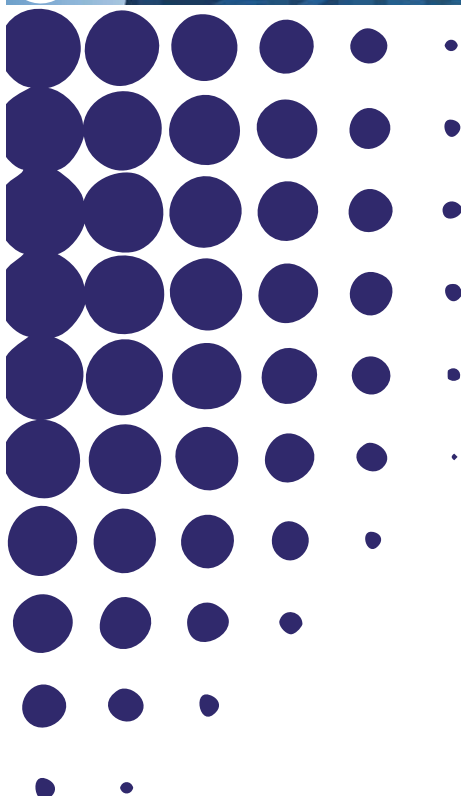


WP5/02 SEARCH WORKING PAPER

Social Capital, Democratization and economic performance: EU,
Candidate and Neighboring Countries in Comparative perspective

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Social Capital, Democratization and economic performance: EU, Candidate and Neighboring Countries in Comparative perspective

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Abstract

The paper focuses on a comparative analysis of the social capital in combination with the level of democracy, institutional quality and global competitiveness of the European Union countries and its neighbors: According to position and experience in the Europeanization path, “Old” EU-15 countries, the 12 ‘new EU members, candidate countries and Eastern European Neighboring countries are compared both across and within these four groups. Three main components of social capital, that means generalized trust, public trust to politicians and elite compliance to legal and social norms are highlighted and compared to each other as well as to the levels of democratization, institutional quality and global competitiveness in each group of countries and single countries. Based on reliable data from the World Economic Forum (WEF), the World Bank, the UNDP and Economist Intelligence Unit, a methodological framework is elaborated, in order to test empirically, our main hypothesis: Social capital favors democratic and institutional performance, while it is, vice versa, also favored by democratic and institutional quality. In other words, there is a two-ways dynamic relation between social capital and democracy who mutually strengthen each other. Furthermore, that social capital and democratization strengthen economic performance and human development.

Keywords

Social Capital, Generalized Trust, Public Trust in Politicians, Democratization, Human Development, Global Competitiveness, Compliance with Norms, Institutional Quality, Europeanization, Transition

JEL Classification

J240, O180, O470, R110

1. INTRODUCTORY REMARKS

Prosperity was traditionally considered to be associated to physical capital and also to human capital, which means tools and training that enhance human productivity. By analogy to these notions, the concept of social capital emerged and is considered to be particularly important for social and economic performance. The notion of social capital appears to be quite broad, it was originally declared (Bourdieu, 1986) to depend on “cultural capital” (skills and knowledge) that is often combined to “symbolic capital” (status, prestige), while it was later on identified with social networks and forms of reciprocity and trustworthiness that arise from them (Putnam 2000). It has been found out that local governments reach higher objective measures of performance in places where the public actively participates in civic activities (Putnam 1993). On the other hand, conceptualization of social capital as “network and form of reciprocity” has been criticized, since social networks could prove to have significant negative impacts, especially if they are exclusive (e.g. a “Mafia”, a familist, a “rent-seeking”, a paternalistic network)(La Porta 1997; Mitsopoulos M. and Pelagidis Th. 2009; Acemoglu D. & Robinson J. 2012). Furthermore, social networks are often reflecting or even structuring social differentiations (Bourdieu 1992), cleavages and inequalities, sometimes offering powerful elites and pressure groups a kind of informal but powerful social infrastructure that by-passes formal institutions, rules and procedures.

A more positive conceptualization of social capital is to define it as a prevailing tendency of people to adopt a basic attitude of openness and trust, in other words a propensity of people in a society to cooperate in order to produce socially efficient outcomes and to avoid inefficient non cooperative traps such as that in the prisoner's dilemma (La Porta et al. 1997). This kind of cooperative pre-disposition is, of course, easier when people interact with other people which are similar to themselves. This is the main reason that a distinction exists between “bonding” and “bridging” social capital. Bonding social capital is created by social networks between homogeneous groups of people. However, negative consequences often refer to this “bonding” social capital that is often accumulated in rather “closed”, discriminating and “vertical” networks, in hierarchical patronage systems, in self-serving and exclusive, “rent seeking” groups (La Porta 1997; Mitsopoulos M. and Pelagidis Th. 2009), sometimes producing “cartelization” through organization (M.Olson, 1982). On the other hand, bridging social capital is created through social networks between socially heterogeneous groups and individuals. These are open and “horizontal” networks which can drastically reduce negative externalities of social differentiations while they facilitate social interactions and bridge cleavages. Bridging social capital seems to be particularly important in times of extreme social differentiation and increasing cultural diversity, paving the way for smoother and faster change or even for reform and transition procedures.

Social networks and connections constitute one part of social capital, while the basic predisposition of individuals and groups to cooperate and trust each other constitutes another part of social capital. Trust is both a prerequisite and a result of social networks and connections, but it can also influence the attitude and choices of individuals and groups in given situations regardless -or in addition to- existing social networks and connections. Trust has many different meanings: It can be *strategic trust* that we gain from daily experience, *particularistic trust* in people like ourselves (stemming from direct experience or stereotypes), or *generalized trust* in strangers, especially people who are different from ourselves (Uslaner, 2002). Trust is a key component of social capital, creating openness and making cooperation faster and easier. While attitudes of *selective trust* (such as of strategic and especially of particularistic trust) are rather static, *generalized trust* has a dynamic character. Generalized trust means openness and seeing strangers as offering opportunities rather than risks (Uslaner, 2010). This kind of generalized openness and trust marks a cooperative pre-disposition that is smoothening social interaction and especially promoting mutual learning. Therefore, generalized trust seems to be the core essence and the keystone of social capital.

Trust and social networks, however, are not the only components of social capital. *Social norms* (not justifying tax cheating, accepting bribe etc.) and *institutional trust* (often defined as confidence in parliament, government, and political parties) are important parameters of social capital (Parts, 2009). Obviously the latter (institutional trust) and finally all parameters of social capital interact with political contexts: “Political systems are important determinants of both the character of civil society and of the uses to which whatever social capital exists might be put” (Edwards and Foley 1998). Dictatorships, authoritarian regimes and “closed” societies obviously undermine formation and use of social capital. For this reason, lower levels of social capital in some central and eastern European states have been connected to the communist past, just as low levels of social capital in some Latin-American countries had been connected to the legacy of military regimes (Klesner 2007, Booth and Bayer 2009). On the other hand, it is obvious that levels of social capital are not equal or analogous in many countries with similar authoritarian backgrounds. For this reason, additional explanatory factors, such as the level of human development, the level of inequality and other aspects, e.g. the religious background and the negative effects of hierarchical religions (Putnam 1993; La Porta 1997), have been employed. In this paper we will compare different components of social capital across different countries and groups of countries. In this way it will also be shown whether and how levels of these different components of social capital correspond to each other. Furthermore, some hypotheses will be tested:

H1: Among the different components of social capital, generalized trust is the most important in many aspects

H2: Higher levels of generalized trust correspond to higher scores in institutional quality, democracy and global competitiveness and vice versa

H3: Higher levels of institutional quality result into higher levels of public trust to politicians and stronger elite compliance to legal and social norms

This paper is structured as follows: The next section presents the theoretical background, focusing on the relation between democratization and the formation of social capital. Then, methodological framework is being explained and data selection presents. In the fourth part, empirical findings are being presented and evaluated before, in the last section, conclusions are drawn.

2. DEMOCRATIZATION AND SOCIAL CAPITAL

Low levels of social capital lead to excessively rigid and unresponsive political system with high levels of corruption. Formal public institutions require social capital in order to function properly (Dowley and Silver 2002). Also private corporations are large organizations that can benefit from trust among their employees and –of course- from trusting relations to clients and suppliers, to creditors and shareholders. Fukuyama (1995) has underlined the need for cooperation between strangers for the success of large firms, and showed how dependent such cooperation on trust is. He contrasted large successful firms in high-trust countries to smaller family firms characterizing low-trust societies. Low levels of social capital and especially of generalized trust seem, therefore, to create a vicious circle of unresponsive political systems and non-competitive business structures on the one hand, mistrusting citizens and clients on the other.

There is no doubt that dictatorships and authoritarian regimes have negative impacts on social capital. Especially generalized trust must suffer from the fact that individuals and groups are deprived from fundamental freedoms, while exercise of power is not accountable to the citizens and decision-making is extremely exclusive and non-transparent. In fact, authoritarian regimes deliberately destroy social capital, through surveillance, secret denunciation and spying techniques, creating an atmosphere of fear and mistrust, while they outlaw most associations. Authoritarian regimes prefer vertical, centrally controlled social networks, while they resent horizontal networking. Communist regimes denied, moreover, property rights, thus increasing uncertainty and impeding individual self-expression in their societies. Therefore it is obvious that social capital faced particularly unfavorable conditions under the Communist regimes of Central and Eastern Europe.

On the other hand, the question that arises is whether it can be said that a democratic system enhances the formation of social capital. In other words, especially concerning Central and Eastern Europe, the question is whether democratization is a process that can gradually restore social capital and further on enhance formation of it. If this is true, it should be moreover investigated, whether countries that had undergone “liberalization” phases (Czech Republic, Hungary etc.) or/and had developed strong associations and mass movements (e.g. Poland) during the communist period, had a better “starting point” for the processes of democratization and restoration of social capital. In theory, “political healing” has been claimed to be a phase that nations are going through, after a long period of dictatorship and/or authoritarian state practices (Rigos, P. 1997). Some other scholars, following human development theory (Welzel, C., Inglehart R. and Klingemann H.-D. 2003) regard democratization as an “emancipative process”, while they highlight preferences of individuals and underline the role of social movements for democratization (Welzel, C. 2006), in contrast to structural theories. These theories, regard the materialization of democracy as a dependent variable of a society’s prevailing structural features such as its stage of economic development, its internal social or ethnic divisions or its position in the global economy. More specifically, *world system theory*, focuses on an advantageous position in the world economic system as preposition for a significant factor favoring democracy (Bollen & Jackman 1985). *Modernization theories* claim that economic wealth is the most conducive factor to democratization (Boix & Stokes 2003). *Spatial diffusion theories*, consider a society’s exposure to democratic neighbors as the major factor of democratization (Linz & Stepan 1996). *Conflict theories* highlight little internal divisions within societies as indicated by a low degree of income inequality and little ethno-linguistic fractionalization (Muller 1997). Finally, for *class-power theory*, the most important factor is the size of the working class (Rueschemeyer et al. 1992). Furthermore, according to the *elite-choice* approach, that was particularly influential in transition research, democratization processes are managed by elites; they are not driven by attitudinal tendencies of the masses nor determined by the structural features in each country (Karl, T.L. & Schmitter, P.C. 1991). In fact, even if democratization was initiated through social movements and mobilization of the masses, the type and level of democracy that will finally be institutionalized, would ultimately be a matter of elite choice. However, there is empirical evidence which does not confirm the axiom of elite-choice approaches that institutional choices of elites are unconstrained by mass attitudes, furthermore, the tendency of structural theories to treat mass attitudes as mere reflections of structural factors has been empirically disconfirmed by some scholars (Welzel, C. 2006). On the contrary, it seems, according to empirical evidence, that mass attitudes have an effect on democratization that seems to be independent of the aforementioned “structural” factors (Welzel, C. 2006). It is worth mentioning that also the *political culture* literature examined and compared the impact of mass attitudes on democratization in several

countries, whereas some scholars concluded that pro-democratic mass attitudes are essential for the florescence of already existing democracies (Putnam 1993, Muller & Seligson 1994; Hadenius & Teorell 2005) and some others highlighted the importance of pro-democratic mass attitudes for the process of democratization as such (Inglehart & Welzel 2005) and later on emphasized on liberty aspirations, which are “most clearly targeted at the essence of democracy” (Welzel, C. 2006).

Indeed, emancipative motivational forces in the population constitute an important factor both for democratization and the well-functioning of democracy. However, democracy does not only rely on liberty aspirations in the population, it also requires a spirit of inter-personal and inter-group cooperation (cooperative attitude) as well as reliable and respected institutions. Social capital, whose importance for large organizations was empirically tested and confirmed by several scholars (Fukuyama 1995; La Porta 1997), is obviously favoring democratic and institutional performance, while it is, vice versa, also favored by democratic and institutional quality. In other words, there is a two-ways dynamic relation between social capital and democracy who mutually strengthen each other.

3. METHODOLOGICAL FRAMEWORK

Social networks and respect for norms are features of social capital which are important for the well functioning of democracy. However, as already noted, social networks can be exclusive (or even extractive) and do not always reflect an open, inclusive cooperative spirit. Respect for legal and ethical norms brings important added value to social capital, when this respect characterizes powerful political and business elites. Concerning the wider public, respect for norms can often be the result of repressive techniques and authoritarian indoctrination. Generalized trust, on the contrary, clearly reflects an open and inclusive predisposition, a cooperative attitude towards groups and individuals. Furthermore, level of public trust to politicians in democratic states reflects public acceptance and legitimacy of the country’s political personnel, that means politically active individuals or/and groups exercising or claiming power and political office(s) by virtue of democratic, open and competitive electoral procedures. While generalized trust reflects a general cooperative attitude, public trust to politicians reflects the level of confidence to political decision making, thus predicting smoother acceptance and implementation of such decisions by the public. In this paper, we will mainly focus on these two aspects of social capital that means generalized trust and public trust to politicians, in order to highlight the level of cooperative attitude, on the one side and public confidence to politicians and their decisions, on the other, because these two aspects are of particular importance for the functioning of economy and society. Cooperative predisposition of the population and public trust to politicians that often negotiate and

decide on matters of European integration and EN policies are very important within the context of Europeanization and EN policies. Furthermore, compliance of political and business elites with legal and ethical norms will be a point of further investigation.

For this reason, generalized trust, public trust to politicians and compliance of political and business elites with legal and ethical norms will be investigated, both at country and country group level according to the following country groups:

- The group of the “old” EU-15 countries, most of which (under the exceptions of Greece, Portugal and Spain) developed stable democracies after World War II and reached high standards of human development
- The group of the 12 new member states that joined the European Union after the “big-bang enlargement” of 2004. Under the exception of the two small island states of Cyprus and Malta, all these new member states had experienced decades of communist rule and had undergone a difficult phase of transition towards market economy and democratization.
- The heterogeneous group of the candidate countries most of which are successor states of former Yugoslavia with quite different backgrounds, contexts and perspectives (Croatia is already becoming an EU-member), but undergoing transformations under the common denominator of the *acquis communautaire* and pre-accession procedures, checks and obligations.
- Finally, the group of Eastern Neighboring countries, all of which are addressees of EN policies and successor states of former Soviet Union, sharing a long history of communist rule and nowadays still facing transition, democratization and even security challenges.

The members of each one of the aforementioned groups will be compared to each other and the average of the other three groups. In this way, dissimilarities and similarities within each group and at the same time among these four groups can be identified and combined.

Findings evaluated are based on data coming from the following sources:

- The Global Competitiveness Report (GCR) published by the World Economic Forum (WEF). Based on annual Executive Opinion Surveys, the GCR provides a *Global Competitiveness Index* for each country (GCI), reflecting different aspects of the competitiveness of an economy. The WEF (World Economic Forum, 2011) defines *competitiveness* as *the set of institutions, policies, and factors that determine the level of productivity of a country*. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. The Global Competitiveness Index includes a weighted average of many different components, each measuring a different aspect of competitiveness. These components are grouped into 12 interrelated pillars of competitiveness

(Quality of Institutions, Infrastructure, Macroeconomic Environment, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication, Innovation). The GCI uses various data sources for statistics but also the World Economic Forum's annual Executive Opinion Survey (Survey) to capture concepts that require a more qualitative assessment (WEF 2011). As an assessment of economic capacity and performance, the GCI has some advantages in comparison to GDP or GDP Growth, since it includes a series of many different variables affecting economic performance and is not simply a measure of production of goods and services. Moreover, criticism on GDP has pointed out since decades, that it is not an adequate and reliable measure of social welfare, development and prosperity (Galbraith 1958).

- Based on the aforementioned Global Competitiveness Report (GCR) a “composite” Index of *Institutional Quality* has been developed in order to compare different national institutional environments, after selecting a number of indicators (18 in total) and constructing four new “pillars” that constitute crucial aspects of institutional quality. These pillars were “Government Effectiveness”, “Regulatory Quality”, “Rule of Law” and “Control of Corruption” (Hlepas, 2012).

- Apart from the aforementioned composite Index of Institutional Quality, also scores concerning the single pillar “Control of Corruption” and the indicator “public trust in politicians” will be shown and compared (Hlepas 2012), since the pillar “control of corruption” shows how far political and business elites in a country follow legal and ethical norms¹.

- Concerning the core element of social capital, interpersonal or generalized trust, this is reflected through the percentage of people who answered that “others” their society could be trusted. Percentage of people who trust strangers in a society is obviously a good measure of cooperative predisposition. Data are from 2012, Gallup World Poll & World Values Survey, elaborated by the Legatum Institute (2012).

- Arguments against GDP as a measure (s. also above) were among the causes that led to the conception of another index of development, the *Human Development Index* (HDI), which has been created by Mahbub ul Haq, followed by Amartya Sen in 1990. HDI is measuring development by combining indicators of life expectancy, educational attainment and income (Health-Education-Living Standards) into a composite index, a single statistic which serves as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1. Data for Human Development

¹The Pillar «Control of Corruption» (Hlepas 2012) included the indicators : 1. Diversion of public funds (Question : « In your country, how common is diversion of public funds to companies, individuals, or groups due to corruption?») and 2 Ethical behavior of firms (Question : How would you compare the corporate ethics (ethical behaviour in interactions with public officials, politicians, and other enterprises) of firms in your country with those of other countries in the world?)

reports are collected from UN authorities, UNESCO and the World Bank, not directly from countries (UNDP 2011).

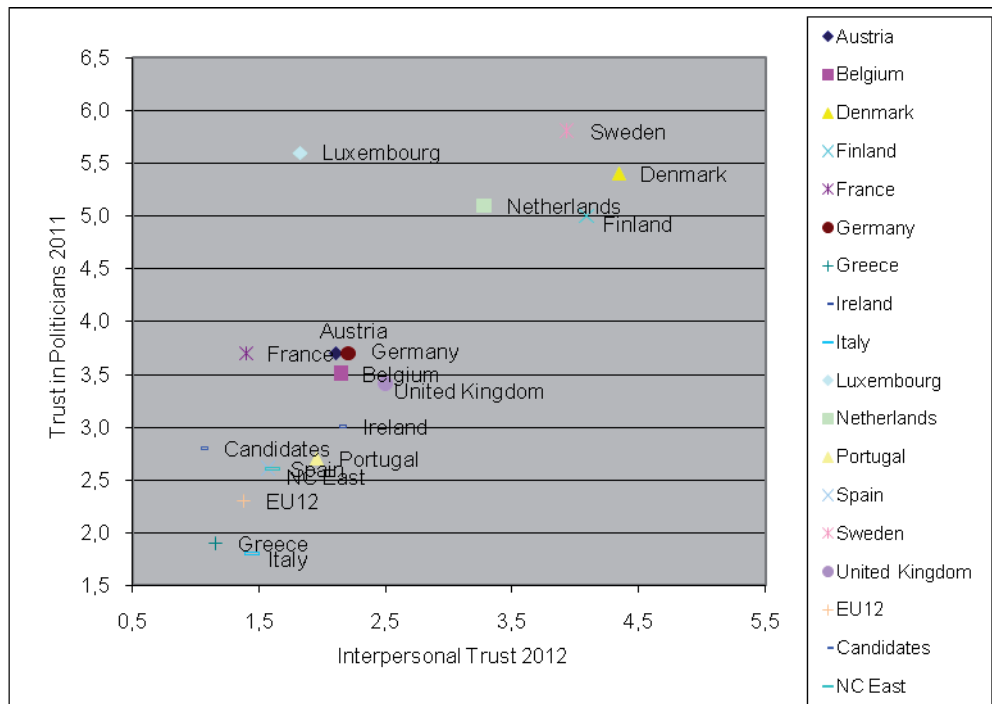
- Concerning especially the level of democracy, data from the "Economist Intelligence Unit's index of democracy" have been used. This index, on a 0 to 10 scale, is based on the ratings for 60 indicators grouped in five categories: 1. electoral process and pluralism; 2. civil liberties; 3. the functioning of government; 4. political participation; and 5. political culture. Each category has a rating on a 0 to 10 scale, and the overall index of democracy is the simple average of the five category indexes. The category indexes are based on the sum of the indicator scores in the category, converted to a 0 to 10 scale. Adjustments to the category scores are made if countries do not score a 1 in the following critical areas for democracy: 1. whether national elections are free and fair; 2. the security of voters; 3. the influence of foreign powers on government; 4. the capability of the civil service to implement policies. If the scores for the first three questions are 0 (or 0.5), one point (0.5 point) is deducted from the index in the relevant category (either the electoral process and pluralism or the functioning of government). If the score for 4 is 0, one point is deducted from the functioning of government category index. The index values are used to place countries within one of four types of regimes: 1. Full democracies: scores of 8-10; 2. Flawed democracies: score of 6 to 7.9; 3. Hybrid regimes: scores of 4 to 5.9; 4. Authoritarian regimes: scores below 4 (Economist Intelligence Unit 2011).

4. RESEARCH FINDINGS

4.1. The "old" EU-15 countries

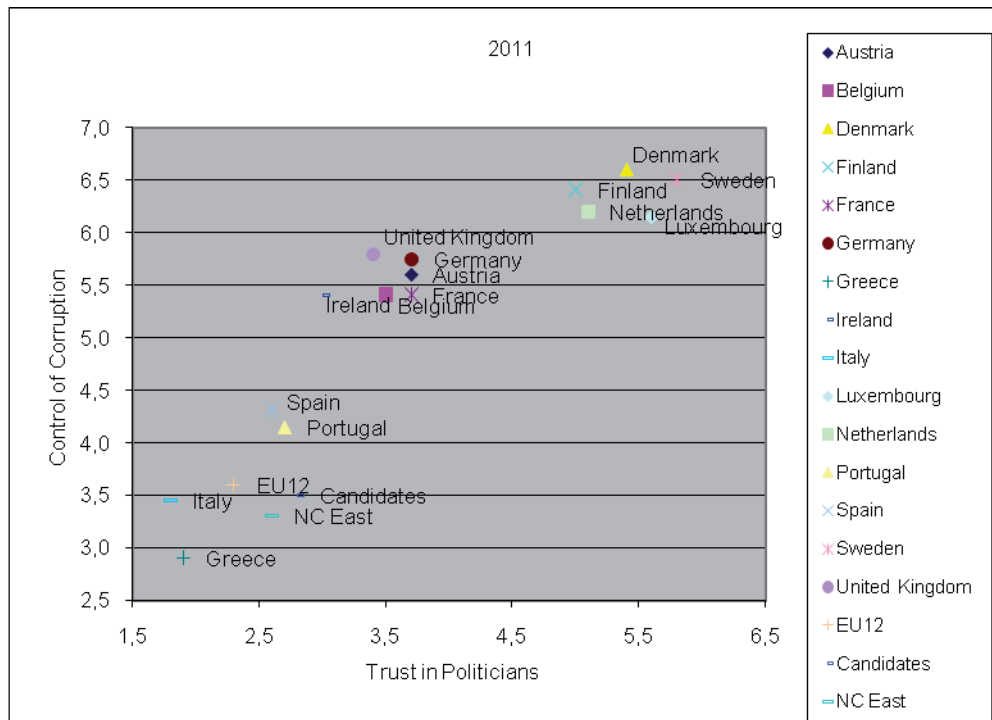
Beginning with the group of the EU-15 countries, the level of interpersonal (generalized) trust has been compared to the level of public trust to politicians in every single EU-15 country, while also the average of the twelve new EU members (enlargement countries), of the candidate countries and of the Eastern Neighboring Countries are being included:

Figure 1: Interpersonal Trust and Public Trust in Politicians in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC's



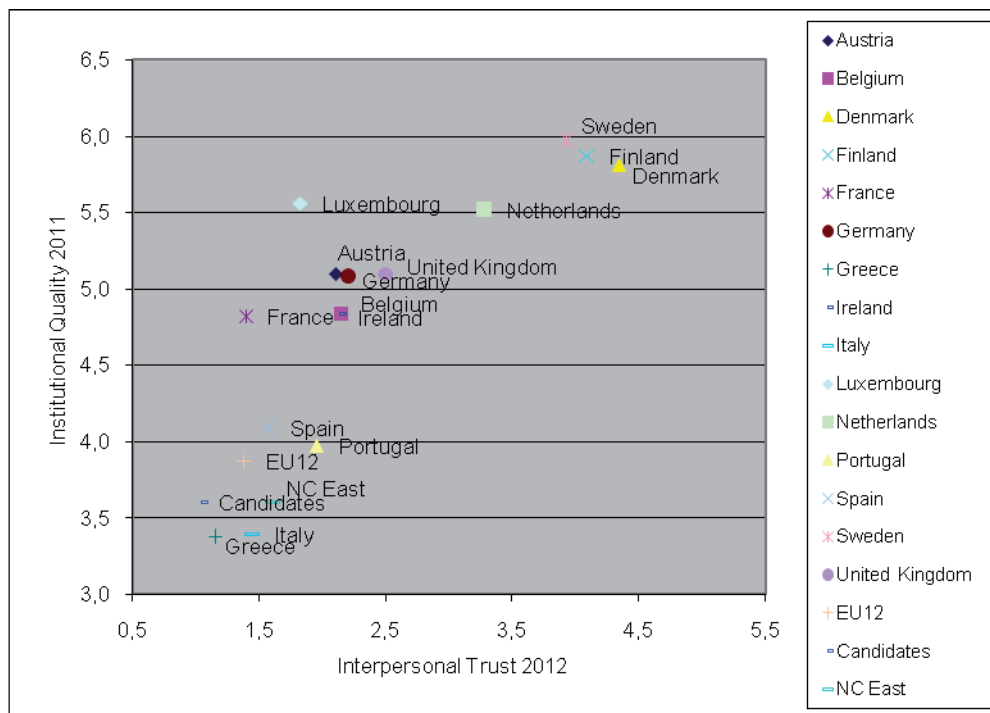
According to the findings, countries with the highest scores of interpersonal trust also reach the highest scores of public trust in politicians. However, concerning the rest of EU-15, *an analogy between the level of interpersonal trust and the level of public trust in politicians does not seem to exist*. For instance, level of interpersonal trust in U.K. is higher than in France, but French score of public trust in politicians is higher than in the U.K. It is worth mentioning that in Southern Europe, interpersonal trust seems to be much weaker, similar to the levels of new EU12, and Eastern NC's, while the candidate countries have the lowest scores. Public trust in politicians seems to nearly collapse in Greece and Italy (in Greece, this is obviously a result of the crisis: Hlepas 2012), while the respective average is very low in the new EU12 countries and in Eastern European NC's. Trust in politicians in Portugal, Spain and Ireland is a bit higher than the previous cases, but it is obvious that in countries nowadays primarily affected by the crisis level of public trust in politicians is remarkably lower than in the rest of EU-15 and comparable to the groups of the new EU members, the Eastern NC's and the candidate countries.

Figure 2: Control of Corruption (elite compliance with legal and social norms) and Public Trust in Politicians in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC's



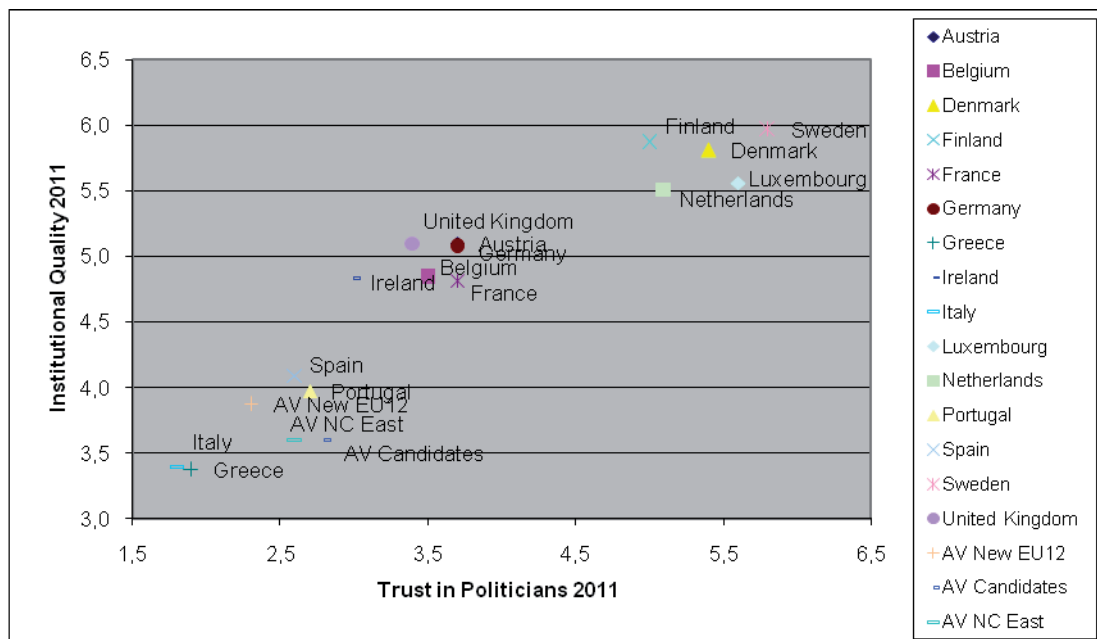
An analogy seems to exist, between the level of public trust in politicians and scores in control of corruption (compliance of political and business elites with ethical and legal norms) in the aforementioned countries and groups of countries. Once more, countries with the highest levels of social capital and, more particularly in this case, with high levels of public trust in politicians show the highest scores also concerning control of corruption. But also in the rest of countries, level of public trust in politicians seems to correspond to the level of elite compliance to norms (“corruption control”). Elites in South European EU-12 countries, seem to score, concerning compliance to norms, at levels which are comparable to the average of the new EU12 countries, the candidate countries and Eastern European NC’s, while Greece has the worse score.

Figure 3: Interpersonal Trust and Institutional Quality in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC’s



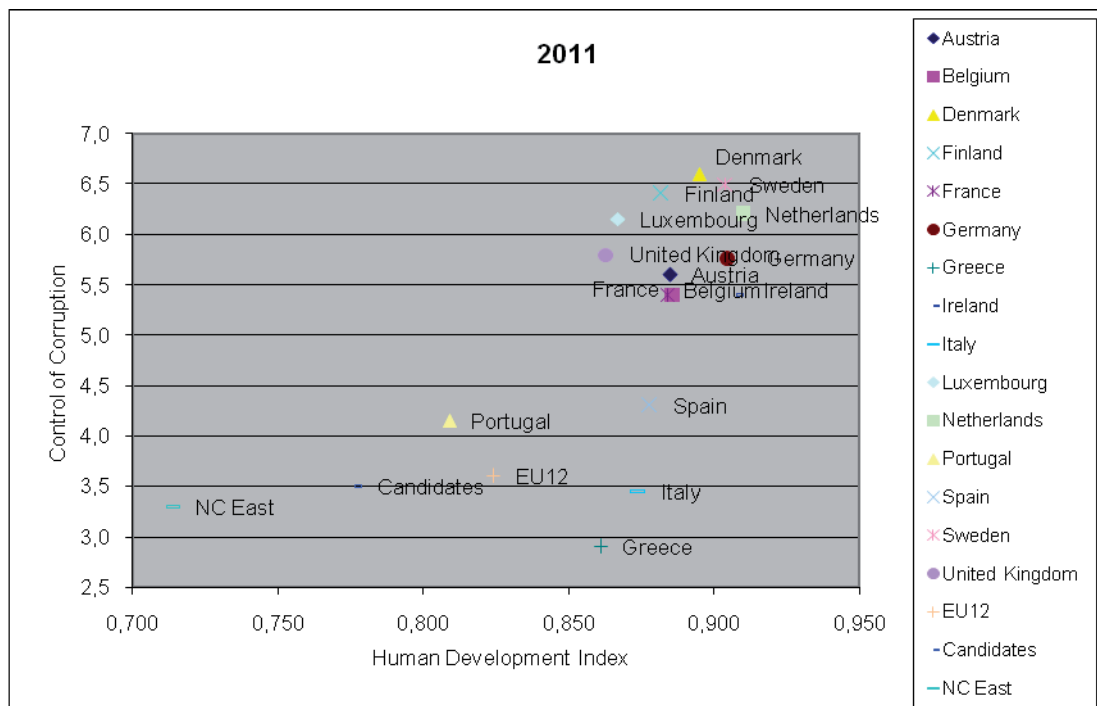
An analogy seems also to exist, between the level of interpersonal (generalized) trust and scores in institutional quality in the aforementioned countries and groups of countries. Once more, countries with the highest levels of social capital and, more particularly in this case, with high levels of generalized trust show the highest scores also concerning the institutional quality index (Hlepas 2012). But also in the rest of countries, level of interpersonal trust seems to correspond to the level of institutional quality, under the exception of France, where a comparatively low level of generalized trust (similar to Southern European Countries) does not correspond to its higher level of institutional quality (comparable to Belgium and just a bit lower than Germany and the U.K.). Institutional Quality Index in South European EU-15 countries is, more or less comparable to the average of the new EU12 countries, the candidate countries and Eastern European NC's, while Greece and Italy have the worse scores.

Figure 4: Public Trust in politicians and Institutional Quality in each one of the EU-15 countries and average scores of the 12 new EU members, of the candidate countries and the Eastern NC's



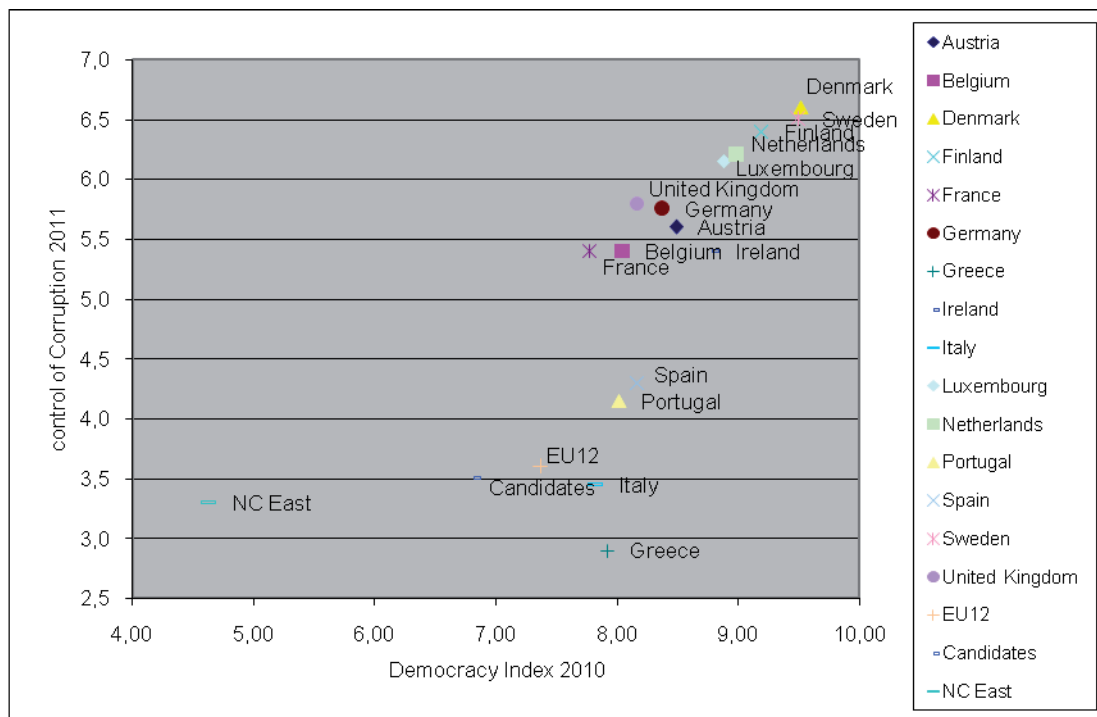
Public trust in politicians seems to clearly reflect scores in institutional quality. Indeed, Scandinavian countries, the Netherlands and Luxembourg once more constitute a distinctive sub-group with highest scores in both categories, while middle European and Anglo-Saxon countries constitute another sub-group with high scores and Southern European EU-15 members constitute another distinctive sub-group with low scores, which are comparable to the average of the new member states (new EU12), the candidates and the Eastern NC's, while Greece and Italy have the lowest scores in both categories.

Figure 5: Elite compliance with legal and ethical norms (Control of Corruption) and Human Development Index in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC's



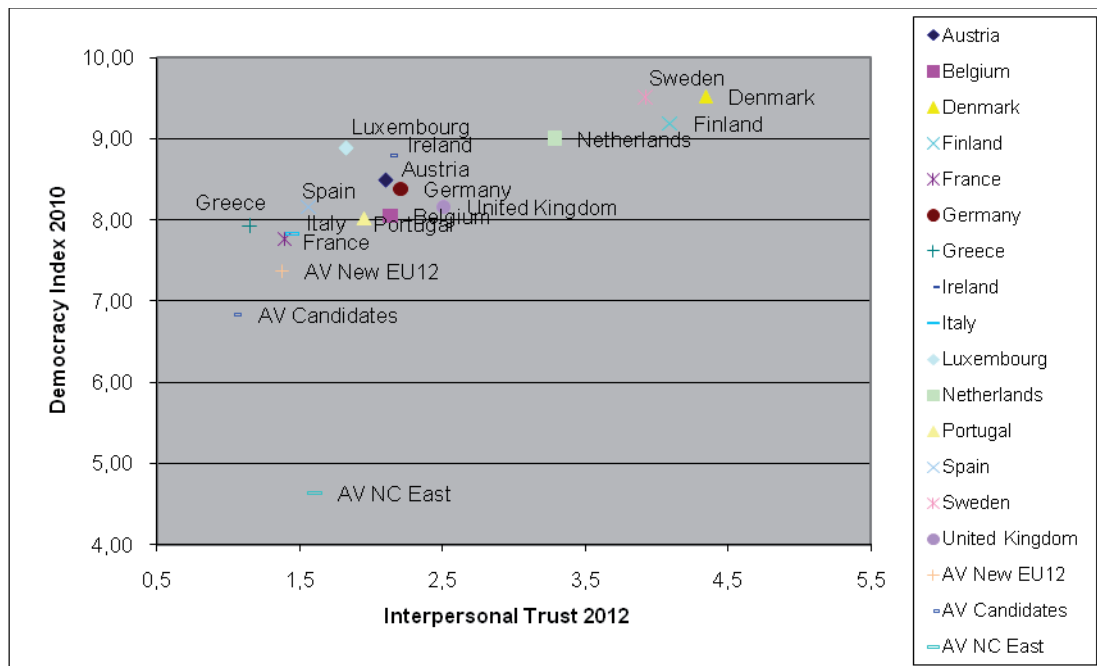
An analogy seems also to exist, between the level of elite compliance with legal and ethical norms and high scores in human development index in most of the EU-15 countries. This is not the case in Southern Europe, where high scores in human development index coincide with low level of elite compliance to norms, probably reflecting cultural and social traditions of clientelism and high-class impunity, as well as deficiencies in the rule of law. On the other hand, it is obvious that the level of *Europeanization corresponds to scoring in human development*. In other words, the more a country or a group of countries has proceeded in Europeanization, the higher is the scoring in Human Development.

Figure 6: Elite compliance with legal and ethical norms (Control of Corruption) and Democracy Index in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC's



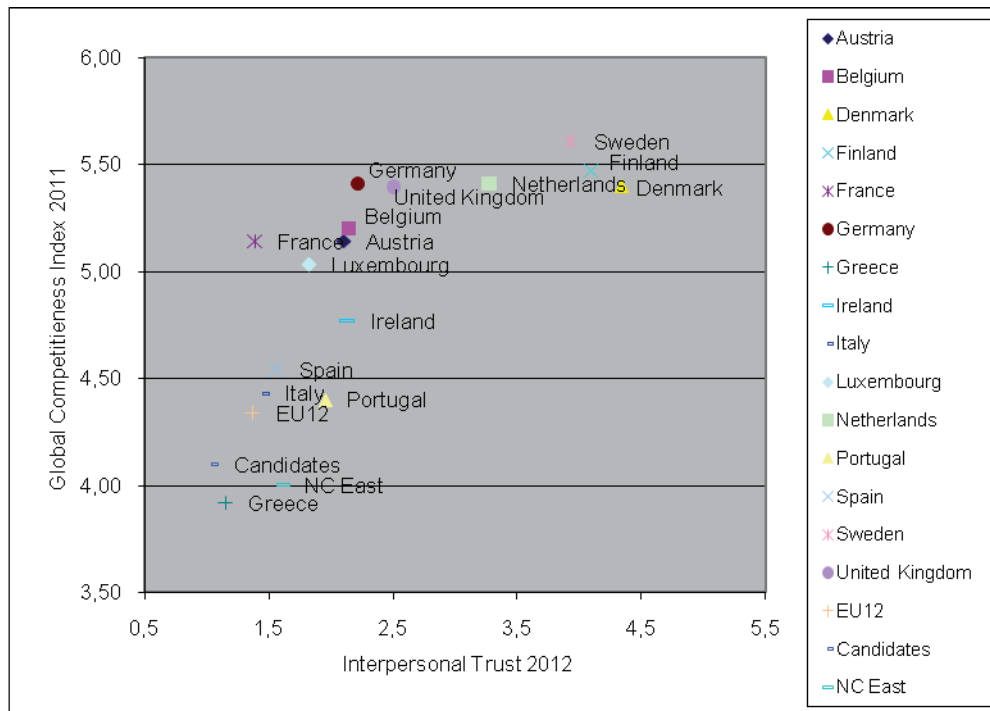
An analogy seems also to exist, between the level of elite compliance with legal and ethical norms (Control of Corruption) with high scores in democracy index in most of the EU-15 countries. Indeed, open societies and developed democracies seem to be characterized through elite compliance. This is not the case in Southern Europe, where relatively high scores in democracy index coincide with low level of elite compliance to norms, probably reflecting cultural and social traditions of clientelism and high-class impunity, as well as deficiencies in the rule of law. On the other hand, it is obvious that the level of *Europeanization also corresponds to scoring in democracy*. In other words, the more a country or a group of countries has proceeded in Europeanization, the higher is the scoring in Democracy.

Figure 7: Generalized interpersonal trust and Democracy Index in each one of the EU-15 countries and average scores of the 12 new EU members, the candidate countries and the Eastern NC's



Among the EU-15 countries, a positive relationship between the level of interpersonal trust and scoring in Democracy Index seems to exist. Indeed, Scandinavian countries and the Netherlands, constitute, also under this point of view a distinctive group with strong interpersonal trust and highest scores in democracy index. Central European EU-15 members and the British isles form a second sub-group where scores in interpersonal trust as well as in democracy index are, while Southern EU-15 members show lower scores in interpersonal trust, but not score more or less at the same level, compared to Central European EU-15 members, in democracy index. It is surprising that France has the lowest score in democracy index and the second lowest score in generalized interpersonal trust among all EU-15 members.

Figure 8: Generalized interpersonal trust and Global Competitiveness Index in each one of the EU-15 countries and average scores of the 12 new EU members, the candidate countries and the Eastern NC's

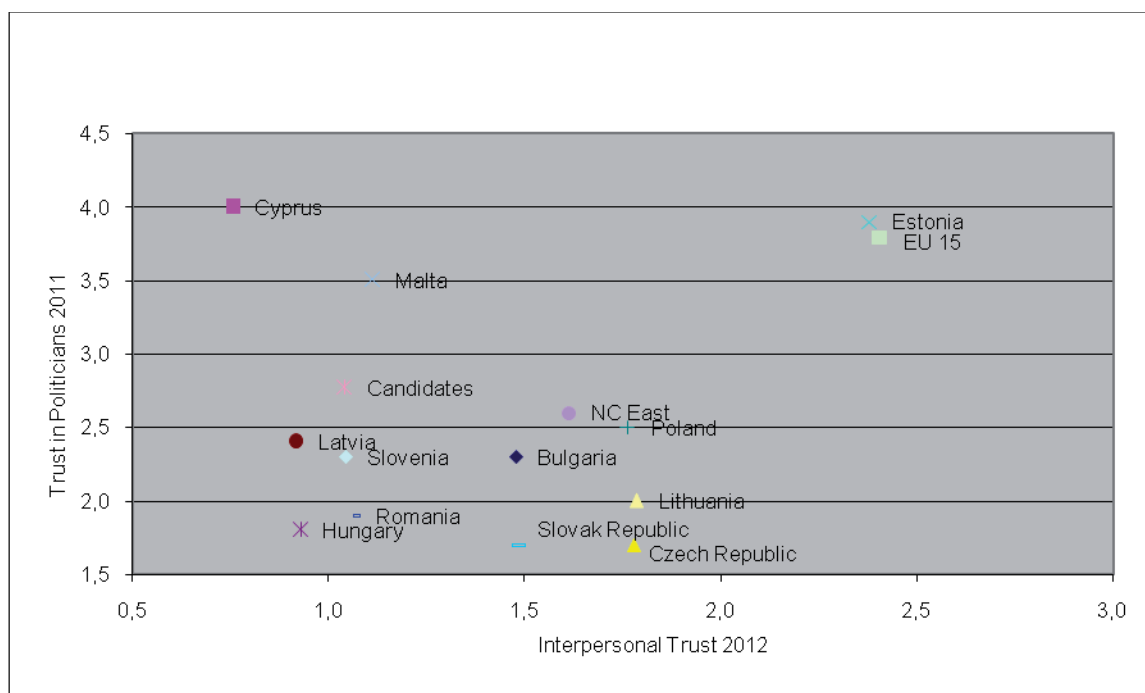


Among the EU-15 countries, a positive relationship between the level of generalized interpersonal trust and scoring in Global Competitiveness Index seems to exist. However, concerning competitiveness, differences are not that big, except of the sub-group of Southern EU-15 members, which constitute a distinctive group with low scores. New member states, candidate countries and Eastern NC's are obviously less competitive than EU-15 countries (under the exception of Greece), thus that the level of *Europeanization also corresponds to scoring in global competitiveness*.

4.2. The new EU members

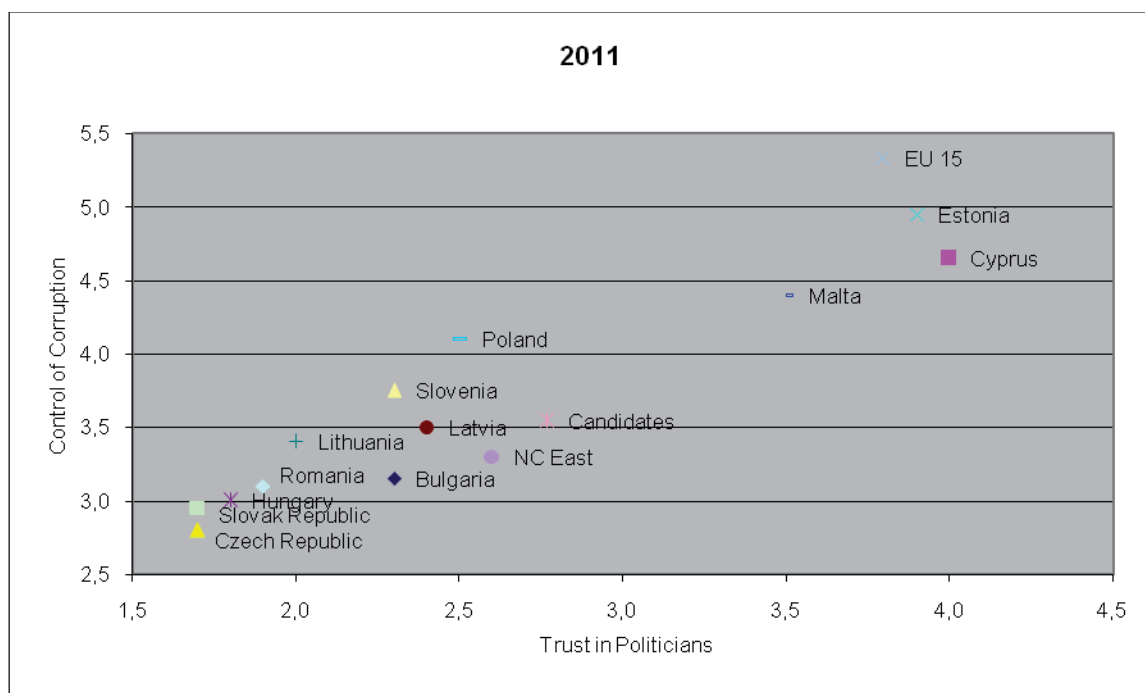
The next group is the one of the twelve new EU members, because these are countries which have followed the EU-15 countries, after the enlargement of 2004, in the Europeanization path. The level of interpersonal (generalized) trust has been compared to the level of public trust to politicians in each one of the twelve new EU members, while also the average in the groups of "old" EU-15 members, of the candidate countries and of the Eastern Neighboring Countries are being included:

Figure 9: Interpersonal Trust and Public Trust in Politicians in each one of the "new" EU-12 countries and average scores of the EU-15, the candidate countries and the Eastern NC's



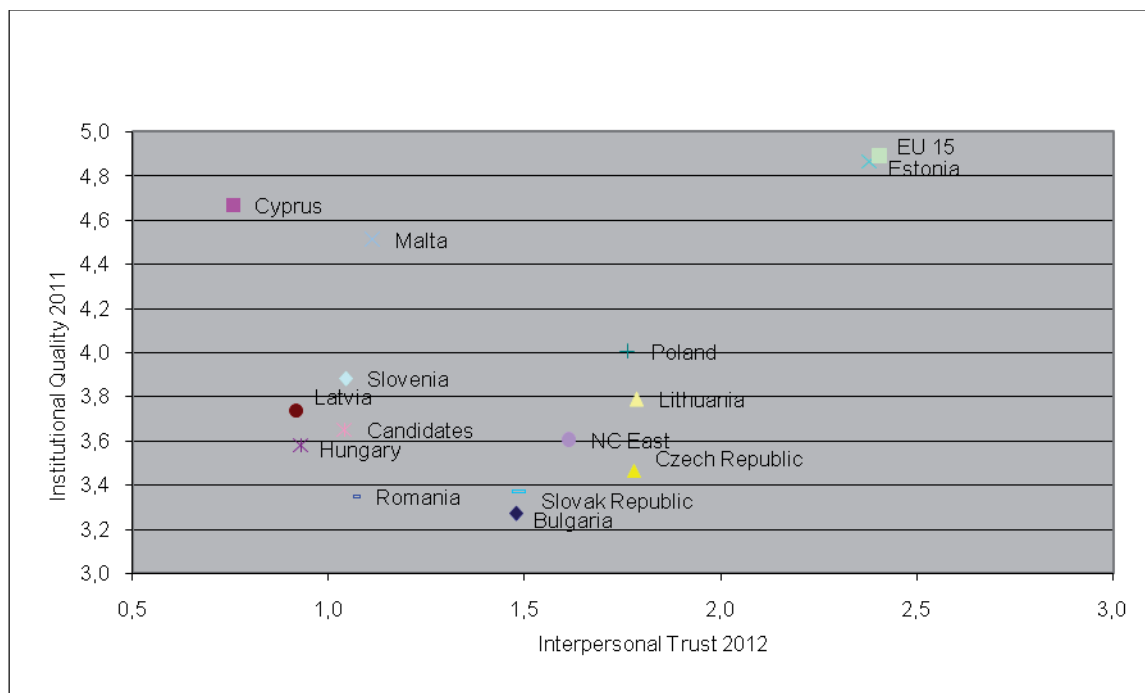
In most of the new EU-12 countries, *an analogy between the level of interpersonal trust and the level of public trust in politicians does not seem to exist*. Estonia is the only country with high score in both sorts of trust. Public trust in politicians is obviously higher in Cyprus and in Malta two small island countries sharing a British colonial legacy, while these two countries show the paradox of very low scores in interpersonal trust, although they have not experienced communist rule and only have a small number of inhabitants. Public trust in politicians is very low (even lower than in candidate countries and Eastern NC countries) in all the new EU-members that experienced communist rule and difficult transition periods. In these countries, it seems that Europeanization and Democratization could not restore public trust in politicians.

Figure 10: Control of Corruption (elite compliance with legal and social norms) and Public Trust in Politicians in each one of the new EU-12 countries and average scores of the EU-15, the candidate countries and the Eastern NC's



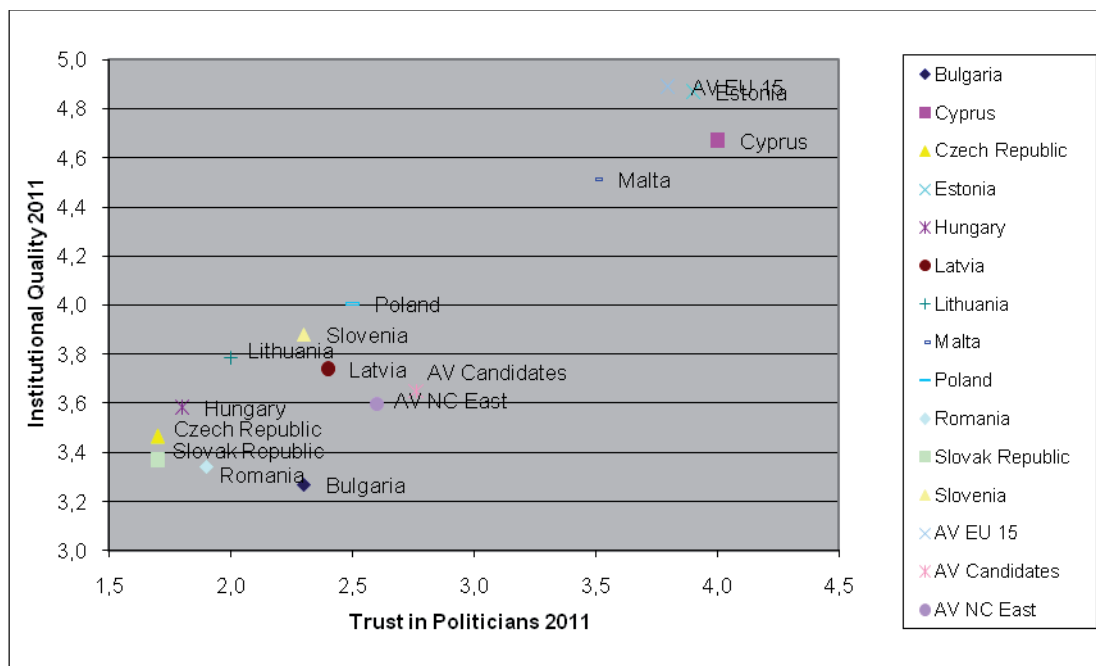
Also among the new EU-12 countries an analogy seems to exist, between the level of public trust in politicians and scores in control of corruption (compliance of political and business elites with ethical and legal norms). Estonia, Cyprus and Malta have the highest scores in both categories, while Poland and Latvia have also comparatively high scores. Surprisingly, the central European states of Hungary, Czech Republic and Slovak Republic show the lowest scores although they share a communist past with important reform experiences and mass mobilizations demanding for democratization.

Figure 11: Interpersonal Trust and Institutional Quality in each one of the EU-15 countries and average scores of the new EU-12, the candidate countries and the Eastern NC's



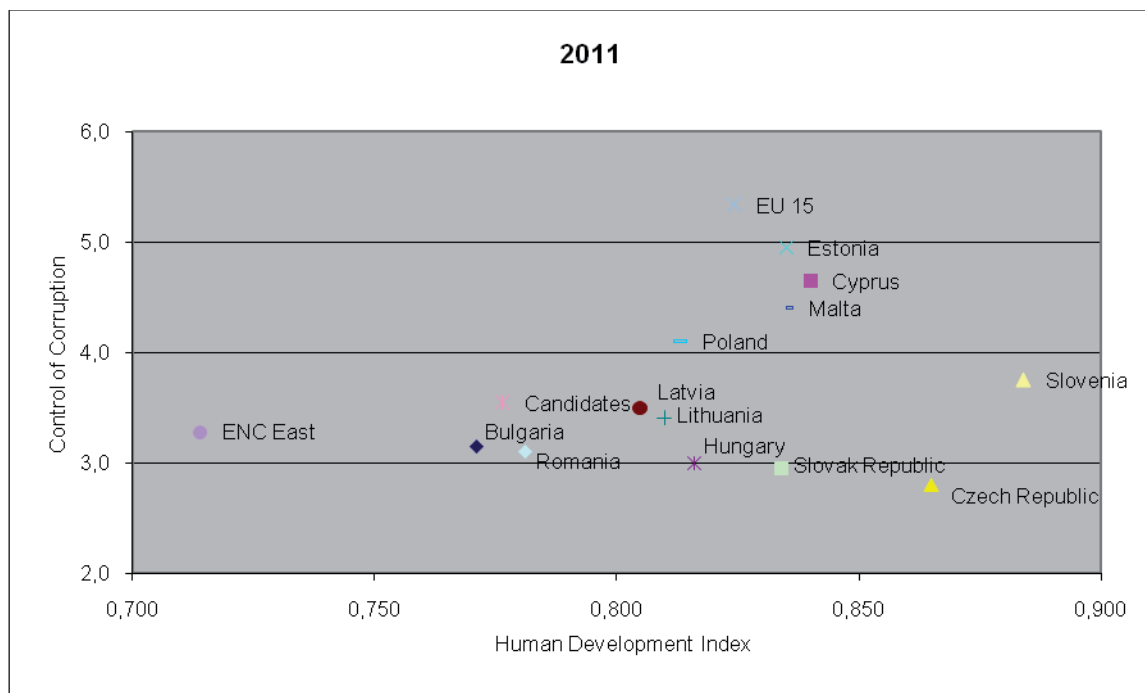
Among the new EU-12 members, there is no clear analogy between the level of interpersonal (generalized) trust and scores in institutional quality. Estonia is the only country reaching EU-15 standards in both categories, while Cyprus and Malta combine high level of institutional quality but quite low levels of interpersonal trust. Poland and, to a smaller extent, Lithuania combine comparatively higher levels of institutional quality with higher levels of interpersonal generalized trust.

Figure 12: Public Trust in politicians and Institutional Quality in each one of the 12 new EU members and average scores of the EU-15 countries, of the candidate countries and the Eastern NC's



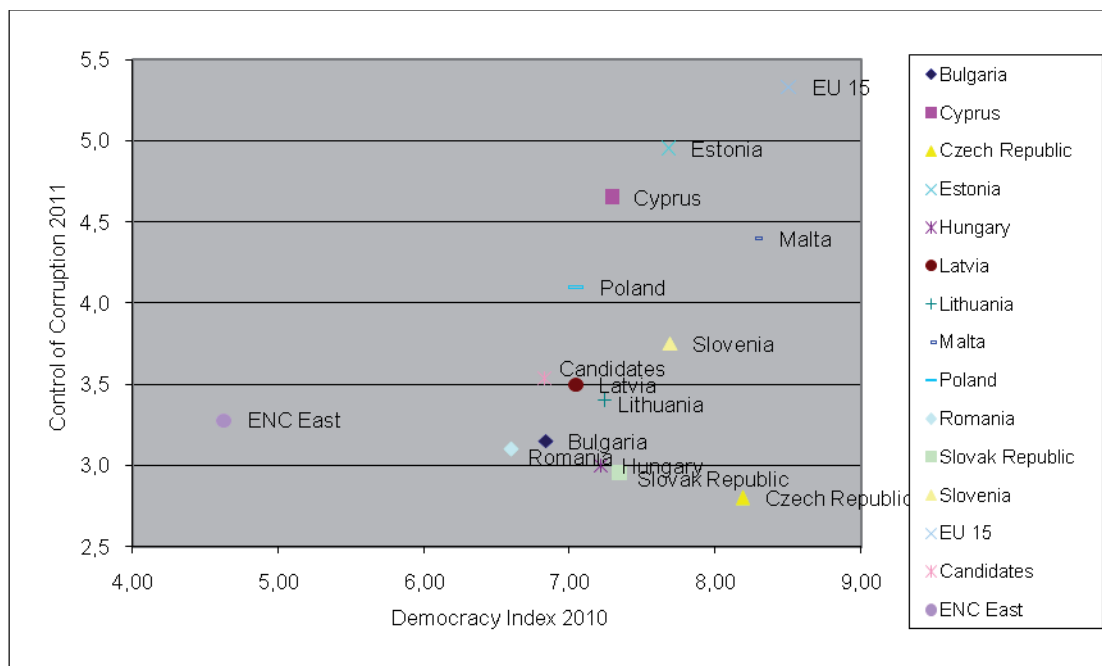
Public trust in politicians seems to clearly reflect scores in institutional quality. Once more, Estonia, Cyprus and Malta seem to constitute the distinctive sub-group with high scores. Among the rest of the countries Poland has higher scores, while Bulgaria is the country where public trust in politicians is as high as in countries with much better scores in institutional quality. Candidate and Eastern NC's score obviously higher than most of the new EU members concerning public trust in politicians.

Figure 13: Elite compliance with legal and ethical norms (Control of Corruption) and Human Development Index in each one of the new EU-12 countries and average scores of the EU-15, the candidate countries and the Eastern NC's



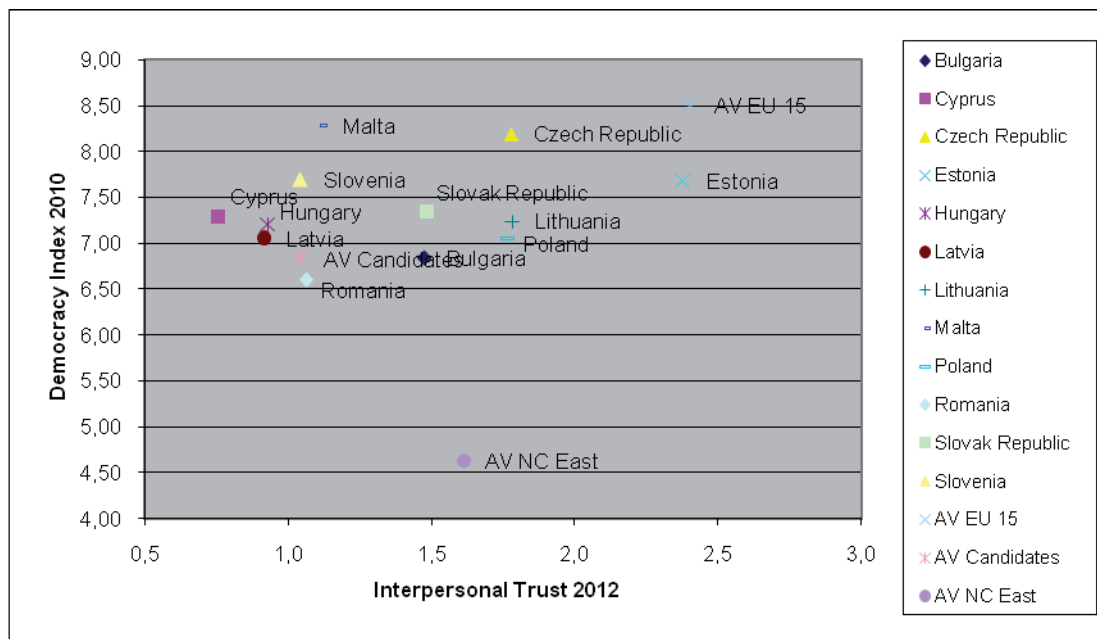
Concerning the level of elite compliance with legal and ethical norms in relation to human development index, it seems that only Estonia, Cyprus and Malta combine high scores in both aspects. On the contrary, the Czech Republic (to a smaller extent also the Slovak Republic) with one of the highest scores in human development shows an extremely low level of elite compliance with legal and ethic norms. Many of the new EU members show higher scores of elite compliance even compared to candidate countries and Eastern NC's, while nearly all new EU members (apart from Bulgaria) show higher levels of human development than the average candidate countries and Eastern NC's. Eight years after EU-accession, it seems that *elite compliance with norms still constitutes a major challenge of new member states*.

Figure 14: Elite compliance with legal and ethical norms (Control of Corruption) and Democracy Index in each one of the 12 new EU countries and average scores of the old EU-15, the candidate countries and the Eastern NC's



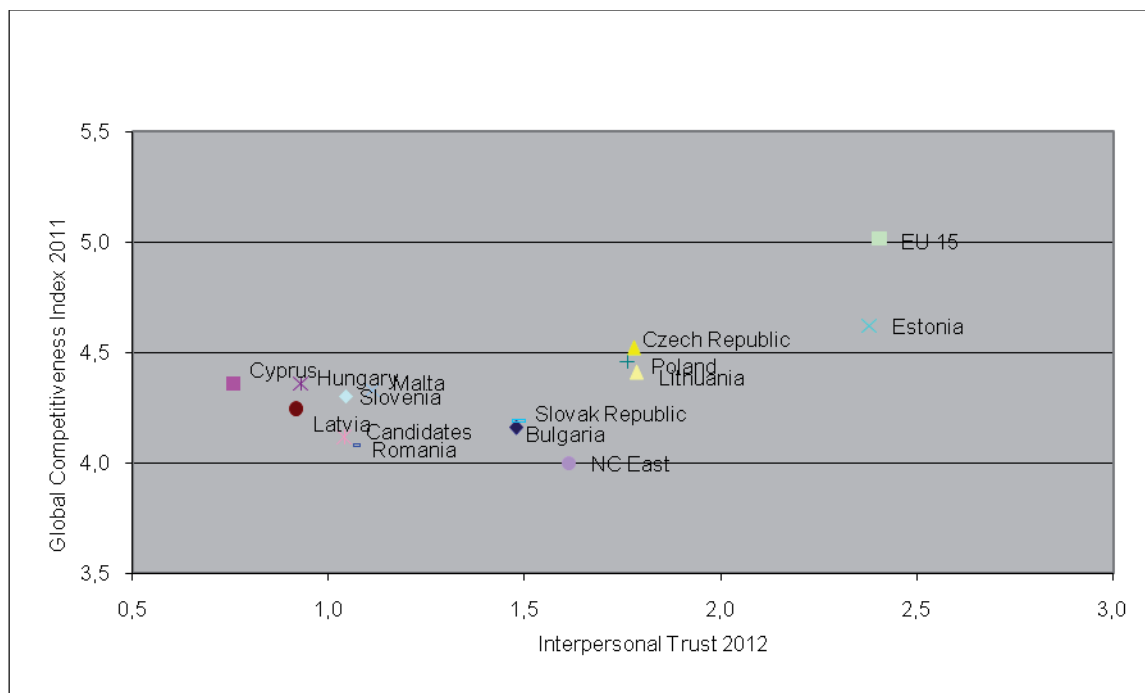
Among the 12 new EU-members, elite compliance with legal and ethical norms (Control of Corruption) corresponds with high scores in democracy index in Estonia, Cyprus, Malta and, to a lesser extent, in Poland. Elite compliance is particularly low in Central European EU members Hungary, Slovak Republic and Czech Republic which are countries (especially the Czech Republic scoring quite high in Democracy Index). Once more, Bulgaria and Romania seem to be a special case since they combine lower scores in Democracy Index (even lower than Candidate countries) with some of the lowest scores in elite compliance.

Figure 15: Generalized interpersonal trust and Democracy Index in each one of the 12 new EU members and average scores of the EU-15 members, the candidate countries and the Eastern NC's



Among the twelve new EU members relationship between the level of interpersonal trust and scoring in Democracy Index seems to exist but is not always clear. An analogy between these two scores seems to exist in Estonia, Lithuania, Poland, Bulgaria and Romania. On the other hand, Malta has a very high score in democracy index but a low score in generalized interpersonal trust, while a similar picture can be found in Slovenia and Cyprus.

Figure 16: Generalized interpersonal trust and Global Competitiveness Index in each one of the 12 new EU members and average scores of the EU-15 members, the candidate countries and the Eastern NC's

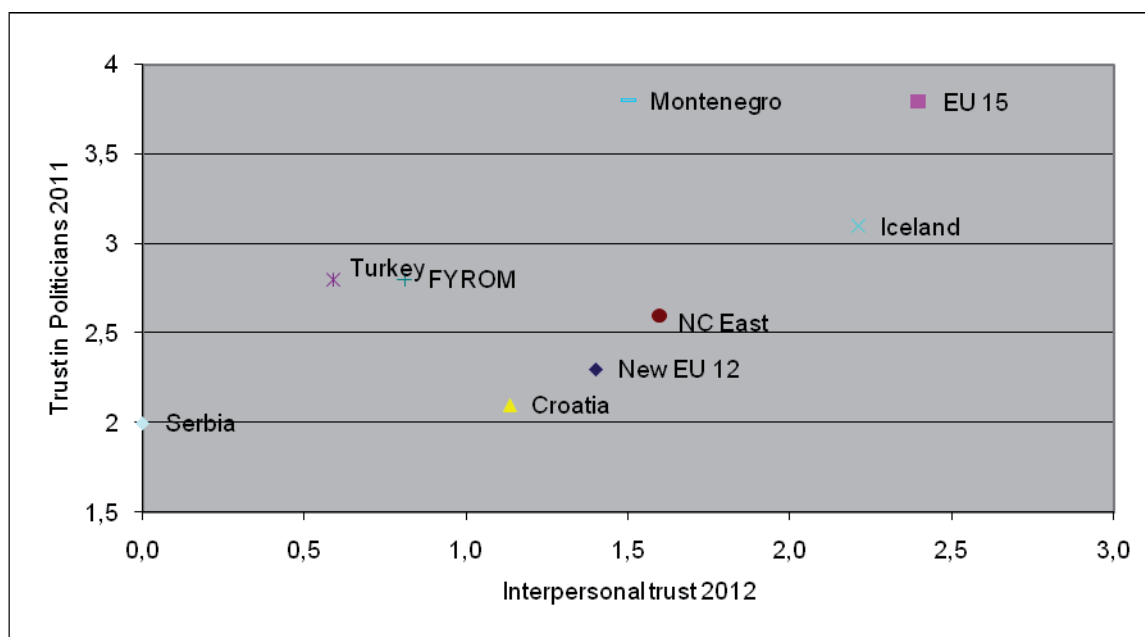


Among most of the twelve new EU members, a positive relationship between the level of generalized interpersonal trust and scoring in Global Competitiveness Index seems to exist. Cyprus, Hungary and Latvia have, however, very low scores in generalized trust while their scores in global competitiveness are higher than in many other countries of this group.

4.3. The candidate countries

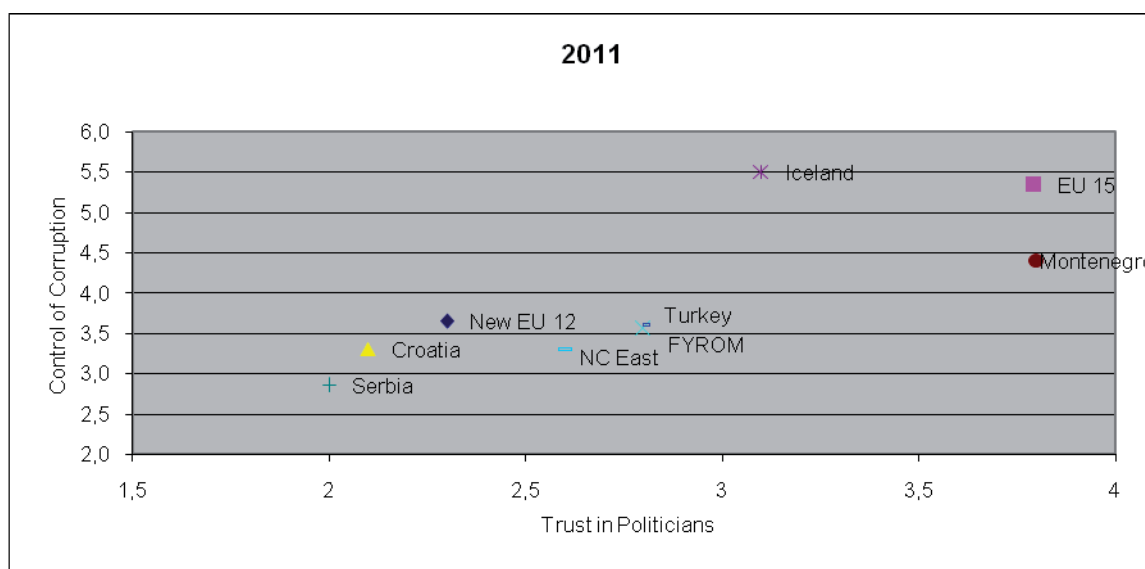
The next group, is the group of the candidate countries which gradually adjust to the *acquis communautaire*, preparing for EU full membership. By analogy to the previous groups, firstly the level of interpersonal (generalized) trust has been compared to the level of public trust to politicians in every single candidate country, while also the average in the groups of new EU-12 (enlargement countries) members, of the “old” EU-15 members and of the Eastern Neighboring Countries are being included:

Figure 17: Interpersonal Trust and Public Trust in Politicians in each one of the candidate countries and average scores of the EU-15, the twelve “new” EU-members and the Eastern NC’s



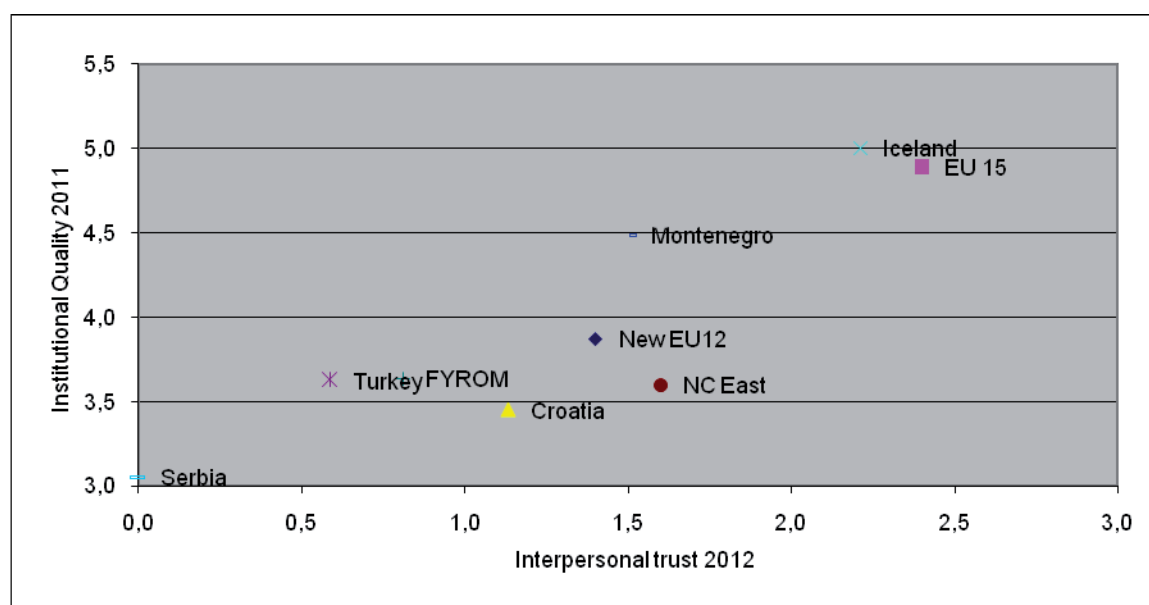
Also in most of the candidate countries, *an analogy between the level of generalized interpersonal trust and the level of public trust in politicians does not seem to exist*. Iceland is the country with highest scores in both sorts of trust, while Montenegro comes next. Public trust in politicians is obviously higher in Turkey and FYR of Macedonia, although precisely these two countries have very low scores in generalized interpersonal trust. Concerning the latter, most candidate countries score lower than new EU members and Eastern NC's.

Figure 18: Control of Corruption (elite compliance with legal and social norms) and Public Trust in Politicians in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



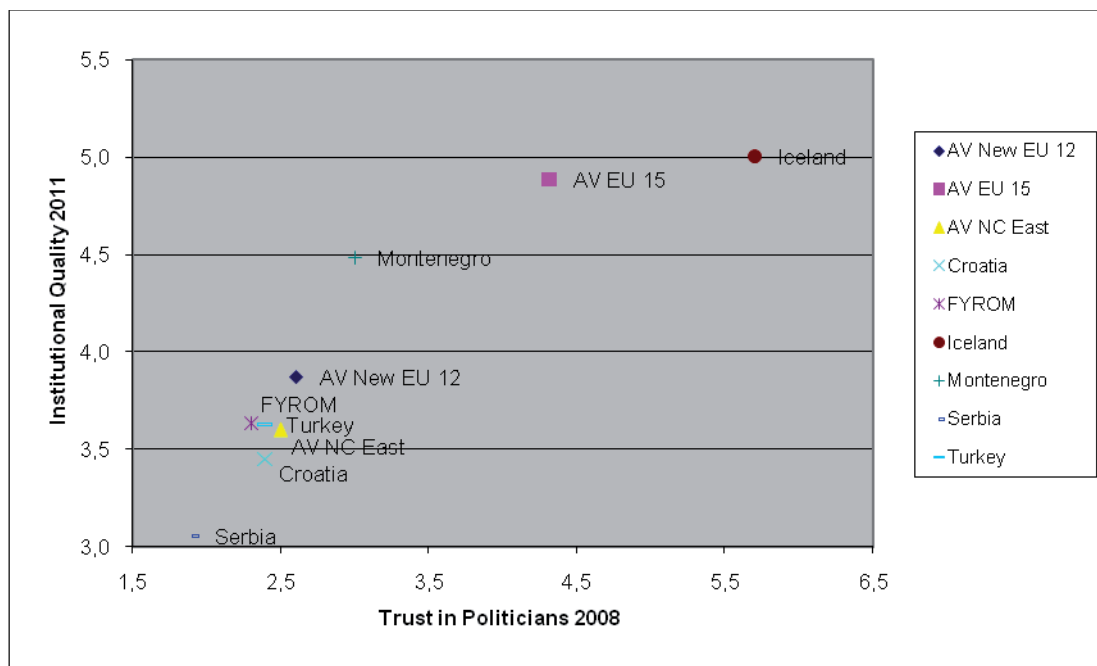
Also among the candidate countries an analogy seems to exist, between the level of public trust in politicians and scores in control of corruption (compliance of political and business elites with ethical and legal norms). Montenegro and Iceland have the highest scores in both categories, while Turkey and FYROM have also comparatively high scores. Surprisingly, the average of the 12 new EU members is lower than in the aforementioned countries, while Croatia and Serbia have the lowest scores.

Figure 19: Interpersonal Trust and Institutional Quality in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



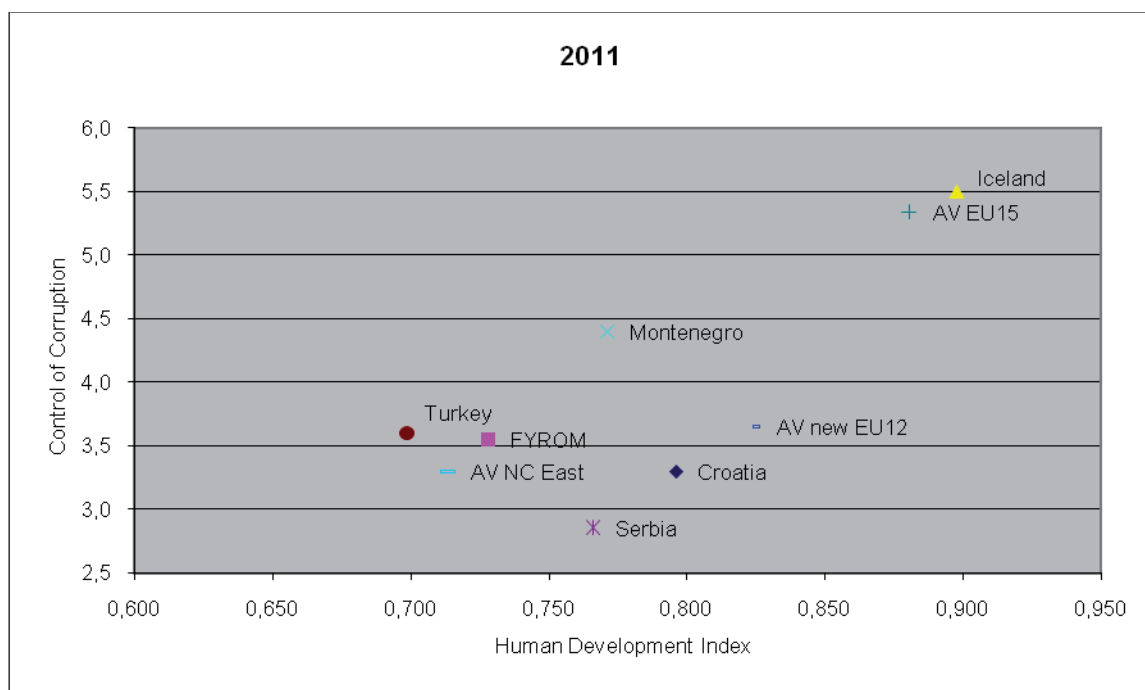
Among the candidate countries an analogy exists between the level of interpersonal (generalized) trust and scores in institutional quality. Iceland is the only country reaching EU-15 standards in both categories,

Figure 20: Public Trust in politicians and Institutional Quality in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



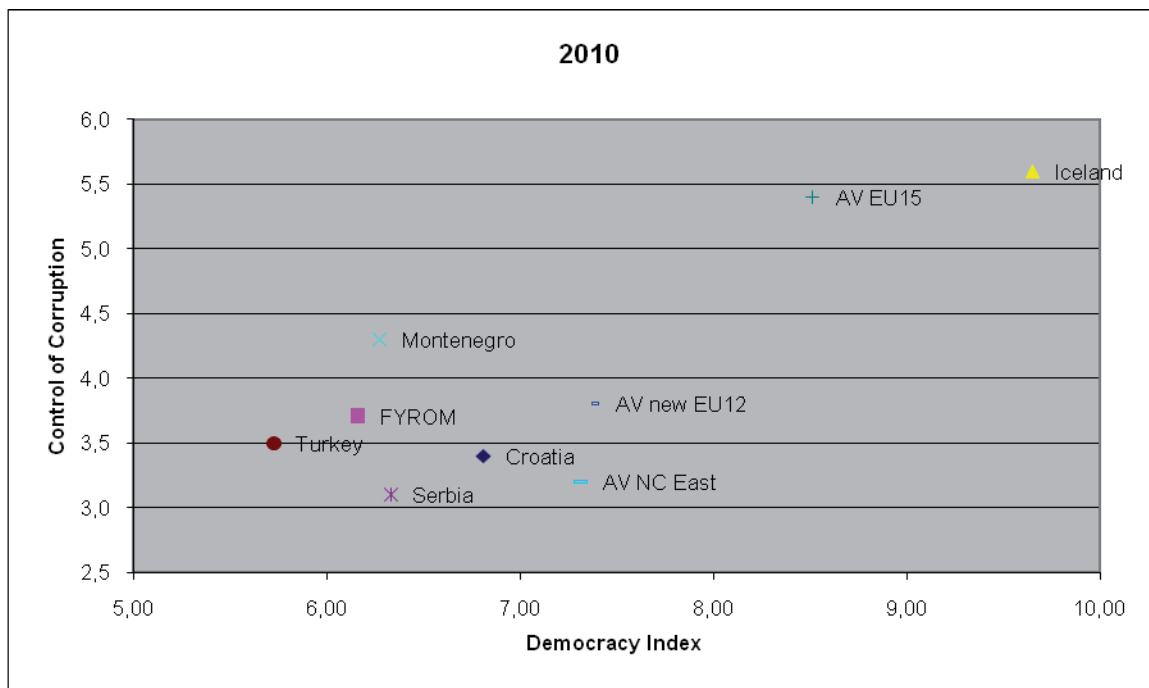
Also in this group of countries, public trust in politicians seems to clearly reflect scores in institutional quality. Once more, Iceland and Montenegro have the highest scorew, Croatia and Serbia the lowest.

Figure 21: Elite compliance with legal and ethical norms (Control of Corruption) and Human Development Index in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



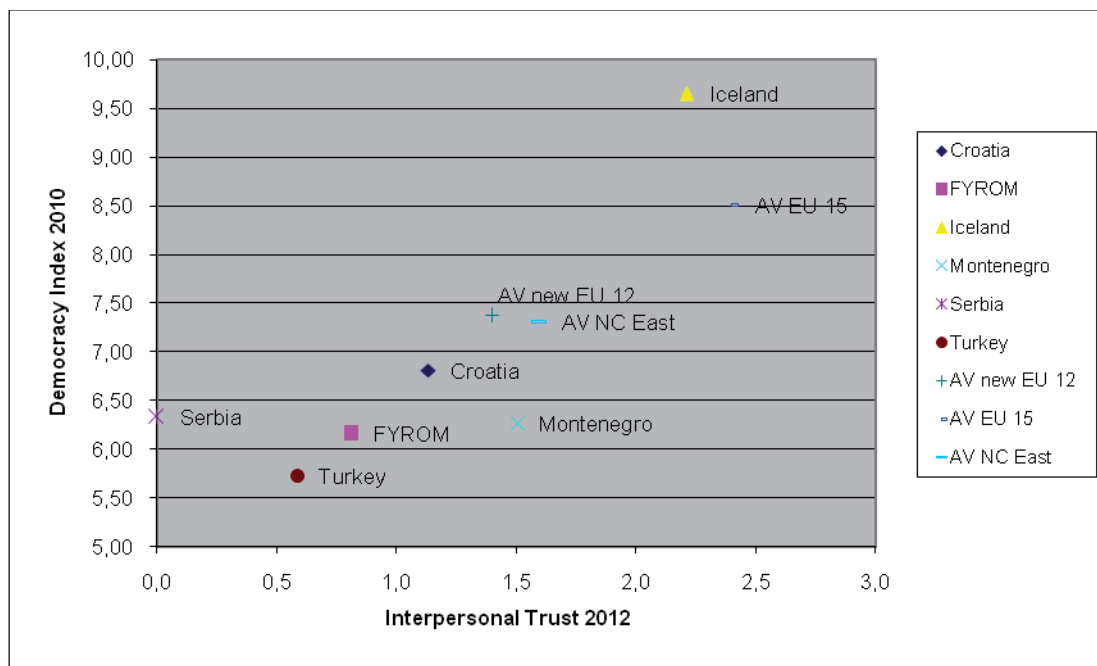
Concerning the level of elite compliance with legal and ethical norms in relation to human development index, it seems that only Iceland reaches EU-15 standards, while Montenegro scores higher than the average of new EU-members. *Elite compliance with norms constitutes an important challenge for candidate countries.*

Figure 22: Elite compliance with legal and ethical norms (Control of Corruption) and Democracy Index in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



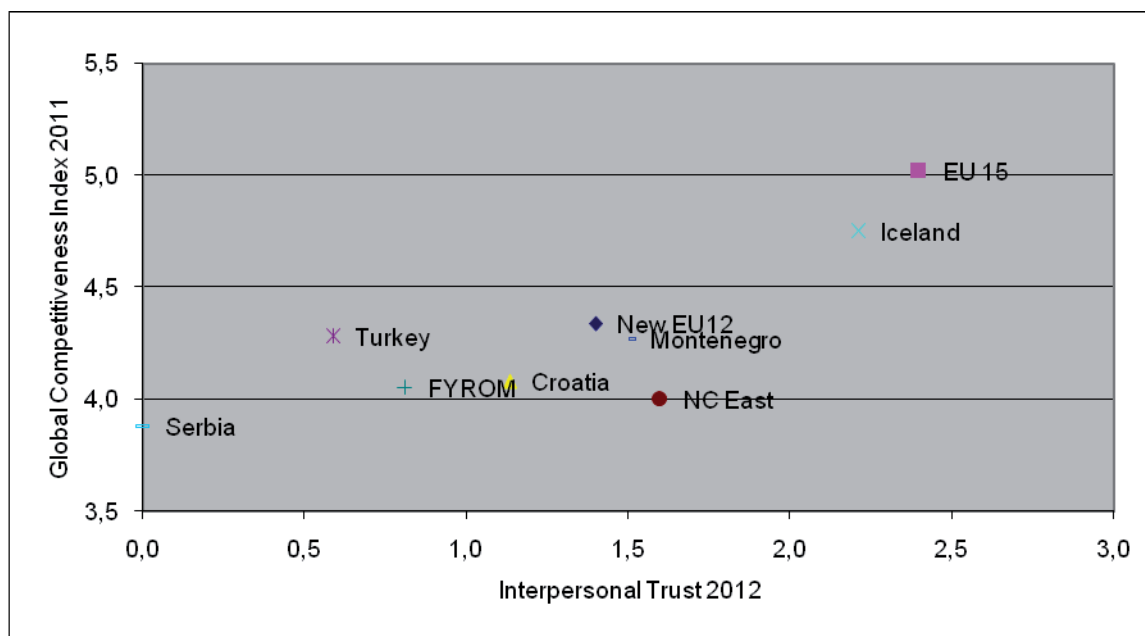
Also among the candidate countries, stronger elite compliance with legal and ethical norms (Control of Corruption) corresponds with higher scores in democracy index. Serbia and Croatia have comparatively lower levels of elite compliance although their scores in democracy index are higher than Turkey and FYROM.

Figure 23: Generalized interpersonal trust and Democracy Index in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's



Among the candidate countries, an analogy between the level of interpersonal trust and scoring in Democracy Index seems to exist.

Figure 24: Generalized interpersonal trust and Global Competitiveness Index in each one of the candidate countries and average scores of the EU-15, the 12 new EU-members and the Eastern NC's

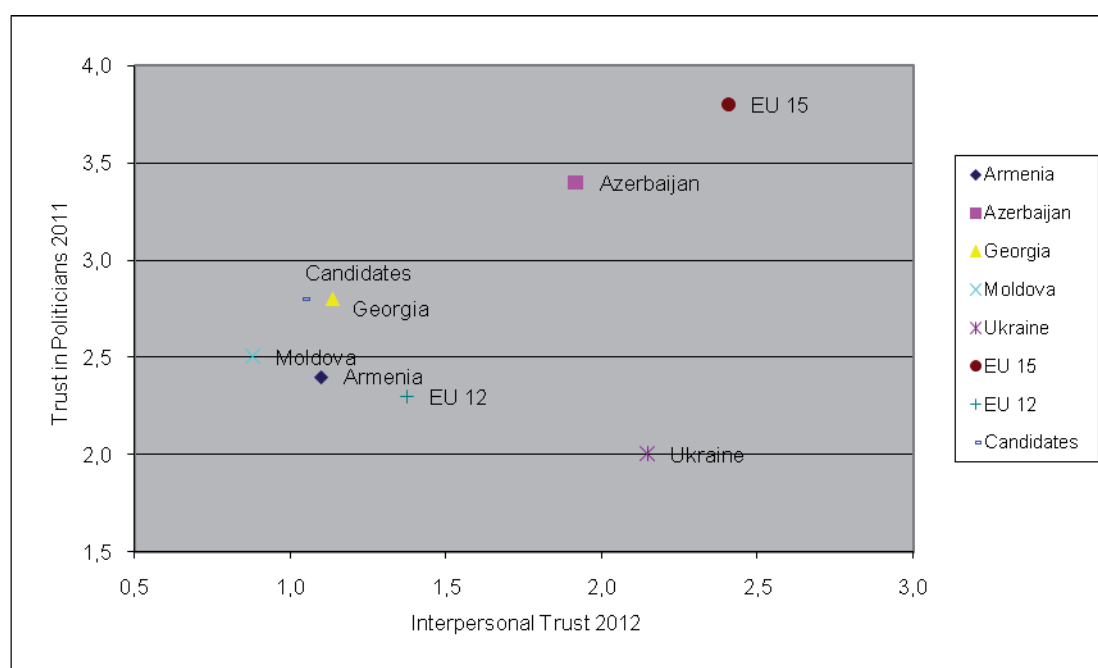


Among most of the candidate countries, a positive relation between the level of generalized interpersonal trust and scoring in Global Competitiveness Index seems to exist. Turkey is an exception, because level of interpersonal trust is the second lowest (after Serbia) while level of global competitiveness is the second best (after Iceland).

4.4. Eastern Neighboring Countries

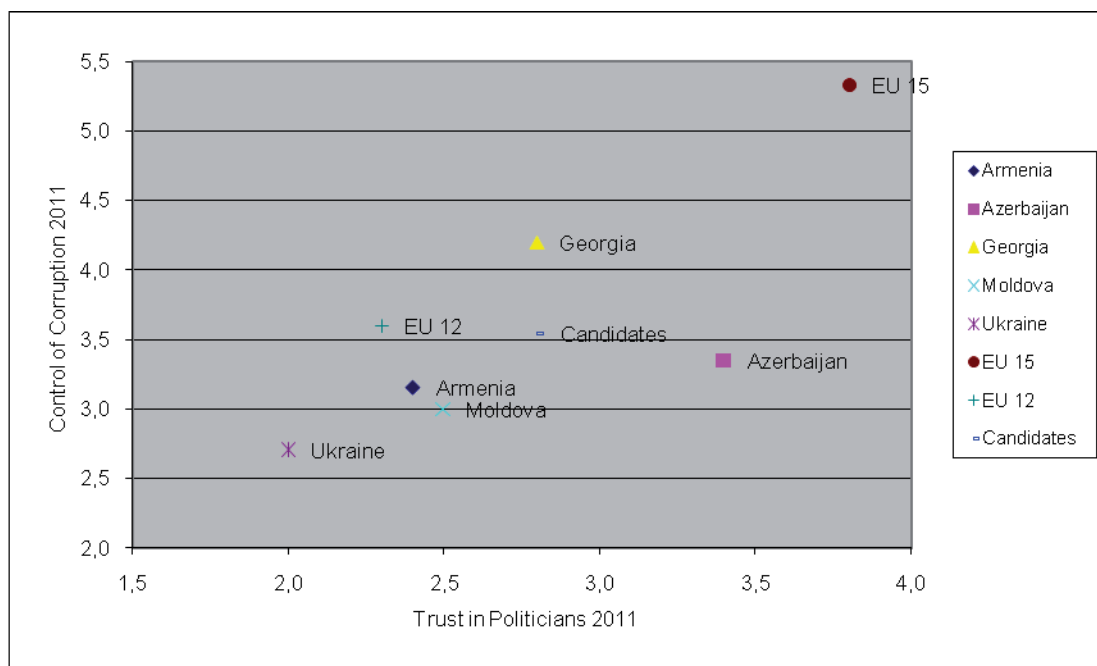
The last group is the one of the Eastern neighboring countries which are addressees of the ENP. By analogy to the previous groups, firstly the level of interpersonal (generalized) trust has been compared to the level of public trust to politicians in every single candidate country, while also the average in the groups of new EU-12 (enlargement countries) members, of the “old” EU-15 members and of the candidate countries are being included:

Figure 25: Interpersonal Trust and Public Trust in Politicians in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



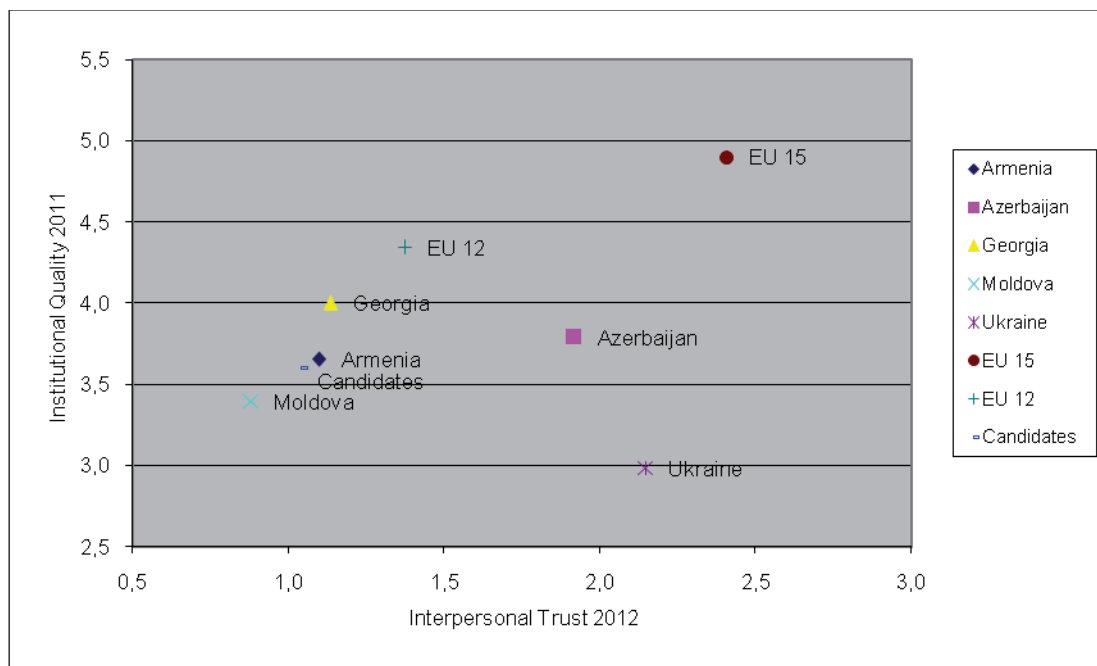
Also in most of the Eastern neighboring countries, *an analogy between the level of generalized interpersonal trust and the level of public trust in politicians does not seem to exist*. Azerbaijan is the country with highest scores in both sorts of trust, while Ukraine combines high scores in generalized trust (even higher than in Azerbaijan) with lowest score in public trust for politicians.

Figure 26: Control of Corruption (elite compliance with legal and social norms) and Public Trust in Politicians in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



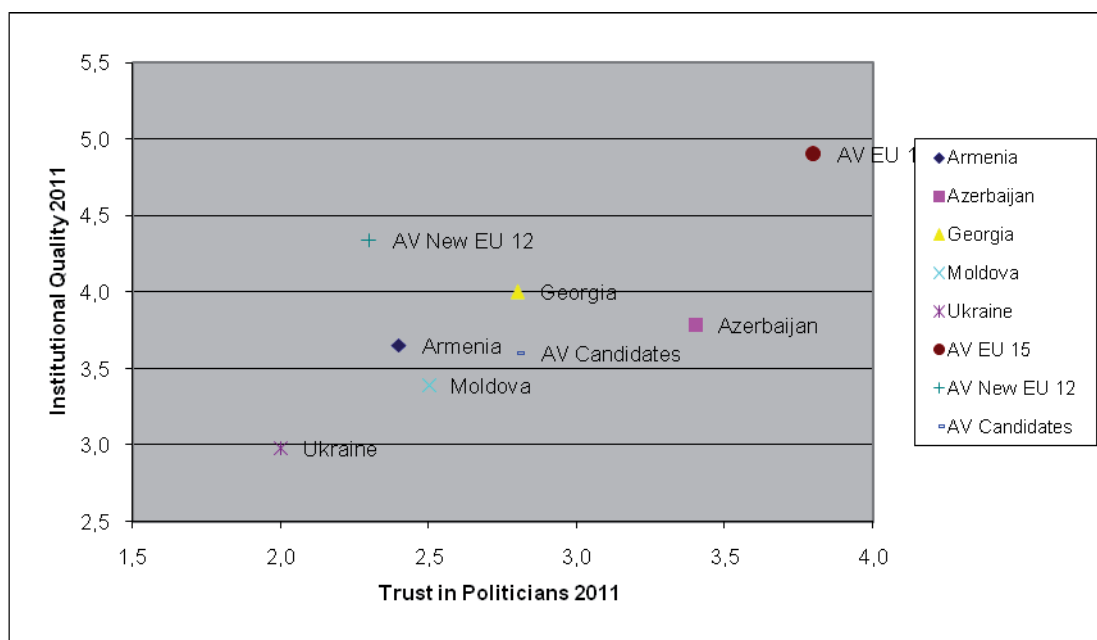
Also among Eastern neighboring countries an analogy seems to exist, between the level of public trust in politicians and scores in control of corruption (compliance of political and business elites with ethical and legal norms). Georgia seems to be a special case, since highest, by far, scoring in elite compliance with norms goes alongside with second best (but comparatively much lower than in Azerbaijan) trust in politicians.

Figure 27: Interpersonal Trust and Institutional Quality in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



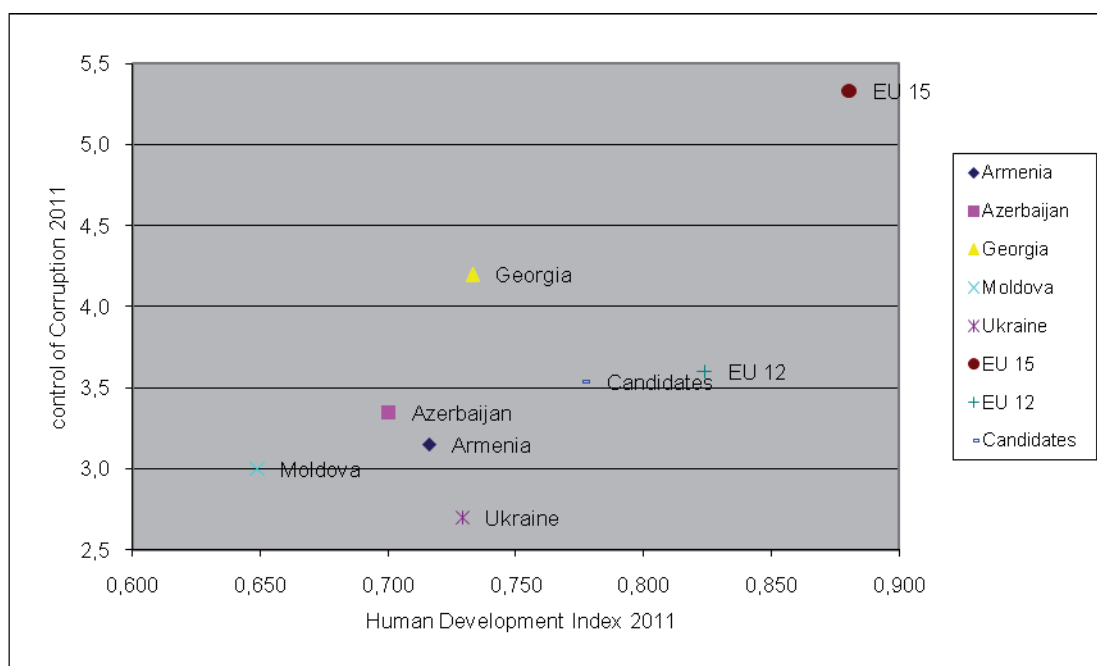
Among most of the Eastern neighboring countries an analogy exists between the level of interpersonal (generalized) trust and scores in institutional quality. Ukraine is an exception, since a high level of generalized trust is combined with extremely low scoring in institutional quality. Azerbaijan also much higher scores in generalized trust compared to the rest of these countries (only Ukraine scores higher), while the institutional quality is lower than in Georgia.

Figure 28: Public Trust in politicians and Institutional Quality in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



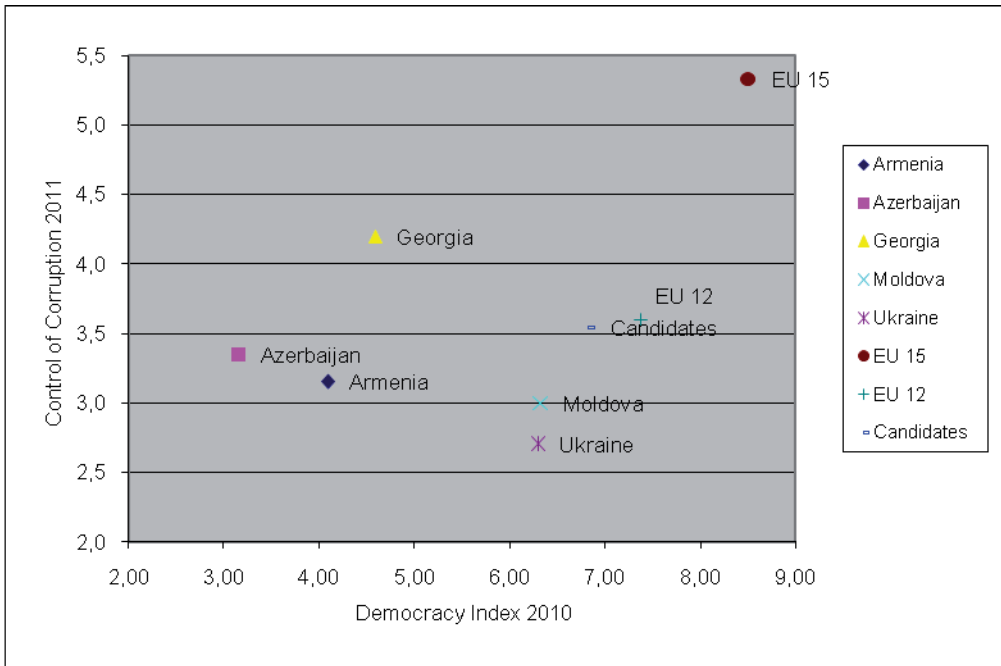
Also in this group of countries, public trust in politicians seems to clearly reflect scores in institutional quality. Georgia and Azerbaijan have the highest scores, Moldova and Ukraine the lowest.

Figure 29: Elite compliance with legal and ethical norms (Control of Corruption) and Human Development Index in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



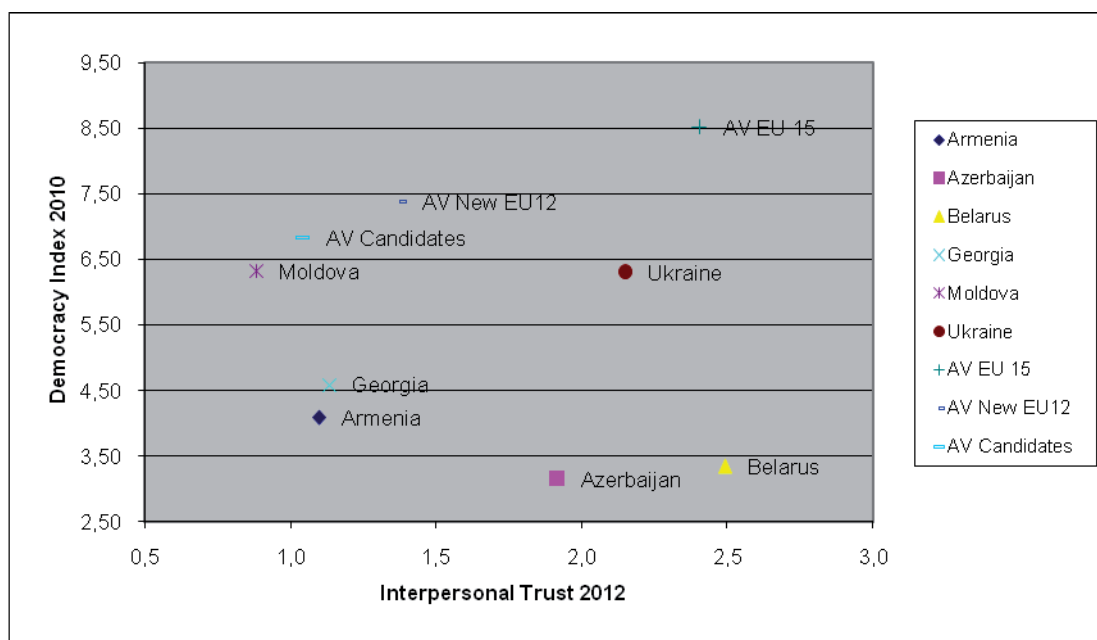
Concerning the level of elite compliance with legal and ethical norms in relation to human development index, it seems that only Georgia scores higher than the average of new EU members concerning elite compliance. All Eastern neighboring countries score much lower than EU members and candidate countries in terms of human development, while *Elite compliance with norms constitutes an important challenge for nearly all Eastern neighboring countries.*

Figure 30: Elite compliance with legal and ethical norms (Control of Corruption) and Democracy Index in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



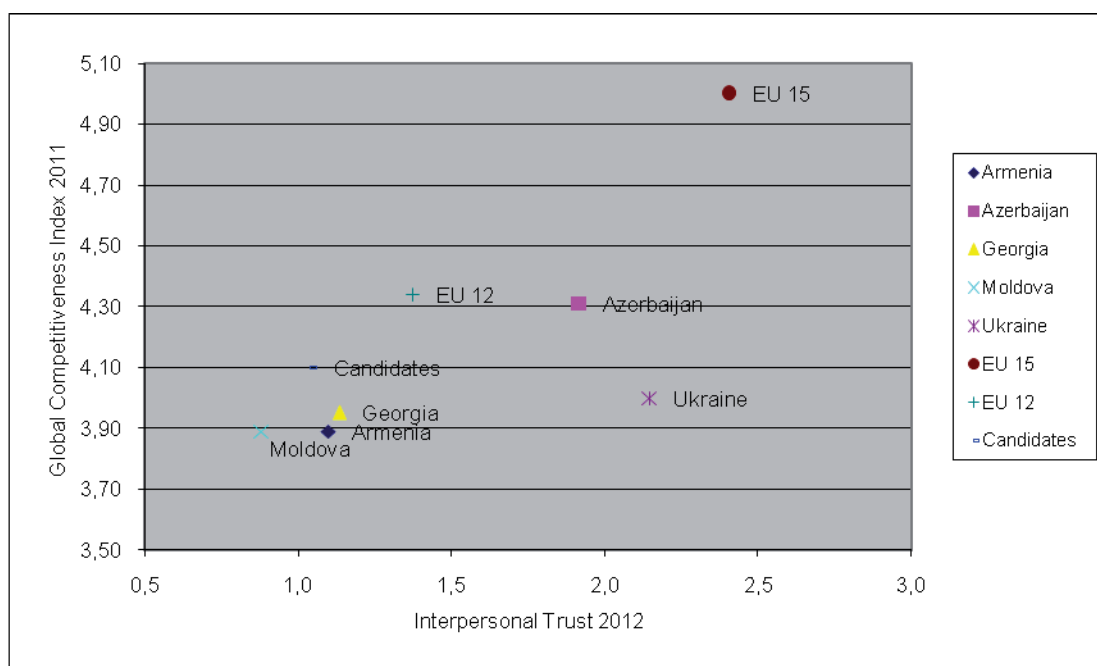
Among the Eastern neighboring countries, stronger elite compliance with legal and ethical norms (Control of Corruption) does not correspond with higher scores in democracy index. Moldova and Ukraine score higher in democracy index but obviously lower than other Eastern countries in elite compliance.

Figure 31: Generalized interpersonal trust and Democracy Index in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



Among the Eastern neighboring countries there is no analogy between the level of interpersonal trust and scoring in Democracy Index. Ukraine is an exception, because comparatively high score in generalized trust is combined to comparatively high score in democracy index.

Figure 32: Generalized interpersonal trust and Global Competitiveness Index in each one of the Eastern neighboring countries and average scores of the EU-15, the twelve “new” EU-members and the candidate countries



Among most of the Eastern countries, a positive relation between the level of generalized interpersonal trust and scoring in Global Competitiveness Index seems to exist. Ukraine is a slightly different case, because highest level of interpersonal trust corresponds to the second highest (far away after Azerbaijan) level of global competitiveness.

5. CONCLUSIONS

Within the aforementioned four groups of countries there are obviously some distinctive sub-groups: Within the EU-15 group one can clearly distinguish the sub-group of Scandinavian countries joined (in most cases) by the Netherlands, a sub-group of Middle European and Anglo-Saxon countries and, finally a clearly distinctive group of Southern European countries. The latter score far lower in terms of social capital (in interpersonal trust, elite compliance with norms and trust to politicians), in terms of institutional quality and global competitiveness. In view of this distinctive scoring, economic crisis in Southern Europe seems to reflect deeper divergences within the group of the “old” EU members and especially concerning not only economic (competitiveness) but also institutional performance and social capital. Adequate policies should bridge this gap within the hard core of the European Union.

Differentiations exist also within the group of the twelve new EU member states, where Estonia, Cyprus and Malta obviously score much better in nearly all aspects, compared to the rest of the new members. On the other hand, Romania and Bulgaria seem to score far lower than the rest of the group in nearly all aspects and seem to need policies that should be especially developed for their, obviously particular case. For the whole group, strengthening social capital and building up strong institutions seem to be, once more the appropriate answer.

Candidate countries show different strengths and weaknesses (Iceland being the only one already reaching EU-15 standards). Turkey, for instance is scoring comparatively better in global competitiveness, while institutional quality and trust to politicians also reach a rather satisfactory level. However, general trust and scoring in democracy index are extremely low and appropriate policies seem to be needed in order to further encourage democratization, openness and cooperative predisposition in this country. European policies should adjust to the peculiarities of each candidate country and focus on country-specific deficiencies.

Finally, Eastern neighboring countries seem to have a long way in order to reach EU standards especially concerning elite compliance with norms, democracy index and global competitiveness. Countries obviously scoring higher than others in many fields should be further encouraged in

order to accelerate reforms and development and thus probably also create imitation-effects in a wider region.

Concerning relation of different components of social capital to each other, it should be noted that level of generalized trust in most cases does not seem to correspond to levels of elite compliance to norms and public trust to politicians. It seems that generalized trust reflects level of cooperative predisposition in everyday life and towards anyone, while it is mostly culturally embedded. On the other hand, level of elite compliance to norms and public trust to politicians seem to rather reflect historically embedded authority and acceptance of the state, of public institutions and of political power. Satisfaction with institutional performance could also enhance public trust to politicians. After all, evaluation of data has shown that there is obviously a positive relation in nearly all countries between public trust to politicians, on the one side, institutional quality and elite compliance to norms on the other.

Particular importance of generalized trust both for economic and institutional performance has been confirmed. In most of the countries and groups of countries that have been compared, an analogy between the level of generalized trust and scoring in democracy index, institutional quality index and also in global competitiveness index has been confirmed.

Finally, the index of democracy seems to reflect, in most of the cases, scoring in human development, while on the other side, elite compliance with legal and social norms seems to be encouraged, in most of the cases, through high scoring in democracy.

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