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THE DYNAMICS AND DETERMINANTS OF SOCIAL CAPITAL IN WESTERN EUROPE, NEW MEMBER STATES AND NEIGHBOURING COUNTRIES (UTARTU)

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OBJECTIVE

Social capital is considered as one of the factors of economic development, which increases economic efficiency through supporting cooperation and lowering transaction costs. However, there is evidence that the levels of social capital are lower in new member states and neighbouring countries as compared to old EU members. As such, the lack of social capital may be an important development obstacle in less-developed regions of Europe. Current study aimed to compare the levels and dynamics of social capital in EU member state, and to examine the determinants of social capital comparatively in three country groups – old and new member states, and neighbouring countries – in order to find out whether there are differences between country groups regarding social capital formation.

MAIN RESULTS AND POLICY IMPLICATIONS

Current study covered both European Union member states and as many neighbouring countries as possible. As one of the aims of this study was to highlight the particular features of social capital in post-communist countries, total sample was divided into three groups of countries: Western European countries (WE) including 15 “old” EU members plus 5 other countries from the region, (ii) new member states (NMS) including 10 post-communist countries from Central and Eastern Europe (CEE) plus Cyprus and Malta, and (iii) 15 neighbouring countries (NC) mostly from CIS and Balkan.

As social capital is a multifaceted concept, it can be best described by different dimensions instead of one overall index. Based on the theoretical considerations and also the availability of certain social capital data for as many European countries as possible, it was reasonable to distinguish between four components of social capital – general trust, institutional trust, social norms and formal networks. These components were derived on the basis of 12 initial indicators from European Values Study dataset using confirmatory factor analysis.

Firstly, country mean factor scores were calculated and the levels of social capital in 1990 and 2008 were compared. Comparison of the levels of social capital showed that in case of all social capital components, the levels were lower in NMS as compared to WE. During 1990-2008, the average level of social capital decreased in NMS and increased in WE. In less developed NC-s institutional trust and social norms appeared to be stronger than in NMS, but lower than in WE. Based on historical experience it could be suggested that, unfortunately, there is a possibility that institutional trust and acceptance of social norms would decrease in neighbouring countries when overall economic situation improves, as it has happened earlier in new member states. In this situation, it is highly important to ensure the effectiveness and fairness of formal institutions when implementing economic and political reforms, in order to withstand possible decrease in institutional trust.

Secondly, regression analysis was conducted in order to investigate the determinants of social capital, which were divided into two broader categories: 1) socio-demographic factors like gender, age, income, education, employment and marital status, number of children and town size; and 2) cultural and psychological factors including individualism, satisfaction with democracy and religiosity. Most recent data from EVS round 4 were used, referring mostly to year 2008. Results of the regression analysis showed that most influential factors of social capital are education and satisfaction with democracy. Therefore, investments in educational system and improving democratisation processes could increase the level of social capital. Social capital also associates positively with age, income, and having children, while there was negative relationship between social capital, town size and individualism. As can be seen, some of the factors analysed could not be easily affected by policies, while encouraging overall economic and social development would give contrary results: growing incomes and population ageing tend to increase social capital, while spreading individualism might decrease social capital.