethnically homogenous households. It creates culturally tight families with a suspected high level of within-group trust, but it also means that they can rely on a low level of social network outside the family thus creating many small separate communities living next to each other without linkages.

As we have seen, the different ethnic, racial and religious groups possess a limited level of extra-community link. On the other hand, the ethnic minority groups are disposed to income inequality and disadvantageous socio-economic factors to a much higher degree. These two aspects – the fragmentation of different socio-groups together with minorities heavily influenced by poor financial status – strengthen each other's negative effects on social cohesion (through limiting extra-community networks) and generate a spiral society-wide trust-eliminating process.

On the other hand the restraints on access to impartial and efficient justice further impede out-of group interactions as formal external enforcement is not ensured. In the same time, society-wide trust cannot act as an enforcement tool either due to the lack of extra-community network.

The examined factors reinforce each other's effects creating a fragmented social structure where social trust does not emerge.

To strengthen the internal validity of our analysis and to give more support to our claim on the limited access to justice by the ethnicities, we continue our investigation with a quantitative within-case analysis.

5. Social Trust and the Legal System by Ethnicity – Quantitative Analysis

5.1. Introduction

After the in-depth qualitative analysis, the aim of current chapter is to see if our hypothesis can be proved by statistical reasoning as well. Thus we are going to explore the mechanisms behind the relationship of the legal system and social trust with the help of logistic regression analyses.

The research continues in the framework of a within-country investigation based on the earlier identified two sub-populations: the minority and majority ethnic groups.

The chapter consists of the investigation of the following questions:

1. If social trust is lower among minority ethnic groups
2. If geographical concentration affect the ethnic groups' social trust level
3. If neighbourhood trust affects the level of social trust
4. If access to impartial justice is lower among ethnic minorities and if it has an impact on social trust
5. If any of the above factors becomes insignificant in terms of their social trust impact when examined in the same model.

5.2. Social Trust by Ethnicity

One of our hypotheses was that social trust is lower among minority ethnic groups. To be able to examine the level of social trust in the society and to detect the distribution of it by ethnicity the results of the Citizenship Survey from 2007⁴⁶ are reported (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE

⁴⁶ We intend to show the effects of the mechanisms in a 'baseline' situation excluding any possible impact of the financial and economic crisis, thus the analyses are performed on the data set of 2007.

FOR SOCIAL RESEARCH, 2008). The survey was sponsored by the Department for Communities and Local Government and distributed by UK Data Archive.⁴⁷

The survey is part of a repeated cross-sectional study executed every two years between 2001 and 2007. From 2007 until it closed in 2011, the survey was conducted on a continuous basis.

The fieldwork of the current survey was undertaken between April 2007 and March 2008⁴⁸ and encompassed 13,533 face-to-face interviews conducted in England. The survey covered adults aged 16 years and over, resident in England during 2007-2008.

A multi-stage stratified random sampling method was utilized. The data was weighted to correct for unequal sampling probabilities and non-response by subgroup by the survey provider. The weighting ensures that the sample matches the census population figures in terms of their age, sex and regional distribution. Non-response weights were derived using a logistic regression model approach including the same set of covariates at each quarter. This provides more stable weights over time (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE FOR SOCIAL RESEARCH, 2008).

Given the focus of this sub-chapter on social trust, we here confine discussion to the questions asked on this issue. Respondents were asked of their views on ‘Trust in people in general’.

As our sample contains 13,533 subjects of which 1,908 were missing and 11,624 were valid values. Multinomial logistic regression analyses have been performed by PASW (SPSS) Statistics 18, below the results of which are reported in Table 7 and 8. We built two models; Model 1 incorporates control variables sex, age and income, while Model 2 also includes ethnicity in addition.

⁴⁷ Herewith I acknowledge that the original data creators, depositors or copyright holders, the funders of the Data Collections and the UK Data Archive bear no responsibility for the further analysis or interpretation presented in current work.

⁴⁸ It would be interesting to see the findings of the same analysis performed on the 2001 data set and compare the results. Unfortunately data on social trust is not available in the 2001 survey.

Our baseline model shows that gender is not significant, while the age and income level of the respondents did indeed influence their level of social trust. Respondents with the age of 15-44 were around half as much likely to trust in people in general than the 65+ age group. Being the age of 45-64 decreases the odds of expressing a trusting attitude by around 30%.

Table 7 Trust in People – Baseline Model

Trust in people ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	1.123	.220	26.148	1	.000			
	Male	.072	.043	2.811	1	.094	1.075	.988	1.170
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.653	.083	61.705	1	.000	.520**	.442	.612
	Age of 25-34	-.741	.069	115.635	1	.000	.477**	.416	.546
	Age of 35-44	-.557	.067	69.892	1	.000	.573**	.503	.653
	Age of 45-54	-.412	.071	33.837	1	.000	.663**	.577	.761
	Age of 55-64	-.351	.073	22.956	1	.000	.704**	.610	.813
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-1.524	.215	50.420	1	.000	.218**	.143	.332
	Income of £10,000-£20,000	-1.254	.215	34.152	1	.000	.285**	.187	.435
	Income of £20,000-£29,999	-1.045	.216	23.357	1	.000	.352**	.230	.537
	Income of £30,000-£39,999	-.755	.221	11.638	1	.001	.470**	.305	.725
	Income of £40,000-£49,999	-.471	.231	4.159	1	.041	.624*	.397	.982
	Income of £50,000-£74,999	-.287	.243	1.400	1	.237	.750	.466	1.208
	Income of £75,000-£99,999	-.488	.288	2.872	1	.090	.614	.349	1.079
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed

Income has a similar effect, the higher the level of it the more people trust each other. While the under £9,999 income group was 78.2% less likely, those who earn

£40,000 to £49,999 annually are 38% less likely to trust than the £100,000 and above income group.

Adding ethnicity to the model, we rerun the analysis on a sample containing 13,533 subjects of which 3,411 are missing and 10,122 are valid values. Table 8 displays the results.

Table 8 Trust in People – Model II.

Trust in people 2 categories ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	1.185	.227	27.226	1	.000			
	Male	.088	.044	3.909	1	.048	1.092*	1.001	1.191
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.519	.086	36.510	1	.000	.595**	.503	.704
	Age of 25-34	-.563	.072	60.309	1	.000	.570**	.494	.657
	Age of 35-44	-.398	.069	33.324	1	.000	.671**	.587	.769
	Age of 45-54	-.281	.073	14.947	1	.000	.755**	.654	.871
	Age of 55-64	-.321	.074	18.685	1	.000	.725**	.627	.839
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income under £9,999	-1.485	.222	44.842	1	.000	.227**	.147	.350
	Income of £10,000-£20,000	-1.254	.222	32.017	1	.000	.285**	.185	.441
	Income of £20,000-£29,999	-1.023	.223	21.017	1	.000	.360**	.232	.557
	Income of £30,000-£39,999	-.766	.228	11.256	1	.001	.465**	.297	.727
	Income of £40,000-£49,999	-.543	.238	5.209	1	.022	.581*	.365	.926
	Income of £50,000-£74,999	-.321	.250	1.651	1	.199	.725	.445	1.184
	Income of £75,000-£99,999	-.525	.296	3.136	1	.077	.592	.331	1.058
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-.370	.214	2.991	1	.084	.690	.454	1.051
	Other White	.129	.110	1.378	1	.240	1.138	.917	1.413
	Mixed Background	-.447	.117	14.501	1	.000	.640**	.508	.805
	Asian	-.405	.058	48.795	1	.000	.667**	.595	.747
	Black	-.785	.073	115.389	1	.000	.456**	.395	.526
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed

In the current model gender becomes significant as well showing that males are slightly more likely (9.2%) to trust in people in general than females. Age and income are still significant and are confirming the same effect as in our baseline model. The Chinese and Other White ethnic groups' results were not statistically significant, but the Mixed and Asian minorities were around 35% less likely to think that most people can be trusted than the White British majority. The Black ethnic group showed similar result as being a member of their community meant that the odds of trusting were decreased by 54.4% when compared to their White British counterparts.

We can conclude that the findings confirmed our initial hypothesis that the ethnic minorities trust in people in general less than the White British majority. As we have seen in the previous chapter, their presence in the different regions is very uneven due to their geographical concentration, thus we are also interested in knowing if the regional distributions of social trust by ethnicity differ from each other.

5.3. Regional Distribution of Social Trust by Ethnicity

To be able to see if the place of residence by regions affect the ethnic groups' social trust level, we run logistic regression analyses for each region of England separately and compare the values⁴⁹. Due to the lack of data on the regional level, our model includes just ethnicity as the independent variable.

First we examined the government office region of *London*. Our sample contained 3771 subjects of which 640 were missing and 3161 were valid values.

As Table 9 shows, the Chinese ethnic group is 46% less likely to trust in most people in the society when compared to the white British sub-population, while the same value is 35.8% in case of the Other White group. Both the Mixed (52.7% less) and Asian (50.5%) ethnicities are around half as likely to trust as the majority ethnic group.

⁴⁹ It will be the scope of future research to run a multilevel regression analysis to further explore the contextual effects.

Table 9 Social Trust by Ethnicity in London – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.019	.087	.048	1	.827			
	Chinese	-.617	.254	5.919	1	.015	.540*	.328	.887
	Other White	-.444	.199	4.967	1	.026	.642*	.435	.948
	Mixed	-.748	.163	21.183	1	.000	.473**	.344	.651
	Asian	-.704	.108	42.169	1	.000	.495**	.400	.612
	Black	-1.126	.113	98.441	1	.000	.324**	.260	.405
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Finally, survey respondents of the Black community were almost 70% less likely to trust in people in general compared to the White British sub-population.

In case of the *South East* government office region our sample contained 1723 subjects of which 163 were missing and 1561 were valid values.

As Table 10 displays, the Chinese, Other White and Mixed ethnic groups' results were insignificant. On the other hand we can determine that the Asian ethnic group is 29.2% less likely to trust in people in general while members of the Black community are 59.2% less likely to say that most people can be trusted when compared to the white British sub-population.

Table 10 Social Trust by Ethnicity in the South East – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.100	.059	2.888	1	.089			
	Chinese	-.188	.543	.120	1	.729	.829	.286	2.403
	Other White	.317	.228	1.930	1	.165	1.374	.878	2.150
	Mixed	-.399	.313	1.627	1	.202	.671	.363	1.239
	Asian	-.345	.159	4.698	1	.030	.708*	.518	.968
	Black	-.896	.290	9.550	1	.002	.408**	.231	.721
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

In the *North-West* region, the sample contained 1604 subjects of which 144 were missing and 1460 were valid values.

In this region just the Black community's result were significant showing that they are 47.5 % less likely to think that most people can be trusted when compared to the White British sub-population (Table 11).

Table 11 Social Trust by Ethnicity in the North-West – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.435	.062	48.682	1	.000			
	Chinese	1.128	.616	3.359	1	.067	3.090	.925	10.324
	Other White	.130	.358	.131	1	.717	1.138	.565	2.295
	Mixed	-.258	.392	.433	1	.510	.772	.358	1.666
	Asian	-.215	.150	2.052	1	.152	.807	.602	1.082
	Black	-.644	.288	5.013	1	.025	.525*	.299	.923
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Table 12 Social Trust by Ethnicity in Yorkshire and Humber – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.270	.072	13.995	1	.000			
	Chinese	-.646	.840	.593	1	.441	.524	.101	2.717
	Other White	-.040	.403	.010	1	.920	.960	.436	2.118
	Mixed	-1.065	.508	4.401	1	.036	.345*	.127	.932
	Asian	-1.238	.211	34.352	1	.000	.290**	.192	.439
	Black	-.456	.323	1.998	1	.158	.634	.337	1.193
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant. * p<.05 ** p<.01 All tests are two-tailed.

In the *Yorkshire and Humber* region our sample contained 1146 subjects of which 89 were missing and 1057 were valid values. The results show that members of the Mixed ethnic group are 65.5% less likely to trust in people in general than the White British population. In the same area the Asian ethnic group is 71% less likely to trust in society in general when compared to the majority ethnic group (Table 12).

The same question was analysed in the region of *East Midlands*. The sample contained 1251 subjects of which 112 were missing and 1139 were valid values.

In this region (Table 13) survey respondents of the Asian ethnic group were 51.4% less likely to trust people in general while the black ethnic group was 58.6% less likely to think that most people can be trusted in the society compared to the White British sub-population.

Table 13 Social Trust by Ethnicity in the East Midlands – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.338	.075	20.059	1	.000			
	Chinese	-1.048	.794	1.743	1	.187	.350	.074	1.662
	Other White	.195	.386	.254	1	.614	1.215	.570	2.591
	Mixed	-.915	.469	3.805	1	.051	.401	.160	1.004
	Asian	-.722	.158	20.904	1	.000	.486**	.357	.662
	Black	-.883	.279	10.033	1	.002	.414**	.240	.714
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You can't be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

In case of the *West Midlands* region we analysed a sample of 1366, of which 118 were missing values and 1248 were valid values.

As Table 14 shows, we found that the Mixed ethnic group was 66.1% less likely to trust in people in general, while the odds of the Asian ethnic group to be of the viewpoint that they can trust people were half as much as of the White British. The black community's results showed that they were 62.5% less likely to trust when compared to their White British counterparts.

Table 14 Social Trust by Ethnicity in West Midlands – Parameter Estimates

Trust in people ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
People can be trusted	Intercept	-.493	.076	41.697	1	.000			
	Chinese	.493	.711	.481	1	.488	1.638	.406	6.601
	Other White	.350	.387	.821	1	.365	1.419	.665	3.028
	Mixed	-1.082	.455	5.659	1	.017	.339*	.139	.826
	Asian	-.650	.149	18.938	1	.000	.522**	.389	.700
	Black	-.980	.248	15.565	1	.000	.375**	.231	.611
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Unfortunately not all of the ethnic groups were significant in every region. Table 15 displays the odds ratios by ethnicity and region that were statistically significant.

The two regions highlighted by red – South East and North-West – are the only two areas where geographic concentration of the different ethnic and religious groups is not present (please see chapter 4.4.).

Table 15 Odds Ratios

Trust in people ^a	England	London	South-East	North-West	Yorkshire and Humber	East Midlands	West Midlands
Chinese	-	.540*	-	-	-	-	-
Other White	-	.642*	-	-	-	-	-
Mixed	.587**	.473**	-	-	.345*	-	.339*
Asian	.587**	.495**	.708*	-	.290**	.486**	.522**
Black	.431**	.324**	.408**	.525*	-	.414**	.375**

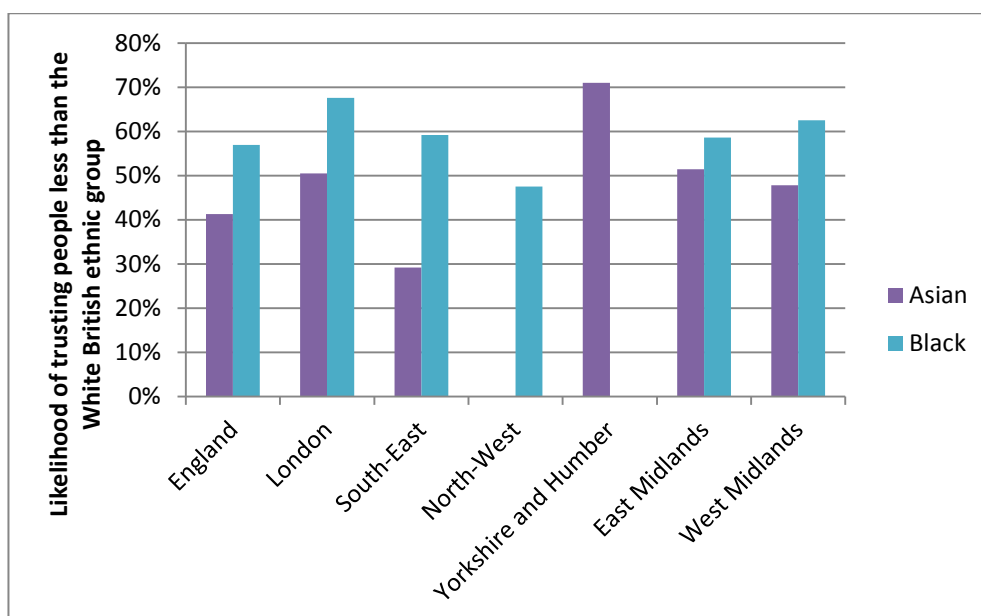
a The reference category is:
You cannot be too careful.

* $p < .05$ ** $p < .01$

All tests are two-tailed.

To be able to compare the regions, we choose the Asian and Black ethnic groups as just they have valid values in all but one region, then we use the likelihoods of trusting people less than the White British ethnic group to evaluate the impact of the regions. Figure 24 shows the results.

Figure 24 Likelihood of Trusting People by Ethnicity



In the case of the Asian community, the lowest likelihood to trust people less than their White British counterparts is in the South-East region, while the same is valid in case of the Black ethnic group in the North-West area. It means that the two examined ethnic minorities show the highest trust in these two territories. The two areas happen to be exactly the two regions we highlighted earlier as the ethnically and religiously least concentrated ones. The results reinforce our findings based on qualitative arguments in chapter 5 regarding the negative impact of geographical concentration on social trust.

5.4. Neighbourhood Trust

To further investigate the geographical segregation of the heterogeneous society and to examine the characteristics of the neighbourhood where the different ethnic groups are living, we run a statistical analysis based on the same Citizenship Survey from 2007 that we used in the previous sub-chapter (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE FOR SOCIAL RESEARCH, 2008).

The sample is 13,533 subjects large of which 3,787 are missing values. The analysis incorporates the same independent variables as Model 2 from chapter 6.2. – ‘gender’, ‘age’, ‘income’, ‘ethnicity’ – plus the newly added ‘trust in neighbourhood’ in addition. The dependent variable is ‘trust in people in general’ (Table 16).

In the current model gender loses its significance and age becomes less of a determining factor as the effect of the different age groups evens out, even though the respondents below the age of 64 are still more trusting than the 65+ age group. Income has the same impact, the more someone earns the more trusting they become.

As expected those who think that many of the people in their neighbourhood can be trusted are almost 12 times more likely to trust in people in general as well than those who think that people in their neighbourhood cannot be trusted. In comparison, those who feel just a few people can be trusted in their neighbourhood are 2.3 times more likely to express trusting attitude towards the general public than those who think that none of the people in their neighbourhood can be trusted.

Table 16 Trust in People in General – with Neighbourhood Trust

Trust in people ^a	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-1.208	.327	13.676	1	.000			
Male	.073	.047	2.372	1	.123	1.076	.980	1.180
Female	0 ^b	.	.	0	.	.	.	.
Age of 15-24	-.119	.092	1.665	1	.197	.888	.741	1.064
Age of 25-34	-.265	.078	11.659	1	.001	.767**	.659	.893
Age of 35-44	-.183	.073	6.203	1	.013	.833*	.721	.962
Age of 45-54	-.098	.077	1.613	1	.204	.907	.779	1.055
Age of 55-64	-.236	.079	9.012	1	.003	.790**	.677	.921
Age of 65+	0 ^b	.	.	0	.	.	.	.
Income of under £9,999	-1.103	.230	22.942	1	.000	.332**	.211	.521
Income of £10,000-£20,000	-.903	.230	15.404	1	.000	.405**	.258	.636
Income of £20,000-£29,999	-.714	.232	9.485	1	.002	.490**	.311	.771
Income of £30,000-£39,999	-.571	.237	5.799	1	.016	.565*	.355	.899
Income of £40,000-£49,999	-.340	.248	1.875	1	.171	.712	.438	1.158
Income of £50,000-£74,999	-.247	.260	.900	1	.343	.781	.469	1.301
Income of £75,000-£99,999	-.307	.311	.976	1	.323	.735	.399	1.353
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
Many of the people in your neighbourhood can be trusted,	2.477	.226	119.599	1	.000	11.900**	7.635	18.548
some can be trusted,	1.495	.226	43.763	1	.000	4.460**	2.864	6.946
a few can be trusted,	.840	.231	13.161	1	.000	2.316**	1.471	3.645
or that none of the people in your neighbourhood can be trusted	0 ^b	.	.	0	.	.	.	.
Chinese	-.180	.235	.589	1	.443	.835	.527	1.323
Other White	.276	.119	5.317	1	.021	1.317*	1.042	1.665
Mixed Background	-.055	.127	.186	1	.666	.947	.739	1.214
Asian	-.194	.062	9.740	1	.002	.823**	.729	.930
Black	-.414	.079	27.305	1	.000	.661**	.566	.772
White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Adding ethnicity into the same model confirms our assumption, that ethnicity matters even after we control for all the above variables. Interestingly the Other White ethnic groups is 31.7% more likely to trust in people general than the White British group. On the other hand the Asian and Black minorities are 17.7% and 33.9%, respectively, less likely to think that most people can be trusted. It is in line with the earlier hypothesis that ethnic minorities trust less than the majority ethnic group.

Table 17 Trust in People in the Neighbourhood

Trust in people in neighbourhood ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
Many of the people in your neighbourhood can be trusted	Intercept	3.360	.089	1418.477	1	.000			
	Chinese	-1.695	.422	16.157	1	.000	.184**	.080	.420
	Other White	-.593	.311	3.640	1	.056	.553	.301	1.016
	Mixed Background	-2.226	.235	89.851	1	.000	.108**	.068	.171
	Asian	-1.524	.135	127.418	1	.000	.218**	.167	.284
	Black	-2.269	.148	233.716	1	.000	.103**	.077	.138
	White British	0 ^b	.	.	0	.	.	.	.
Some can be trusted	Intercept	2.955	.090	1079.215	1	.000			
	Chinese	-.545	.405	1.810	1	.178	.580	.262	1.282
	Other White	-.443	.313	1.999	1	.157	.642	.347	1.187
	Mixed Background	-.965	.221	19.108	1	.000	.381**	.247	.587
	Asian	-.622	.133	21.750	1	.000	.537**	.413	.697
	Black	-.877	.141	38.595	1	.000	.416**	.315	.549
	White British	0 ^b	.	.	0	.	.	.	.
A few can be trusted	Intercept	2.022	.093	469.393	1	.000			
	Chinese	-.534	.429	1.551	1	.213	.586	.253	1.358
	Other White	-.053	.322	.027	1	.870	.949	.505	1.783
	Mixed Background	-.518	.229	5.124	1	.024	.596*	.380	.933
	Asian	-.272	.138	3.887	1	.049	.761*	.581	.998
	Black	-.533	.147	13.160	1	.000	.587**	.440	.783
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: None of the people in your neighbourhood can be trusted.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

It would also be interesting to see the distribution of the ethnic groups among the different level trust in people in the neighbourhood. Thus we run a new multinomial logistic regression with the dependent variable of ‘trust in people in the neighbourhood’. The sample consists of 13,533 subjects in total, of which 950 are missing values. Table 17 above displays the results.

Chinese, Mixed, Asian and Black respondents are 80-90% less likely to say that many of the people in their neighbourhood can be trusted compared to the White British sub-population. The odds of thinking that some people can be trusted in their neighbourhood are reduced by 40-60% if the respondent has a Mixed, Asian or Black ethnic background, while members of the same ethnic groups are 34-40% less likely to trust in few of their neighbours than the White British majority.

We have showed that neighbourhood trust matters in forming one’s opinion on the trustworthiness of people in general. Our findings of ethnic minorities trusting less in their neighbours than their White British counterparts is an indirect proof of their higher exposure to geographically concentrated ethnic and religious diversity.

Also based on our analysis we can conclude that the minority ethnic groups trust in people in general approximately 40-50% less than the White British population, while the same value reaches 70% in some regions. All these factors together hinder social cohesion as they are limiting the extra community links and lead to the fragmentation of the society.

5.5. Access to Impartial Justice by Ethnicity

In the forthcoming we continue our within-country analysis by focusing on the different levels of access to impartial justice by ethnicity.

As part of the social structure framework our hypothesis was that the ethnic minorities have limited access to impartial justice and thus to the possibility of formal external enforcement that hinders social trust to emerge.

To be able to analyse the access to justice by ethnic groups we rely once again on the Citizenship Survey from 2007 (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE FOR SOCIAL RESEARCH, 2008).

Given the focus of this sub-chapter on access to impartial justice, we here confine discussion to the questions asked on this issue. Respondents were asked of their views on ‘Trust in police’, ‘Treatment by police’ and ‘Treatment by court’.

5.5.1. Trust in Police

According to ROTHSTEIN (2011) one way to capture the level of impartiality of the legal system is to measure the level of general confidence in the law enforcement forces, i.e. the police and courts. As we have data by ethnicity just about the level of trust in police, we focus our investigation on this.

Our sample contains 13,533 subjects of which 11,186 were valid values. We once again distinguish two models, a baseline model with control variables gender, age and income, and the main model that incorporates ‘ethnicity’ as independent variable as well. The results are reported in Table 18.

Table 18 Trust in Police – Baseline Model

Trust in Police ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
A lot	Intercept	3.186	.511	38.922	1	.000			
	Male	-.350	.102	11.678	1	.001	.705**	.577	.862
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-1.466	.196	56.017	1	.000	.231**	.157	.339
	Age of 25-34	-.772	.188	16.808	1	.000	.462**	.320	.669
	Age of 35-44	-.767	.187	16.886	1	.000	.464**	.322	.669
	Age of 45-54	-1.095	.190	33.050	1	.000	.335**	.230	.486
	Age of 55-64	-.712	.207	11.870	1	.001	.491**	.327	.736
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-.404	.486	.688	1	.407	.668	.257	1.733
	Income of £10,000-£20,000	-.441	.487	.822	1	.365	.643	.248	1.670
	Income of £20,000-£29,999	-.429	.492	.760	1	.383	.651	.248	1.709

	Income of £30,000-£39,999	.230	.523	.193	1	.661	1.258	.451	3.511
	Income of £40,000-£49,999	-.140	.532	.070	1	.792	.869	.306	2.467
	Income of £50,000-£74,999	-.131	.560	.055	1	.815	.877	.293	2.631
	Income of £75,000-£99,999	.155	.709	.048	1	.827	1.168	.291	4.689
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
A fair amount	Intercept	3.309	.505	42.989	1	.000			
	Male	-.375	.099	14.378	1	.000	.687**	.566	.834
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-1.186	.189	39.345	1	.000	.305**	.211	.442
	Age of 25-34	-.738	.185	15.957	1	.000	.478**	.333	.687
	Age of 35-44	-.711	.183	15.045	1	.000	.491**	.343	.704
	Age of 45-54	-.885	.186	22.705	1	.000	.413**	.287	.594
	Age of 55-64	-.552	.202	7.442	1	.006	.576**	.387	.856
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-.105	.481	.048	1	.827	.900	.351	2.310
	Income of £10,000-£20,000	-.040	.481	.007	1	.934	.961	.374	2.465
	Income of £20,000-£29,999	.202	.486	.173	1	.678	1.224	.472	3.172
	Income of £30,000-£39,999	.725	.517	1.970	1	.160	2.066	.750	5.688
	Income of £40,000-£49,999	.191	.525	.132	1	.716	1.210	.433	3.386
	Income of £50,000-£74,999	.221	.552	.160	1	.689	1.247	.423	3.677
	Income of £75,000-£99,999	.286	.700	.167	1	.683	1.331	.337	5.253
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
Not very much	Intercept	1.632	.562	8.432	1	.004			
	Male	-.269	.107	6.294	1	.012	.764*	.619	.943
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.791	.204	14.956	1	.000	.454**	.304	.677
	Age of 25-34	-.445	.198	5.068	1	.024	.641*	.435	.944
	Age of 35-44	-.402	.196	4.196	1	.041	.669*	.456	.983
	Age of 45-54	-.624	.200	9.733	1	.002	.536**	.362	.793
	Age of 55-64	-.307	.216	2.017	1	.156	.735	.481	1.124

Age of 65+	0 ^b	.	.	0	.	.	.	.
Income of under £9,999	.151	.538	.079	1	.779	1.163	.405	3.338
Income of £10,000-£20,000	.216	.538	.161	1	.688	1.241	.432	3.560
Income of £20,000-£29,999	.244	.543	.201	1	.654	1.276	.440	3.701
Income of £30,000-£39,999	.734	.574	1.638	1	.201	2.084	.677	6.413
Income of £40,000-£49,999	.196	.586	.112	1	.738	1.217	.386	3.836
Income of £50,000-£74,999	.205	.615	.111	1	.739	1.227	.368	4.096
Income of £75,000-£99,999	.474	.766	.383	1	.536	1.607	.358	7.209
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

a. The reference category is: Not at all.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Trusting in the police a lot is more likely among females and the older age groups. Unfortunately income was not a significant variable in the model. Male respondents are 30% less likely than their female counterparts to trust in police a lot. While the 15-24 age group was 77% less likely to say that they trust the police a lot, the 55-64 age group was 50% less likely to have the same opinion than the 65+ age group. The pattern remains the same among those respondents as well who think that they can trust the police a fair amount. Those who do not trust the police very much had the same demographic characteristics as the two previous main groups, except one feature. Being the age of 25-44 increased the odds of not trusting the police very much compared to the 45-54 age group, although still both groups remained less likely to say they trust the police not very much when compared to the White British population and the not trusting in police at all reference category.

In Model 2 we add ethnicity into our analysis as well and rerun the logistic regression (Table 19). The sample is made of 13,533 values, of which 10,849 are missing ones.

Table 19 Trust in Police – Model II.

Trust in Police ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
A lot	Intercept	3.299	.517	40.675	1	.000			
	Male	-.403	.105	14.676	1	.000	.669**	.544	.821
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-1.285	.205	39.440	1	.000	.277**	.185	.413
	Age of 25-34	-.602	.198	9.203	1	.002	.548**	.372	.808
	Age of 35-44	-.643	.194	11.050	1	.001	.525**	.360	.768
	Age of 45-54	-.992	.197	25.491	1	.000	.371**	.252	.545
	Age of 55-64	-.724	.210	11.827	1	.001	.485**	.321	.733
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-.317	.491	.417	1	.518	.728	.278	1.907
	Income of £10,000-£20,000	-.374	.491	.580	1	.446	.688	.263	1.801
	Income of £20,000-£29,999	-.358	.496	.520	1	.471	.699	.264	1.850
	Income of £30,000-£39,999	.253	.527	.230	1	.632	1.287	.458	3.618
	Income of £40,000-£49,999	-.149	.536	.077	1	.782	.862	.301	2.465
	Income of £50,000-£74,999	-.149	.565	.070	1	.792	.861	.285	2.605
	Income of £75,000-£99,999	.121	.713	.029	1	.865	1.129	.279	4.567
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-.535	.427	1.572	1	.210	.586	.254	1.351
	Other White	-.037	.268	.019	1	.891	.964	.570	1.631
	Mixed Background	-1.012	.212	22.810	1	.000	.363**	.240	.551
	Asian	-.162	.142	1.309	1	.253	.850	.644	1.123
	Black	-1.147	.138	69.305	1	.000	.318**	.242	.416

	White British	0 ^b	.	.	0	.	.	.	.
A fair amount	Intercept	3.470	.509	46.426	1	.000			
	Male	-.427	.102	17.675	1	.000	.653**	.535	.796
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-1.052	.198	28.336	1	.000	.349**	.237	.515
	Age of 25-34	-.642	.194	10.901	1	.001	.526**	.360	.770
	Age of 35-44	-.631	.190	11.063	1	.001	.532**	.367	.772
	Age of 45-54	-.829	.192	18.705	1	.000	.437**	.300	.636
	Age of 55-64	-.584	.206	8.034	1	.005	.558**	.373	.835
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-.105	.483	.047	1	.828	.900	.349	2.322
	Income of £10,000-£20,000	-.033	.483	.005	1	.946	.968	.375	2.495
	Income of £20,000-£29,999	.206	.488	.177	1	.674	1.228	.472	3.197
	Income of £30,000-£39,999	.696	.519	1.799	1	.180	2.005	.725	5.542
	Income of £40,000-£49,999	.131	.527	.061	1	.804	1.140	.406	3.200
	Income of £50,000-£74,999	.174	.554	.098	1	.754	1.190	.402	3.524
	Income of £75,000-£99,999	.134	.703	.036	1	.849	1.143	.288	4.538
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-.456	.409	1.242	1	.265	.634	.285	1.413
	Other White	-.281	.264	1.132	1	.287	.755	.450	1.267
	Mixed Background	-.863	.199	18.843	1	.000	.422**	.286	.623
	Asian	.089	.137	.420	1	.517	1.093	.835	1.429
	Black	-.877	.129	46.108	1	.000	.416**	.323	.536
	White British	0 ^b	.	.	0	.	.	.	.
Not very much	Intercept	1.655	.571	8.400	1	.004			
	Male	-.282	.110	6.607	1	.010	.754**	.608	.935
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.680	.213	10.235	1	.001	.506**	.334	.768
	Age of 25-34	-.363	.208	3.044	1	.081	.696	.463	1.046
	Age of 35-44	-.374	.203	3.410	1	.065	.688	.462	1.023
	Age of 45-54	-.613	.206	8.858	1	.003	.541**	.362	.811
	Age of 55-64	-.317	.220	2.074	1	.150	.729	.473	1.121
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	.225	.545	.171	1	.680	1.253	.430	3.647

Income of £10,000- £20,000	.275	.545	.254	1	.614	1.316	.452	3.831
Income of £20,000- £29,999	.299	.550	.295	1	.587	1.348	.458	3.964
Income of £30,000- £39,999	.753	.580	1.683	1	.194	2.123	.681	6.617
Income of £40,000- £49,999	.200	.593	.114	1	.736	1.221	.382	3.903
Income of £50,000- £74,999	.263	.621	.179	1	.672	1.301	.385	4.395
Income of £75,000- £99,999	.518	.771	.451	1	.502	1.678	.371	7.601
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
Chinese	-.476	.458	1.080	1	.299	.621	.253	1.525
Other White	-.226	.289	.611	1	.434	.798	.453	1.405
Mixed Background	-.551	.219	6.319	1	.012	.576*	.375	.886
Asian	-.057	.149	.145	1	.703	.945	.706	1.265
Black	-.280	.138	4.103	1	.043	.756*	.577	.991
White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: Not at all.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Adding ethnicity to our model showed that it is significant even with the control variables. Respondents with Mixed and Black ethnic backgrounds were 64% and 68%, respectively, less likely to trust the police a lot than their White British counterparts. Being members of either ethnic minority meant that the odds of trusting the police a fair amount were decreased by 58%. The prevalence of those who said that they did not trust the law enforcement very much was 42% less likely among the Mixed ethnic group and 24% less likely among the Black minority group than the White British when using the not trusting the police at all as the reference category.

All in all we can say that the minority ethnic groups trust the police significantly less than their White British counterparts.

5.5.2. Treatment by Police

We continue our analysis with two further measures of impartiality: treatment by police and treatment by court. We focus on the former one in the current section and first establish the baseline model, which will be followed by an extended model including ethnicity as well.

The baseline model in case of treatment by police includes 13,533 cases in total, of which 3,295 are missing values and 10,238 are valid ones. Table 20 displays the results.

Table 20 Treatment by Police – Baseline Model

How would the police treat you? ^a	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	2.376	.370	41.131	1	.000			
Male	-.469	.081	33.150	1	.000	.626**	.534	.734
Female	0 ^b	.	.	0	.	.	.	.
Age of 15-24	-1.446	.166	76.075	1	.000	.235**	.170	.326
Age of 25-34	-1.561	.153	104.051	1	.000	.210**	.156	.283
Age of 35-44	-1.123	.147	58.155	1	.000	.325**	.244	.434
Age of 45-54	-.859	.155	30.617	1	.000	.424**	.313	.574
Age of 55-64	-.225	.168	1.793	1	.181	.798	.574	1.110
Age of 65+	0 ^b	.	.	0	.	.	.	.
Income of under £9,999	-1.336	.351	14.524	1	.000	.263**	.132	.523
Income of £10,000-£20,000	-1.268	.350	13.112	1	.000	.281**	.142	.559
Income of £20,000-£29,999	-1.054	.351	9.005	1	.003	.348**	.175	.694
Income of £30,000-£39,999	-.512	.361	2.011	1	.156	.599	.295	1.216
Income of £40,000-£49,999	-.554	.375	2.181	1	.140	.575	.276	1.199
Income of £50,000-£74,999	-.370	.398	.862	1	.353	.691	.316	1.508
Income of £75,000-£99,999	-.494	.473	1.092	1	.296	.610	.242	1.541
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

I would be treated the same way as other races	Intercept	2.650	.343	59.553	1	.000			
	Male	-.182	.064	8.127	1	.004	.834**	.736	.945
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-1.590	.132	145.511	1	.000	.204**	.157	.264
	Age of 25-34	-1.161	.124	87.389	1	.000	.313**	.246	.400
	Age of 35-44	-1.095	.124	77.833	1	.000	.334**	.262	.427
	Age of 45-54	-.937	.132	50.650	1	.000	.392**	.303	.507
	Age of 55-64	-.463	.147	9.946	1	.002	.629**	.472	.839
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	.225	.326	.477	1	.490	1.253	.661	2.375
	Income of £10,000-£20,000	.135	.326	.171	1	.679	1.144	.604	2.168
	Income of £20,000-£29,999	-.057	.327	.031	1	.861	.944	.497	1.793
	Income of £30,000-£39,999	.141	.337	.176	1	.674	1.152	.595	2.229
	Income of £40,000-£49,999	-.091	.348	.068	1	.794	.913	.461	1.807
	Income of £50,000-£74,999	.167	.369	.206	1	.650	1.182	.574	2.435
	Income of £75,000-£99,999	-.050	.430	.013	1	.908	.952	.410	2.209
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

a. The reference category is: I would be treated worse than other races.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

The baseline model shows that male respondents are 37% less likely to think that they would be treated better than any other races, while the older the respondents are the more likely they agree with the statement that police treats them better than other races when compared to the 65+ age group. Still respondents under the age of 65 are less likely to be on this opinion than their counterparts older than 65. Income shows that the less the individual earns per annum the least likely they are to feel that they are treated better by the police.

The same patterns are visible among those who felt they were treated the same way as any other races as males and the lower earners were less likely again to agree with the statement. Income on the other hand became insignificant in this group.

Adding ethnicity into the picture we arrive to the results of Table 21. The sample contains 9,946 valid cases and 3,587 missing values.

Table 21 Treatment by Police – Model II.

How would the police treat you? ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
I would be treated better than other races	Intercept	2.933	.409	51.369	1	.000			
	Male	-.496	.089	31.075	1	.000	.609**	.511	.725
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.759	.178	18.167	1	.000	.468**	.330	.664
	Age of 25-34	-.659	.164	16.084	1	.000	.517**	.375	.714
	Age of 35-44	-.312	.157	3.929	1	.047	.732*	.538	.997
	Age of 45-54	-.243	.166	2.159	1	.142	.784	.567	1.085
	Age of 55-64	-.042	.178	.056	1	.812	.959	.677	1.358
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-1.158	.388	8.912	1	.003	.314**	.147	.672
	Income of £10,000-£20,000	-1.313	.387	11.491	1	.001	.269**	.126	.575
	Income of £20,000-£29,999	-1.035	.389	7.086	1	.008	.355**	.166	.761
	Income of £30,000-£39,999	-.637	.400	2.537	1	.111	.529	.242	1.158
	Income of £40,000-£49,999	-.788	.415	3.613	1	.057	.455	.202	1.025
	Income of £50,000-£74,999	-.568	.439	1.677	1	.195	.567	.240	1.339
	Income of £75,000-£99,999	-.579	.524	1.222	1	.269	.560	.201	1.565
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-2.242	.598	14.030	1	.000	.106**	.033	.343
	Other White	-.228	.234	.955	1	.328	.796	.503	1.258
	Mixed Background	-3.081	.287	115.638	1	.000	.046**	.026	.081
	Asian	-3.387	.181	349.121	1	.000	.034**	.024	.048
	Black	-4.709	.279	284.157	1	.000	.009**	.005	.016
	White British	0 ^b	.	.	0	.	.	.	.
I would be treated the	Intercept	3.045	.361	71.294	1	.000			
	Male	-.230	.067	11.638	1	.001	.795**	.697	.907
	Female	0 ^b	.	.	0	.	.	.	.

same way as other races	Age of 15-24	-1.268	.139	82.942	1	.000	.282**	.214	.370
	Age of 25-34	-.748	.131	32.410	1	.000	.473**	.366	.612
	Age of 35-44	-.668	.131	26.101	1	.000	.513**	.397	.662
	Age of 45-54	-.608	.138	19.367	1	.000	.544**	.415	.714
	Age of 55-64	-.363	.153	5.600	1	.018	.695*	.515	.940
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	.368	.341	1.162	1	.281	1.444	.740	2.818
	Income of £10,000-£20,000	.144	.341	.179	1	.672	1.155	.592	2.252
	Income of £20,000-£29,999	-.007	.342	.000	1	.983	.993	.508	1.942
	Income of £30,000-£39,999	.109	.353	.096	1	.757	1.115	.559	2.225
	Income of £40,000-£49,999	-.193	.365	.280	1	.597	.825	.404	1.685
	Income of £50,000-£74,999	.045	.385	.013	1	.908	1.046	.491	2.224
	Income of £75,000-£99,999	-.135	.454	.088	1	.766	.874	.359	2.127
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-.098	.341	.082	1	.774	.907	.465	1.769
	Other White	-.150	.211	.505	1	.477	.861	.569	1.302
	Mixed Background	-1.354	.134	101.448	1	.000	.258**	.198	.336
	Asian	-.987	.084	136.472	1	.000	.373**	.316	.440
	Black	-1.932	.085	516.722	1	.000	.145**	.123	.171
	White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: I would be treated worse than other races.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

In Model 2 we can see that ethnicity is significant when examined together with gender, age and income as independent variables. The control variables remained significant in the group of respondents who think they are treated better than other races by the police. The ethnic minorities show a rather disappointing situation, however. The Chinese, Mixed, Asian and Black ethnic groups were 89%-99% less likely to feel they received a better treatment than other races when compared to the White British majority ethnic group. When evaluating those respondents who felt they were treated the same way as other races, there is a slight improvement as the odds of Mixed, Asian and Black individuals agreeing with the statement were decreased by 62-85% compared

to the White British ethnic group. Still, it is a very low percentage of the minority ethnic groups to think they are indeed treated the same way by the police as any other races.

5.5.3. Treatment by Court

In the forthcoming we analyse the level of fair treatment by court by ethnicity. Our sample contains 9083 valid cases and 13,533 subjects in total including the missing values as well. We follow the same research method as previously, we establish the baseline model then expand it with the variable of ethnicity to whether impartial access to justice is fulfilled in the court rooms.

Table 22 Treatment by Court – Baseline Model

How would the court treat you? ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
I would be treated better than other races	Intercept	1.103	.472	5.466	1	.019			
	Male	-.656	.115	32.314	1	.000	.519**	.414	.651
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.045	.221	.042	1	.837	.956	.620	1.472
	Age of 25-34	-.436	.207	4.431	1	.035	.647*	.431	.970
	Age of 35-44	-.108	.195	.307	1	.580	.897	.612	1.316
	Age of 45-54	-.146	.208	.493	1	.482	.864	.574	1.299
	Age of 55-64	.231	.222	1.082	1	.298	1.259	.816	1.945
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-1.296	.447	8.411	1	.004	.274**	.114	.657
	Income of £10,000-£20,000	-1.277	.447	8.144	1	.004	.279**	.116	.670
	Income of £20,000-£29,999	-1.240	.449	7.619	1	.006	.289**	.120	.698
	Income of £30,000-£39,999	-.650	.458	2.017	1	.156	.522	.213	1.280
	Income of £40,000-£49,999	-.777	.484	2.579	1	.108	.460	.178	1.187
	Income of £50,000-£74,999	-.685	.503	1.859	1	.173	.504	.188	1.350
	Income of £75,000-£99,999	-.088	.593	.022	1	.882	.916	.286	2.928
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

I would be treated the same way as other races	Intercept	2.619	.377	48.340	1	.000			
	Male	-.120	.075	2.557	1	.110	.887	.765	1.027
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.690	.145	22.646	1	.000	.502**	.378	.667
	Age of 25-34	-.439	.132	11.127	1	.001	.644**	.498	.834
	Age of 35-44	-.477	.129	13.610	1	.000	.621**	.482	.800
	Age of 45-54	-.412	.137	9.048	1	.003	.662**	.506	.866
	Age of 55-64	-.076	.152	.248	1	.619	.927	.688	1.249
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	.051	.362	.020	1	.887	1.053	.518	2.141
	Income of £10,000-£20,000	.043	.362	.014	1	.905	1.044	.514	2.123
	Income of £20,000-£29,999	-.194	.363	.287	1	.592	.823	.404	1.676
	Income of £30,000-£39,999	-.123	.372	.110	1	.740	.884	.427	1.832
	Income of £40,000-£49,999	-.168	.387	.189	1	.663	.845	.396	1.803
	Income of £50,000-£74,999	-.212	.400	.281	1	.596	.809	.369	1.773
	Income of £75,000-£99,999	-.125	.488	.065	1	.798	.883	.339	2.298
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.

a. The reference category is: I would be treated worse than other races.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

As Table 22 shows, the male respondents are 48% less likely to say that they are treated by the court the same way as other races. Age-wise, the age group of 25-34 is 34% less likely to agree with the statement than the 65+ age group showing that the older ages have a higher likelihood to feel better treated by the court. Individuals with an income of lower than £30,000 per annum are around 70% less likely to be on the same opinion about court treatment than those who earn more than £100,000.

Gender and income become insignificant among those respondents who felt they were treated the same way as other races by the court. However, the age of the individuals is still significant and shows the same relation as in the previous answer group, i.e. the younger the respondent the least likely to agree with the statement compared to the 65+ age group.

Adding ethnicity into our model, we arrive to the findings of Table 23 below. The sample contains 8,855 valid cases and 4,678 missing values.

Table 23 Treatment by Court – Model II.

How would the court treat you? ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
I would be treated better than other races	Intercept	1.254	.490	6.560	1	.010			
	Male	-.726	.121	35.868	1	.000	.484**	.382	.614
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	.593	.230	6.638	1	.010	1.809**	1.152	2.841
	Age of 25-34	.262	.217	1.469	1	.226	1.300	.850	1.987
	Age of 35-44	.500	.203	6.089	1	.014	1.649*	1.108	2.453
	Age of 45-54	.338	.215	2.478	1	.115	1.402	.920	2.136
	Age of 55-64	.350	.228	2.357	1	.125	1.419	.908	2.217
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	-1.026	.464	4.883	1	.027	.359*	.144	.890
	Income of £10,000-£20,000	-1.152	.464	6.153	1	.013	.316*	.127	.785
	Income of £20,000-£29,999	-1.065	.466	5.227	1	.022	.345*	.138	.859
	Income of £30,000-£39,999	-.583	.475	1.510	1	.219	.558	.220	1.415
	Income of £40,000-£49,999	-.801	.503	2.540	1	.111	.449	.168	1.202
	Income of £50,000-£74,999	-.705	.521	1.836	1	.175	.494	.178	1.370
	Income of £75,000-£99,999	-.054	.615	.008	1	.930	.948	.284	3.161
	Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
	Chinese	-2.169	1.101	3.885	1	.049	.114*	.013	.988
	Other White	.339	.273	1.547	1	.214	1.404	.822	2.397
	Mixed Background	-2.952	.473	38.966	1	.000	.052**	.021	.132
	Asian	-1.959	.218	80.550	1	.000	.141**	.092	.216
	Black	-4.030	.391	106.366	1	.000	.018**	.008	.038
	White British	0 ^b	.	.	0	.	.	.	.
I would be treated the same way as other races	Intercept	2.753	.386	50.861	1	.000			
	Male	-.177	.078	5.143	1	.023	.838*	.719	.976
	Female	0 ^b	.	.	0	.	.	.	.
	Age of 15-24	-.402	.153	6.888	1	.009	.669**	.496	.903
	Age of 25-34	-.130	.140	.860	1	.354	.878	.667	1.156
	Age of 35-44	-.169	.136	1.538	1	.215	.845	.647	1.103
	Age of 45-54	-.172	.143	1.447	1	.229	.842	.636	1.114
	Age of 55-64	.008	.157	.003	1	.959	1.008	.741	1.372
	Age of 65+	0 ^b	.	.	0	.	.	.	.
	Income of under £9,999	.210	.370	.322	1	.570	1.234	.597	2.548

Income of £10,000- £20,000	.136	.370	.135	1	.714	1.145	.555	2.363
Income of £20,000- £29,999	-.098	.370	.070	1	.792	.907	.439	1.874
Income of £30,000- £39,999	-.094	.380	.062	1	.804	.910	.432	1.916
Income of £40,000- £49,999	-.156	.396	.155	1	.694	.856	.394	1.858
Income of £50,000- £74,999	-.257	.409	.396	1	.529	.773	.347	1.723
Income of £75,000- £99,999	-.176	.498	.126	1	.723	.838	.316	2.224
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
Chinese	.260	.466	.310	1	.578	1.296	.520	3.234
Other White	-.157	.230	.463	1	.496	.855	.544	1.343
Mixed Background	-1.060	.155	46.650	1	.000	.346**	.256	.470
Asian	-.399	.106	14.080	1	.000	.671**	.545	.826
Black	-1.538	.093	271.440	1	.000	.215**	.179	.258
White British	0 ^b	.	.	0	.	.	.	.

a. The reference category is: I would be treated worse than other races.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed.

Adding ethnicity to our model, the control variables remain significant. They show the same relations except for the age variable. Interestingly, it shows that the age groups of 15-24 and 35-44 are more than 1.5 times more likely to be on the opinion that the court treats them better than other races than the 65+ age group⁵⁰.

The ethnicity variable shows similar results to the ones we have seen in case of treatment by police. The chances that individuals with Chinese, Mixed, Asian or Black background feel they are being treated better than other races are 86%-98% less than in case of the White British population.

Male respondents are 16% less likely to say that they are treated the same way as other races by the court, while the 15-24 age group has a likelihood of 33% less than the 65+ when it comes to feeling to be handled equally.

⁵⁰ It is an interesting anomaly, but it lies outside of the scope of current research.

The Mixed and Black ethnic groups are still heavily affected by impartial treatment, as they were 65% and 79%, respectively, less likely to agree with the equal treatment statement than the White British majority. However, Asian respondents show a more balanced treatment by court as their odds to agree that they are treated as other races were 33% less than the likelihood of the White British reference group.

Based on the statistical analyses we can conclude that trust in police in England is heavily affected by the ethnic background of the respondent. The minority ethnic groups trust in the police significantly less than the white British population. When we take into account the treatment by court and police we arrive at the same results. This shows that access to impartial justice is limited in case of the minority ethnic groups and that the quality and impartiality of law enforcement in England is at a much lower level in case of the minority ethnic groups than the White British population. These results confirm our theoretical assumptions that access to impartial justice is limited by the minority ethnic groups, while the access of the white British population to the same public services is at a much higher level.

5.6. Final Model

Last, but not least we are also interested to see if any of the above factors becomes insignificant in terms of their social trust impact when examined in the same model. Thus we architect a new Final Model incorporating the control variables – age, gender, income –, neighbourhood trust, ethnicity, trust in police, treatment by police and treatment by court. The sample consists of 13,533 subjects, of which 7,785 are valid values. Table 24 displays the results.

In the Final Model gender became insignificant, while only one age group remained statistically significant. The odds of trusting people in general are decreased by 22% if the respondent is the age of 25-34 compared to the 65+ age group. It is in line with our previous findings.

Table 24 Final Model

Trust in people ^a	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-1.862	.380	23.989	1	.000			
Male	.103	.053	3.742	1	.053	1.109	.999	1.231
Female	0 ^b	.	.	0	.	.	.	.
Age of 15-24	-.101	.104	.937	1	.333	.904	.738	1.109
Age of 25-34	-.252	.089	7.967	1	.005	.777**	.653	.926
Age of 35-44	-.153	.084	3.292	1	.070	.858	.728	1.012
Age of 45-54	.012	.088	.020	1	.888	1.012	.852	1.204
Age of 55-64	-.168	.091	3.433	1	.064	.845	.708	1.010
Age of 65+	0 ^b	.	.	0	.	.	.	.
Income of under £9,999	-1.006	.243	17.120	1	.000	.366**	.227	.589
Income of £10,000-£20,000	-.809	.243	11.102	1	.001	.445**	.277	.717
Income of £20,000-£29,999	-.643	.244	6.945	1	.008	.526**	.326	.848
Income of £30,000-£39,999	-.513	.250	4.229	1	.040	.598*	.367	.976
Income of £40,000-£49,999	-.262	.262	1.001	1	.317	.770	.461	1.285
Income of £50,000-£74,999	-.082	.275	.088	1	.767	.922	.537	1.581
Income of £75,000-£99,999	-.220	.329	.446	1	.504	.803	.421	1.530
Income of £100,000 or more	0 ^b	.	.	0	.	.	.	.
Many of the people in your neighbourhood can be trusted	2.296	.253	82.215	1	.000	9.932**	6.047	16.315
Some can be trusted	1.343	.253	28.248	1	.000	3.832**	2.335	6.289
A few can be trusted	.784	.259	9.175	1	.002	2.190**	1.319	3.637
None of the people in your neighbourhood can be trusted	0 ^b	.	.	0	.	.	.	.
Chinese	-.004	.272	.000	1	.989	.996	.584	1.698
Other White	.348	.137	6.426	1	.011	1.417*	1.082	1.855
Mixed Background	.172	.141	1.496	1	.221	1.188	.901	1.567
Asian	-.105	.075	1.941	1	.164	.900	.777	1.044
Black	-.240	.096	6.314	1	.012	.786*	.652	.949
White British	0 ^b	.	.	0	.	.	.	.
Trust in Police a lot	.928	.156	35.473	1	.000	2.530**	1.864	3.434
Trust in Police a fair amount	.556	.151	13.509	1	.000	1.744**	1.296	2.346
Trust in Police not very much	.205	.160	1.632	1	.201	1.227	.897	1.679
Trust in Police	0 ^b	.	.	0	.	.	.	.

not at all								
I would be treated worse than other races by the Police	.168	.102	2.721	1	.099	1.183	.969	1.445
I would be treated better than other races by the Police	.280	.080	12.390	1	.000	1.323**	1.132	1.547
I would be treated the same way as other races by the Police	0 ^b	.	.	0	.	.	.	.
I would be treated worse than other races by the Court	-.318	.107	8.727	1	.003	.728**	.590	.899
I would be treated better than other races by the Court	.128	.113	1.278	1	.258	1.136	.911	1.417
I would be treated the same way as other races by the Court	0 ^b	.	.	0	.	.	.	.

a. The reference category is: You cannot be too careful.

b. This parameter is set to zero because it is redundant.

* p<.05 ** p<.01 All tests are two-tailed

Income still plays an important role as the lower earners are less likely to possess trust in general. Respondents with an income of under £9,999 show 63% less likelihood to trust, while the £30,000-£39,999 income group is ‘just’ 40% less likely than those who earn more than £100,000 annually.

Neighbourhood trust has a very strong impact on social trust in our model. Those who think many of their neighbours can be trusted are almost 10 times more likely to trust in people in general as well than those who do not trust in their neighbours at all. Respondents who feel some of the people in the neighbourhood can be trusted are almost 4 times more likely, while those who feel just a few of their neighbours can be trusted are still 2 times more likely to agree that most people can be trusted in the society than those who do not trust their neighbours at all.

Ethnicity still remained significant even when examined together with all the other variables. The Other White ethnic group is 1.4 times more likely, while the Black minority ethnic group is 21% less likely to trust in people in general. It further confirms our hypothesis that minority ethnic groups have a lower level of social trust.

The findings of the three impartiality measures also underline our previous findings. Respondents who trust the police a lot are 2.5 times more likely, while those who trust the police a fair amount are 1.7 times more likely to display trusting attitude towards the general public than those who do not trust the police at all.

Those who feel they are treated better than other races by the police force are 1.3 times more likely to trust in people in general as well. While those who think they would be treated worse than other races by the court are 27% less likely to agree with the statement that most people can be trusted.

5.7. Summary

In the current chapter we explored the mechanisms behind the relationship of the legal system and social trust with the help of quantitative analyses.

The research has been executed in the framework of a within-country investigation based on two sub-populations: the minority and majority ethnic groups.

As a result of the investigation we can conclude the followings:

1. The ethnic minorities trust in people in general significantly less than the White British majority.
2. The geographical concentration of ethnic groups has a negative impact on social trust.
3. Neighbourhood trust matters in forming one's opinion on the trustworthiness of people in general. Ethnic minorities trust less in their neighbours than their White British counterparts.
4. Access to impartial justice is limited in case of the minority ethnic groups and the quality and impartiality of law enforcement is at a much lower level in case of the minorities than the White British population.
5. All of the above factors stay significant and influence social trust when examined together in the same model.

6. Conclusions and an Outlook to Europe

The aim of current research was to depict some of the mechanisms behind the relationship of the legal system and social trust and to uncover the key elements that obstruct the social trust-enhancing effect of the legal system.

The more impartial and efficient a legal system is, the higher the acceptance and compliance of law becomes. On the one hand it reduces the costs of transactions; on the other hand it enhances social trust further deteriorating the expenses of trade. A higher level of social trust decreases the level of corruption and the need for complicated regulations, which in turn creates an incentive to make the legal system even more transparent and efficient.

To show the theoretical basis of the relationship between the legal system and social trust, we first focused on the theory of transaction costs and argued that the key feature of both social trust and the legal system is their ability to reduce transaction costs.

As the economic interactions take place under uncertain conditions with asymmetric and not full informedness, it is the institutional system that ensures the ex post fulfilment and enforceability of the ex ante commitments (NORTH, 1991; GREIF, 1993), which fundamentally determines the options and limitations of the market actors.

The two main factors influencing credible commitments are social trust and the formal institutions (KEEFER – KNACK, 2005), which we investigated from the point of view of game theory.

We have also analysed the theoretical background of social trust. We proposed a new theoretical approach – the social structure framework – in which we examined the features of the society from the perspective of trust.

Based on FUKUYAMA's (2000) and WOOLCOCK's (1998:172) work while adding external enforcement to the picture, we created a social structure framework incorporating the radius of trust and the level of intra-community and extra-community ties to examine the different forms of trust and see if there is need for formal external enforcement.

When social trust is lacking, the legal framework becomes crucial in ensuring external enforcement and thus credible commitments. To be able to do so, it has to

possess certain features, thus we continued with a focus on the theoretical background of a high-quality legal system.

To secure compliance with regulations legitimacy of the legal system has to be ensured (TYLER, 2006), the basis of which is just procedures.

We also focused our attention on the theoretical background of the relationship between social trust and the legal system. We identified two key features of legal institutions – impartiality and efficiency – that influence social trust, thus the dissertation focused on these two aspects of the legal system and conducted research on their impact on social trust.

To corroborate the theoretical argument, a comparative analysis of 24 member states of the European Union has been executed regarding the efficiency and impartiality of the legal system and social trust.

We measured the impartiality of the legal systems by the Quality of Government Institute's Impartiality of Public Administration Index, while we proposed a new measure for the efficiency of the regulatory framework the costs of administrative burdens.

In the light of the theory, it was expected that a legal system that poses high administrative burdens on the given economy and showcases a lower level of impartiality tends to be accompanied by a lower level of social trust.

The Pearson correlations confirmed our initial assumption that the more impartial the legal system is the higher the level of social trust. Also as expected there is a significant negative relationship between the levels of administrative cost an economy has to endure and the level of social trust the same society enjoys meaning that the more efficient the legal system is the higher level of social trust can be found.

However, the correlations together with the cluster analysis also identified the crucial case of Great Britain. As the fatherland of the Rule of Law, we expected it to have a high level of social trust. Remarkably we found the exact opposite as despite being among the countries with the highest level of legal impartiality and efficiency social trust is measured at just the level of 28.50%.

It indicated that a high quality legal framework is a necessary but not sufficient condition to build social trust. It created the question of what other factors are needed on top of 'good' institutions to allow people to trust each other in general.

The identified anomaly classified Great Britain the perfect causal pathway case in our quest to understand the relationship between the legal system and social trust more and to uncover the key elements obstructing the trust-enhancing effect of the legal system.

Chapter 3, 4 and 5 aimed to explore this puzzle, thus they consisted of an in-depth analysis of Great Britain. As traditional social capital research was unable to explain the paradox, we first concentrated on the impartiality and efficiency of the legal system as the main formal institutional factors in generating social trust.

We found that on a macro level Great Britain has an excellent regulatory environment, provides high quality public services, policy design and implementation thus creating an advanced level of transparency and consistency. The legal and administrative branches of the state and the general trust in these institutions – as the most important factors in generating social trust (ROTHSTEIN, 2011) – are also at a high level when examined as average values for the period of 1981-1999.

On the other hand the yearly data showed a more mixed picture suggesting that a deeper analysis of these indicators should be carried out. Also, within the same period of time, social trust declined from a level of 42.5% to just 28.5% (WVS, 2008), while the level of ethnic heterogeneity increased substantially during these years (OFFICE FOR NATIONAL STATISTICS, 2013).

Based on the social structure framework we presented in chapter 2, we know that social trust declines when social distance increases due to ethnic or racial characteristics (ZAK – KNACK, 2001).

As a result we proposed to continue our case study within the format of an embedded within-case analysis focusing on two sub-populations: the minority ethnic groups and the majority ethnic group. We concentrated on the following main questions:

1. Why is social trust at a low level in the fatherland of the rule of law?
2. Is social trust at a lower level in case of the minority ethnic groups compared to the majority ethnic group?
3. Are minority ethnic groups more exposed to poverty and deprivation?
4. Is there a geographic and socio-economic concentration by ethnicity?

5. Are there any language barriers?
6. Is the same level of access to impartial and efficient justice ensured among the minority and majority ethnic groups as well?

We argued that a comprehensive approach including the analysis of immigration, integration, inequality and access to an impartial and efficient justice system is needed to answer the questions and to shed light on the mechanisms behind social trust and the legal system. The mentioned factors were examined in the matrix of extra-community network, intra-community trust, radius of trust and need for formal external enforcement.

To strengthen the internal validity of our analysis we also investigated the mentioned factors through quantitative analyses in chapter 5.

We ran multinomial logistic regressions on the data set of the Citizenship Survey from 2007 (DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT, RACE, COHESION AND FAITH RESEARCH UNIT AND NATIONAL CENTRE FOR SOCIAL RESEARCH, 2008). All analysis was executed within the framework of two models; Model 1 incorporated control variables sex, age and income, while Model 2 also included the actual variable of interest in addition.

As the combined result of the qualitative and quantitative analyses, we came to the following conclusions.

We found that minority ethnic communities were exposed to socio-economic inequality and deprivation at a much larger extent than White British individuals.

As discussed in the theoretical overview in chapter 2, income inequality and deprivation makes extra-community links decrease drastically, thus ethnic groups' high exposure to these aspects initiates social fragmentation.

The analysis also showed that minorities are geographically and socio-economically highly concentrated and that people prefer religiously and ethnically homogenous households. The statistical findings confirmed our initial assumption that the ethnic minorities trust in people in general less than the White British majority, while we also showed that ethnic minorities trust less in their neighbours than their White British counterparts.

All in all it creates culturally tight communities with a suspected high level of within-group trust, but it also means that they can rely on a low level of social network outside their social circle thus creating many separate communities living next to each other without linkages.

The ethnic minority groups are also disposed to income inequality and disadvantageous socio-economic factors to a much higher degree. These two aspects – the fragmentation of different socio-groups together with minorities heavily influenced by poor financial status – strengthen each other's negative effects on social cohesion (through limiting extra-community networks) and generate a spiralling, society-wide trust-eliminating process.

On the other hand restraint on access to impartial justice further impedes out-of-group interactions as formal external enforcement is not ensured.

We have shown statistically as well that access to impartial justice is limited in case of minority ethnic groups and the quality and impartiality of law enforcement is at a much lower level in case of the minorities than the White British population. At the same time, society-wide trust cannot act as an enforcement tool either due to the lack of extra-community networks. The examined factors reinforce each other's effects creating a fragmented social structure where social trust does not emerge.

6.1. Theses

As a result of the analysis we can conclude, that although a high-quality legal framework at a macro level is a necessary condition to build social trust, it is not a sufficient one. To be able to enhance the level of social trust an additional framework condition has to be fulfilled as well in the form of access to impartial justice.

Thesis₁ High-quality legal system at a macro level is a necessary, but not a sufficient condition to augment social trust. The additional framework condition of access to impartial justice has to be accomplished as well to ensure the social trust-enhancing effect of the legal system.

Access to justice becomes even more crucial in the case of ethnically heterogeneous societies. Access to an impartial legal system has to be ensured not just on the level of the majority, but on the level of the minority ethnic groups as well.

Thesis₂ The additional framework condition of access to impartial justice has to be fulfilled on the level of minority and majority ethnic groups as well to allow the legal system to generate social trust. The partial realisation of it hinders social trust to emerge.

When ethnic heterogeneousness is combined with considerable variance in the level of income inequality and poverty of the majority and minority ethnic groups, the society becomes socially fragmented where society-level social trust cannot emerge.

Thesis₃ Significant differences between minority and majority ethnic groups in terms of level of income inequality and deprivation paired with spatial segregation of the ethnic communities cause social fragmentation that in turn hinders social trust on the level of the whole society.

In this case demand for access to an impartial legal system becomes even more substantial, as without it neither formal external enforcement, nor the informal background ensures the build-up of social trust.

Thesis₄ Significant differences between minority and majority ethnic groups in terms of level of income inequality and deprivation paired with spatial segregation of the ethnic communities increases the need for access to impartial justice by minority ethnic groups. Without the latter, neither formal external enforcement, nor the necessary informal background is present to support social trust to emerge.

6.2. *Beyond Great Britain – An Outlook to Europe*

As we have shown social, economic and spatial segregation of the minority and majority ethnic groups calls for a greater focus on ensuring equal access to fair justice. With immigration levels soaring all over Europe, the challenges and the question of how to benefit a heterogeneous society arise not just in Great Britain but all over the European Union.

More than two million EU migrants are living in Germany, UK, Spain and France each, while the largest influx of non-EU migrants is also present in the former three countries (VARGAS-SILVA, 2012; HAWKINS, 2014). In terms of net migration Belgium and Sweden are among the most heavily affected ones in addition to the above mentioned countries (HAWKINS, 2014).

Great Britain might have been on the path of building an ethnically diverse society for decades, but many other countries seem to follow its footsteps. The question is will they have to face similar consequences or can they learn from the case of Great Britain?

On the surface it may appear that the Nordic countries and especially Sweden have found the “holy grail” of balancing out the challenges and fully profiting from a heterogeneous society⁵¹, but have they really?

6.2.1. *The “Holy Grail” or the Case of Sweden*

Sweden possesses the same level of legal quality at a macro level as Great Britain paired with a slightly lower level of immigration (14.4% (OECD, 2012), but crucially it maintains an exceptionally high level of social trust.

If we have a look at the World Bank’s Good Governance Indicators, we find a high-quality regulatory framework. The voice and accountability indicator was always above 95% and between the period of 1996 and 2012 it was at 99% indicating a positive environment in this respect (KAUFFMANN ET AL., 2010).

⁵¹ The question of Sweden has been raised by Professor György István Tóth and also by the Committee Members of the internal viva, for which the author would like to express her gratitude.

Both the effectiveness of the government and the regulatory quality indexes show an exceptionally high level of regulatory environment on an aggregate level that provides a high quality public service creating a level of transparency and consistency that ensures low level of risks to the citizens.

In sum we can say that the main factors of high quality of government (ABDELLATIF, 2003; JALILIAN ET AL., 2006) are all met at an aggregate level providing a desirable framework for market-based economy in which the legal system plays a crucial role. On macro level the legal framework seems to be of a high quality as well.

The Rule of Law indicator constantly remained at a very high level between 1996 and 2012 as it always exceeded 96%, while in the last three years of the measurement it stayed at the level of 99% (KAUFMANN ET AL 2014).

Sweden is also cited among the countries with the lowest administrative costs (1.5%) and it has the second most impartial administrative system in Europe based on the Impartiality of Public Administration Index (1.07%) (EUROPEAN COMMISSION, 2006; TEORELL ET AL., 2011).

As we expected, the identified high-quality formal institutional background is accompanied by the second highest social trust level in Europe. Between 1981 and 2006 Sweden showed an ascending trend of general trust with a starting point of 52.5% and an increase of 10 percentage point over a 25-year period (WVS, 2011).

The system seems to work well as the country has almost the same level of immigrants as Great Britain, but – seemingly – without the negative effects.

This is even more remarkable when taking into account the composition of the newcomers as the majority of them consist of asylum seekers. Of the 332,000 asylum applications in the European Union registered in 2012, 13% occurred in Sweden meaning that the country shouldered the second largest portion of humanitarian-based immigration in the EU. The majority of the applications came from citizens of Syria, Somalia, Afghanistan and Serbia (FREDLUND-BLOMST, 2014), while the five largest groups of all immigrants are from Finland, Iraq, Poland, Former Yugoslavia and Iran (STATISTICS SWEDEN, 2012).

Previous research argued that the lack of negative effects of immigration can be explained mainly with the low level of economic inequality and ethnic segregation and a high degree of social integration in Sweden (USLANER, 2012). A study of

ROTHSTEIN and KUMLIN has shown that excessive geographical concentration of ethnic groups undermines social trust. When the level of informal social interactions is appropriate and state institutions are fair, there is a particularly positive effect of these factors on the level of confidence of minority ethnic groups in the country (ROTHSTEIN - KUMLIN, 2008).

As a result Sweden indeed seemed to find the holy grail of dealing with a heterogeneous society and benefit the most of it at the same time.

6.2.1.1. Problems on the Horizon

There is a problem with this argument though, namely the 5.1 percentage point drop in the level of social trust between 2006 and 2011⁵² (from 65.2% to 60.1%) (WVS, 2011).

If the regulatory environment is at such a high level and the integration of immigrants was successful than why is there a negative effect on the level of general trust⁵³?

We suspect that similar processes to the ones in Great Britain have started in Sweden – only later in time. Our proposition is that some of the decrease in social trust is originated by the social, economic and spatial segregation of ethnicities and by the limited access to impartial justice by ethnic minorities.

In an attempt to show the arising problems in a “nutshell”, we have a look at data on segregation, trust and access to justice by ethnicity in the forthcoming.

The worrying signs began to appear in the 1990s, when immigrants reported to become victims of violence more often than their Swedish counterparts and an

⁵² A special thank you is due to Professor Bo Rothstein and his colleagues at the Quality of Government Institute for their contribution. The conversations helped a great deal to realise that a deteriorating process has already started in Sweden.

⁵³ To be able to show the rising problems of Sweden, we need to abort our original timeframe of research and go beyond the year of 2008. The possible impact of the financial and economic crisis presents a limitation of the findings.

increasing number of racism-related crimes started to occur (VON HAUFER ET AL., 1997).

The problems continued during the first decade of the 21st century as well as government statistics show that 17 out of 20 police districts had no sufficient knowledge regarding how to deal with hate crimes. Between 2003 and 2004 there was a 27% increase in reported xenophobic crimes. Concern was voiced regarding ethnic segregation, rising inequalities of non-Swedes and discrimination towards foreign-born population on the labour and housing markets as well. (US DEPARTMENT OF STATE, 2006).

A commission by the Swedish government presented evidence on integration and structural discrimination in 2004, which showed that there is a critical problem in emergence. The report identified major shortcomings in the labour market, the legal system and the educational system. (FREEDOM HOUSE, 2011).

Problems in the labour market continued to arise. The unemployment rate increased to 7% in 2013, the level of which was 18.9% among the 15-24 age group. A shortage of jobs hit the immigrant communities more severely as there was a 13 percentage point gap between their and their Swedish-born counterparts' unemployment rate in 2009-2010. Compared to the 3 percentage point average difference among OECD countries, it is a remarkably high gap (FREDLUND-BLOMST, 2014).

A rising inequality trend can also be detected since the middle of the 1990s. Between the mid-1990s and the end of the years of 2000s inequality rose by 4.8 percentage points, which put Sweden among OECD countries having the fastest growing inequality (FREDLUND-BLOMST, 2014).

Immigrants are more heavily affected in this respect, too. When comparing the median income change of households between 1991 and 2010 there was a 21 percentage point difference in the levels of increment in the income level of Swedish and non-Swedish domestic units (39% and 18%, respectively) (FRITZELL ET AL., 2010).

These factors create tension and make social integration difficult. Forty percent of Swedes agreed with the statement that there are too many immigrants in the country according to the 2009 European Value Survey results (USLANER, 2012:156).

Segregation problems can be detected according to LARSON's research (2013) as well. Based on data from 2009, 28% of the Swedish population live in an area with no non-western immigrants at all. As a result, a significant part of Swedish population does not have much or any contact with non-western immigrants which "might be a potential threat to the Swedish high-trust environment" (LARSON 2013:234).

USLANER (2012:147) showed that there is a 10 percentage point gap between the trust level of native Swedes and non-Swedes⁵⁴. He also examined the level of friends with different backgrounds among Swedes and non-Swedes. He showed that although Swedes have friends of different backgrounds to themselves, immigrants and minorities "are more likely to have such bridging ties than are Swedes and other Nordics" (USLANER 2012:150)

In sum, we can say minority ethnic groups are less trusting but at the same time they have significantly more friends from different religious and ethnic background than their Swedish counterparts suggesting some level of social segregation.

As a result more and more anti-immigration voices can be heard, especially since the rise of the anti-immigrant party, the Sweden Democrats. There are immigrant communities living in isolated, very poor communities „resembling ethnic ghettos" (USLANER, 2012: 155), which does not just hinder the economic and social opportunities these communities have, but also creates frustration among the majority population. It further impedes out-of-group ties and strengthens spatial segregation.

These factors indicate that there was a slowly advancing tendency in the background which lead to more ethnicity-based segregation and higher discrimination in Sweden.

As we know from the example of Great Britain, in this case equal access to impartial justice by ethnicity becomes even more crucial. Although the macro level indicators show a high level of legal efficiency and impartiality, data on access to impartial justice by ethnicity highlights some shortcomings.

⁵⁴ Although that is a huge gap, the level of trust showcased by immigrants and non-Swedes are still remarkably high when compared to other European countries. It suggests that we can see the beginning of a process, the final outcome of which can be told only in a few years' time when sufficient level of data is available.

A report by the World Justice Project on the Rule of Law ranked Sweden the third highest in the world in 2014, but also expressed “some concerns regarding police discrimination against foreigners and ethnic minorities” and “perceived delays in court processes.” (HARMAN, 2014:1).

Also it seems that the lowest level of trust in law enforcement tend to occur among people with the lowest education and among those who are unemployed (FRITZELL, 2010) indicating a limited level of impartiality in this area. Immigrants are more significantly affected by both lower level of education and higher level of unemployment, thus these groups are more likely to trust in police less.

These findings support our initial proposition that some of the decline in social trust can be originated by the social, economic and spatial segregation of minority ethnic groups and by the limited access to impartial justice by ethnic minorities.

As we have seen, even the seemingly sample case of Sweden showcases early signs of ineffective integration policy and impeded access to a fair legal system by all with no regards to race, religion or ethnicity.

Great Britain might have ventured to the path of an ethnically diverse, heterogeneous society a long time ago, but it is definitely not the only one on this journey. Only time can tell if other European countries – including Sweden – will learn from the experiences of Great Britain or fall victim to the same phenomenon.

6.3. Concluding Thoughts

The key argument of this dissertation is that a high-quality legal system at a macro level is a necessary but not a sufficient condition to augment social trust. The additional framework condition of access to impartial justice has to be fulfilled on the level of minority and majority ethnic groups as well to allow the legal system to generate social trust.

As we have shown, the legal system becomes even more critical when social, economic and spatial segregation of the minority and majority ethnic groups is present in a society.

We can conclude that it is not the level of immigration that matters, but the newcomers’ social and economic integration into the host society and the existence of

equal access to impartial legal system are the factors that greatly affect the level of social trust.

The findings of current research hold important practical edification as both migration and income inequality is increasing in Europe affecting our social structures and economies.

It highlights the fact that by ensuring an impartial legal system accessed by all ethnicities equally; we can overcome the challenges of a heterogeneous society and boost the level of social trust.

Immigration and ethnic diversity contribute to a nation's economic and social welfare significantly if impartial treatment is ensured on all level with a great emphasis on unimpeded access to a fair legal system.

The author recognises that improvement to the justice system requires substantial investment and commitment, but the findings suggest that the socio-economic benefits are likely to far outweigh the costs – meaning it is a price worth paying.

Annex

Table 25 Pearson Correlations

Social Trust 1999	Administrative Costs 2003	Rule of Law 2003	Voice and Accountability 2003	Government Effectiveness 2003	Regulatory Quality 2003
Pearson Correlation	-.627**	.701**	.714**	.732**	.719**
Sig. (2-tailed)	.001	.000	.000	.000	.000
N	24	23	23	23	23

Source: Based on EUROPEAN COMMISSION (2006), WVS (2008) and KAUFMANN ET AL. (2010) data sets, using PASW (SPPSS) Statistics 18.0

Table 26 Administrative Costs, Social Trust, Impartiality of Public Administration and Cluster Numbers

	Costs occurred by administrative burdens (in percentage of GDP in 2003)	“Most people can be trusted.” (in percentage of sample in 1999 ^a)	Impartiality of Public Administration Index	Cluster Number
Sweden	1.5	63.7	1.07	1
Finland	1.5	56.8	1.02	1
Great Britain ^b	1.5	28.5	1.06	2
Denmark	1.9	64.1	1.21	1
Ireland	2.4	35.2	0.99	2
Belgium	2.8	29.4	0.78	2
Luxemburg	2.8	24.9	-	-
Czech Republic	3.3	23.4	-0.18	3
Germany	3.7	31.2	0.54	4
France	3.7	21.4	0.69	4
Holland	3.7	59.4	1.03	1
Slovenia	4.1	21.2	-0.20	3
Austria	4.6	31.3	0.87	4
Spain	4.6	36.3	0.21	4
Italy	4.6	31.8	-0.18	3
Portugal	4.6	9.8	-0.15	3

Slovakia	4.6	15.2	-0.12	3
Poland	5.0	18.3	0.23	3
Greece	6.8	20.5	-0.40	5
Hungary	6.8	21.4	-0.21	5
Estonia	6,8	21.7	0.79	5
Lithuania	6.8	23.4	-0.05	5
Latvia	6.8	16.7	-0.21	5
Malta	6.8	20.4	0.38	5

Source: Based on data from WVS (2008), EUROPEAN COMMISSION (2006), TEORELL ET AL. (2011) and on cluster analysis performed in PASW Statistics 18.0

Notes: ^a Except Finland, data of which is from 2000.

^b In case of administrative burdens, data showed is for the United Kingdom

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