# **Social Capital in Post-Communist Societies: Running Deficits?**

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### **Abstract**

Using data from the World Values Survey, this paper compares and contrasts determinants and effects of social capital in EU-15 member states and those post-communist societies that have recently obtained EU membership. The findings suggest a decline of social capital in both mature and nascent democracies during the 1990-99 period. Growing disenchantment with traditional voluntary organizations (labor unions, political parties, and professional associations) has not translated in the massive appeal of new types of voluntary organizations in the post-communist states. At the same time, the decreasing effects of political discussions and the increasing impact of socioeconomic status on the stock of social capital indicates the normalization of politics in the post-communist states. The results also illustrate that social capital has a positive impact on trust in political institutions in the late 1990s.

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### INTRODUCTION

One of the most daunting tasks the expanded European Union faces now is how to develop mechanisms for facilitating good governance across a large number of countries with various levels of socioeconomic development (Hoen 2001, Verdun and Crosi 2005). The notion of social capital has recently been invoked as a possible solution to this problem (Knack and Keffer 1997, Knack 2002, Kolankiewicz 1996, Twigg and Schecter 2003). Scholars linked differences in the individual's ability to pursue self-interest or the group capacity to solve collective action problems to social capital (Coleman 1988, Fernandez 2000, Fukuyama 1995, Lin 1999). Analyzing the development of social capital at the national level, Putnam (1993) has reinvigorated the scholarly debate about the effects of interpersonal trust and membership in voluntary organizations on institutional performance (Cusack 1999, Krishna 2002, Skocpol 2003). Furthermore, recent scholarship focused on the analysis of sources of social capital to explain a possible decline in its stock (Hall 1999, Hooghe and Stolle 2003, Putnam 1995, Uslaner 2002). Against the backdrop of dramatic societal changes in both mature and nascent democracies, researchers have not reached a consensus about sources and consequences of social capital on good governance.

The purpose of this paper is to compare and contrast determinants and effects of social capital in EU-15 member states and those post-communist societies that have recently obtained EU membership.<sup>1</sup> Given stark cross-regional differences in the trajectory of

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<sup>&</sup>lt;sup>1</sup> On 1 May 2004, 10 countries from Central Europe and the Mediterranean, including Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia, joined the European Union. Prior to that, the list of EU member states included 15 countries: Austria, Belgium, Denmark,

political and economic development, factors conducive to an increase of social capital in advanced industrial democracies and post-communist states may differ. Moreover, the importance of social capital for securing efficient and responsible institutions may be greater in Central and Eastern Europe because transition from authoritarianism to democracy and the shift form a planned to a market economy requires additional resources at the community level.

This paper is organized as follows. First, it situates this study within the context of previous research on social capital. Second, it elaborates on the methodology employed here. Then it discusses the trajectory of social capital in mature and nascent democracies across time. The paper examines determinants of interpersonal trust and membership in voluntary organizations. It concludes with the analysis of the effects of social capital on trust in political institutions.

### THEORETICAL FRAMEWORK

The concept of social capital is highly contested in academic literature (Jackman and Miller 1998, Portes 1998, Tarrow 1998). The early sociological research associated with the work of James Coleman (1988) considers social capital as a valuable resource of individuals, while another perspective popularized by Robert Putnam (1993) treats it as a feature of community or nation. For the purpose of cross-country comparison, I follow closely Putnam's definition of social capital. By social capital, Putnam means "features of social organization, such as trust, norms, and networks that can improve the efficiency of

Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

society by facilitating coordinated actions" (Putnam 1993: 167). Two components of social capital – interpersonal trust and membership in voluntary organizations – are discussed here. The first component refers to "the generalized willingness of individuals to trust their fellow citizens" (Hall 1999: 420). The second component describes formal ties between individuals. I posit a positive correlation between these two dimensions of social capital. The more trust individuals place in their fellow citizens, the more likely they are to join voluntary organizations. By the same token, the more individuals participate in associational life, the more likely they are to develop interpersonal trust.

The impact of socioeconomic development on the stock of social capital is a recurring theme in academic literature (Marsh 2000, Paxton 1999, Putnam 1993). Most scholars posit a positive relationship between socioeconomic development and social capital (Petro 1999). Some researchers, however, argue that this link is not so direct in post-communist societies. Marsh (2000), for example, finds that socioeconomic development is positively correlated with regime support and negatively correlated with civic-ness in Russia's regions. This empirical evidence suggests that economic prosperity does not necessarily produce an increase in civic engagement.

Many theorists point out that the legacy of Marxist-Leninist indoctrination may hamper the growth of civil society in post-communist societies (Aberg 2003, Badescu and Uslaner 2003). As Rose (1998) notes, the communist system "encouraged people to create informal networks as protection against the state and to circumvent or subvert its commands" (Rose 1998: 18). In analyzing the extent of citizens' reliance on informal

networks in Russia, Ukraine, the Czech Republic, and South Korea, Rose (1998) illustrates the negative impact of totalitarianism on governmental performance.

Previous research also indicates that interpersonal trust and membership in voluntary organizations are positively correlated with socioeconomic status (Verba 1995). It follows that:

H1: The higher income, the higher stock of social capital.

H2: The employed are likely to have a higher stock of social capital than the unemployed.

In addition, marital status may lower the likelihood of involvement in civic community because marriage increases the cost of participation (Hurlbert and Acock 1990):

H3: The married are likely to have a lower stock of social capital than the single.

Researchers have devoted considerable attention to the analysis of gender differences in the studies of social capital (McPherson et al 1982, Molyneux 2002). Men and women tend to select different types of voluntary organizations (Popiclarz 1999). Women's networks are often more informal than men's (Neuhouser 1995). Since the survey used in this study measures formal membership in voluntary organizations, the hypothesis is:

H4: Men are likely to have a higher stock of social capital than women.

Age also figures prominently in the literature on civic activism (Hanks 1981, Inglehart 1990). As Hall (2002) states, associational life is "the preserve of those in the middle

age" (Hall 2002: 53). Age, however, may produce different effects in advanced industrial democracies and post-communist states. While replacing the generation of citizens born and socialized under the Communist rule, the post-communist youth might assume the leading role in civil society. It follows that

H5: The young are likely to have a higher stock of social capital than the old in the post-communist societies.

H6: The old are likely to have a higher stock of social capital than the young in advanced industrial democracies

The empirical evidence also shows that urbanization causes increasing isolation of individuals from each other (Putnam 2000, Waldinger 1998). It follows that:

H7: The smaller town size, the higher stock of social capital.

Finally, church attendance is considered as an experience conducive to an increase of social capital (Norris and Inglehart 2004, Wilson and Janoski 1995, Wuthrow 2002). At least, religiosity may boost membership in church-related organizations, implying that:

H8: The higher church attendance, the higher stock of social capital.

Considerable interest in the sources of social capital is motivated by the belief in its effects on good governance (Levi 1996, Portes and Landolt 1996). In particular, interpersonal trust and membership in voluntary organizations may lead to increasing trust in political institutions. Recent scholarship also analyzes reciprocal effects of social capital and the governmental performance (Brehm and Rahn 1997). Worms (2002), for

example, contends that "the workings of a political system in a society will influence the nature of its social capital as much as the nature of its social capital will influence the performance of its political system" (Worms 2002: 141). It follows that:

H9: The higher stock of social capital, the higher trust in political institutions.

Previous work has often been directed at explaining either sources or effects of social capital. This study treats social capital as both an independent and dependent variable. Furthermore, a cross-nation perspective allows to identify patterns of associational life both in advanced industrial democracies and post-communist states. The next section discusses the methodology of this study.

### **METHODOLOGY**

Data from the 1990-91 and 1998-99 World Values Survey are used to estimate determinants of social capital and its effects on trust in political institutions. This survey provides an excellent opportunity for both cross-country and cross-time comparisons. A total of 29, 495 individuals were interviewed during the two waves of research. The first time point coincides with the collapse of communism and the dissolution of the Soviet Union, while the second one extends into the late 1990s. In addition, the sample is subdivided into three groups: Scandinavian countries (Denmark, Finland, Sweden), other EU countries (Austria, Belgium, France, West Germany, Great Britain, Ireland, Italy, the Netherlands, Portugal, and Spain), and the post-communist states (the Czech Republic, East Germany, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia).

Social capital is measured with the help of two indicators: interpersonal trust and membership in voluntary organizations. Trust is a dichotomous variable, with 0 meaning "you can't be too careful in dealing with people" and 1 "most people can be trusted." Membership in voluntary organizations is measured with the help of a yes/no question. The World Values Survey refers to a battery of most common types of voluntary organizations: religious, cultural, sports, environmental, professional, welfare, labor unions, and political parties. Although the value of Cronbach's alpha is below .6, the index of associational membership is constructed here. As Fisher (2001) observes, people tend to invest time in various social activities so high inter-item correlation is difficult to achieve.

Political trust is an index composed of four questions measuring trust in parliament, civil servants, the army, and police on a scale from 1, the lowest, to 4, the highest.

Regression analysis is used to estimate predictors of social capital. Binomial logistic regression analysis is used to explain variation in interpersonal trust, and OLS regression analysis is employed to estimate determinants of membership in voluntary organizations.

Moreover, a structural equation model is specified to assess the effects of social capital on trust in state institutions (see Figure 1). Interpersonal trust and associational membership are exogenous variables that correlate with each other. "Political trust" is a latent endogenous variable. The causal paths go from interpersonal trust and associational membership to political trust.

### FINDINGS AND DATA ANALYSIS

Trajectory Social Capital from a Comparative Perspective

Chart 1 presents differences in the extent of interpersonal trust across nations and across time. The highest level of trust is reported in the Scandinavian countries. More than fifty percent of respondents in Denmark, Finland, and Sweden trust each other. In addition, citizens tend to be more trusting in Western Europe than in the post-communist states. Chart 1 also reveals that a drop in interpersonal trust occurred during the past decade across the region. This trend is observed in all the post-communist states, except the Czech Republic and Slovenia. Strong macroeconomic performance in the two states may be a possible explanation of this pattern. At the same time, interpersonal trust increased in East Germany, whereas inhabitants of West Germany grew less trustful of each other.

A similar pattern of cross-country differences emerges from the analysis of associational membership. As Chart 2 shows, the lowest percentage of citizens without membership in any voluntary organization is found in the Scandinavian countries. Yet the differences between Western Europe and Central Europe decrease. For instance, approximately 50 percent of respondents in Ireland as well as Hungary report civic disengagement in 1990. One of the striking changes in the level of civic activism across time is a substantial drop in associational membership in the post-communist states. More than 70 percent of respondents in Estonia, Hungary, Latvia, Lithuania, and Poland state their disengagement from the civic community in 1999.

A closer look at membership in voluntary organizations in the post-communist states illustrates considerable variation in the trajectory of social capital across types of organizations. Table 1 documents growing disenchantment with labor unions. The percentage of respondents with labor union membership shrank by 20 times in Lithuania, sliding from 43 percent in 1990 to 2 percent in 1999. It comes as no surprise that these traditional organizations lost a large share of their members during the transition period. State officials under the communist rule used to coerce citizens into joining the labor unions. They lost this leverage under the conditions of free market economy in the 1990s. By the same token, the newly-fangled political parties failed to recruit a large number of new members in the absence of a single-party system. Less than three percent of the post-communist citizenry remained in the ranks of political parties in 1999. Membership in professional associations also hit its lows in 1999, ranging from 1 percent in Lithuania to 6.7 percent in Slovenia.

Similarly, Table 1 reveals dismally low levels of engagement in new types of voluntary organizations. Environmental, human rights, and women organizations found little appeal among the post-communist citizenry. Women organizations, for example, drew less than one percent of respondents in Hungary, Latvia, and Lithuania. Of all the post-communist countries, Slovenia appears to be the most civic-minded in 1999. Approximately two percent of Slovenians reported membership in women organizations in 1999, while three percent of respondents joined the environmental organizations.

In sum, these results suggest that a boom in associational membership has not occurred with the establishment of the new political regimes in the post-communist societies. Furthermore, the findings record a decline of social capital across Western and Central Europe.

### Determinants of Social Capital

Table 2 presents the results of binary logistic regression estimating the effects of socioeconomic variables on interpersonal trust. Consistent with previous findings, income has a positive impact on interpersonal trust across the three regions. By contrast, the effects of employment status are statistically significant only for the subset of West European countries. This trend might reflect a higher social security net in the Scandinavian countries and a low level of wages in the post-communist states, which reduces the importance of employment status by itself.

Most differences are found between respondents from Scandinavia and the other regions. The variable "marital status" reveals a striking cross-regional difference: being married lowers the likelihood of interpersonal trust in all EU states, while it enhances the stock of social capital in Scandinavia. Age brings out another distinction across the regions. Interpersonal trust increases with age in the post-communist states, while it declines with age in the Scandinavian countries. With the exception of the Scandinavian subset, church attendance increases the odds of interpersonal trust. Surprisingly, living in big cities increases the odds of trusting one's fellow citizens; the subset of respondents from the Scandinavian countries is an obvious exception because the population density is much

lower in that region. Finally, Table 2 demonstrates that associational membership fosters interpersonal trust regardless of regional peculiarities.

Results of OLS regression analysis exploring determinants of associational membership are summarized in Table 3. In addition to cross-regional differences, cross-time variation is subject to analysis. A change in the effects of socioeconomic status on associational membership in the post-communist states may be attributed to improving economic conditions. As social stratification intensified in transition societies, income level began to exert statistically significant effects on civic activism. At the same time, the explanatory power of employment status dropped from .44 in 1990 to .11 in 1999. Income level supersedes the importance of employment status in the late 1990s.

The effects of age on associational life vary across the regions. Membership in voluntary organizations increases with age in Western Europe. Age, however, has statistically insignificant effects on civic engagement in the Scandinavian and the post-communist states.

One of the salient features of the post-communist societies in the early 1990s was high interest in politics. Engagement in the discussion of political issues, with the Beta value of .18, served as the strongest predictor of associational membership during that period. A one-unit change in "politics discussion" caused a .30 change in the index of associational membership in 1990. Yet the value of unstandardized regression coefficient dropped to .07 in 1999. At the same time, the impact of political discussions on

associational membership declined at a much slower pace in EU countries. In the sample of respondents from Western Europe, the Beta value for "politics discussion" dropped from .20 in 1990 to .14 in 1999.

In general, the OLS model explains best variation in associational membership in the advanced industrial democracies. The value of R-Square for the 1999 subset of the post-communist countries shows that only six percent of variation in civic engagement is explained.

### Effects of Social Capital on Satisfaction with Democracy

The results of structural equation modeling, using AMOS, are presented separately for each region. To trace cross-time changes, these samples are further subdivided into two groups (1990 and 1999). The values of root mean square error of approximation (RMSEA) suggest an approximate fit of the model.<sup>2</sup>

As shown in Figures 2-7, different types of voluntary organizations do not measure the latent variable "associational membership" equally well. For the 1990 subset of post-communist states, "vol org: arts" loads at .42, while "vol org: church" loads at .18. This confirms the contention that individuals selectively participate in various types of voluntary organizations. Moreover, the loadings on the latent variable "political trust" are different in magnitude. For example, "trust: police" loads at .45, while "trust: civil serv"

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<sup>&</sup>lt;sup>2</sup> In research methodology literature, there is an ongoing debate about the standards for evaluating the fit of the model (Kline 1998). The RMSEA is considered as a more accurate indicator of the model fit than the ratio of the chi-square divided by its degrees of freedom (Hu and Bentler 1999).

loads at .72. Since state institutions enjoy various degrees of public trust, loadings of similar magnitudes are hard to come by.

The correlation between interpersonal trust and associational membership is rather moderate. It slightly increases over time and ranges from .16 in the post-communist states to .30 in the Scandinavian countries in 1999. To isolate the effects of interpersonal trust and associational membership on political trust, the latent variable "social capital" with these two components has not been constructed. Interpersonal trust is a slightly better predictor of political trust than associational membership. As Figure 5 shows, the regression coefficient for the path from interpersonal trust to political trust is twice as high as the regression coefficient for the path from associational membership to political trust in Western Europe in 1999.

Figures 6-7 display a cross-time change in the impact of associational membership on political trust in the post-communist societies. The lower political trust was associated with the higher associational membership in 1991, while the reverse trend is observed in 1999. A massive exodus from labor unions may be one of the reasons why there appeared a negative relationship. A wide array of state failures in the early 1990s may also be behind this trend. Dissatisfaction with the incumbent government might have motivated individuals to solve problems by reliance on civic community.

### CONCLUSION

The findings suggest a decline of social capital in both mature and nascent democracies during the 1990-99 period. Growing disenchantment with traditional voluntary organizations (labor unions, political parties, and professional associations) has not translated in the massive appeal of new types of voluntary organizations in the post-communist states. Environmental, human rights, and women organizations drew less than three percent of members from ordinary citizens. This implies that engagement in voluntary organizations is not widely perceived as a key to collective action problems in the region.

The decreasing effect of political discussions and the increasing impact of socioeconomic status on the stock of social capital indicate the normalization of politics in the post-communist states. The frequency of discussing political matters was one of the best predictors of associational membership in the early 1990s. By 1999, the influence of political discussions on associational membership has decreased, while income levels began to play a much larger role in determining the extent of civic engagement.

The results also illustrate that social capital has a positive impact on trust in political institutions. There are theoretical reasons to suspect that the flow of causality between social capital and political trust is bidirectional. This opens up an opportunity for the break from the cycle of low social capital. Improvements in governmental performance may boost the stock of social capital in the post-communist societies.

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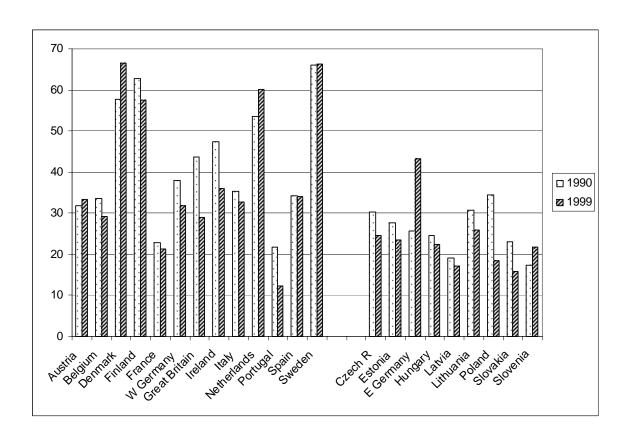
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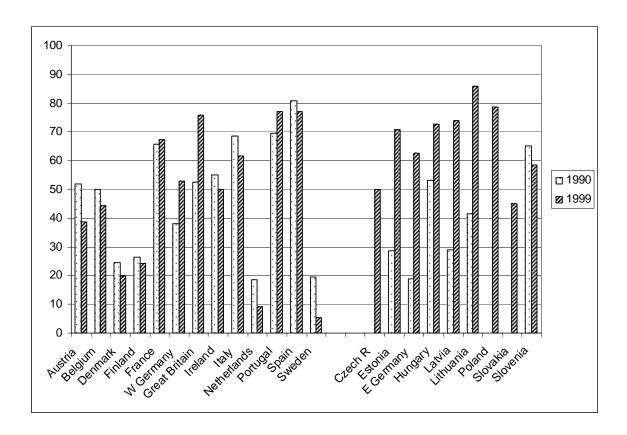
## Appendix

**Chart 1. Trends in Interpersonal Trust** 



Note: The chart summarizes the percentage of those who score 1 on the dichotomous variable "interpersonal trust."





Note: The chart summarizes the percentage of those without any associational membership.

**Table 1. Trends in Associational Membership** 

	Estonia		E Germany		Hungary		Latvia		Lithuania		Slovenia	
	1990	1999	1990	1999	1990	1999	1990	1999	1990	1999	1990	1999
Traditional Associate	ions											
Labor Unions	59.3	4.7	56.1	7.4	31.8	7.1	55.4	11.3	43.1	2.2	19.5	16.9
Political Parties	8.7	1.7	11.1	2.7	2.6	1.7	21	1.9	7.6	2	3.9	3
Prof. Associations	4.6	3.6	6.7	3	5.7	3.9	8.5	1.4	2.8	0.9	6.3	6.7
New Social Movemen	nts											
Environment	3.2	1.7	3.7	1.8	1.7	1.9	8.1	0.7	2.7	0.8	2.4	3.3
Human Rights		0.1		0.1		0.4		0.6		0.4		0.8
Women		2.2		3.9		0.3		0.3		0.5		1.9
Total	100% (1,008)	100% (1,005)	100% (1,336)	100% (1,000)	100% (999)	100% (1,000)	100% (903)	100% (1,013)	100% (1,000)	100% (1,018)	100% (1,035)	100% (1,006)

Note: Cell entries are the percentages of respondents with membership in the association for a given year.

Table 2. Logistic Regression of Interpersonal Trust on Age, Income, Employment Status, Marital Status, Gender, Town Size, Church Attendance, and Associational Membership

Predictors	Scandinavia	n Countries	Other EU C	Countries	Post-Communist Countries		
	B (SE)	Exp (B)	B (SE)	Exp (B)	B (SE)	Exp (B)	
Age	006 (.003) *	.994	.001 (.001)	1.001	.005 (.002)*	1.005	
Income	.065(.016)***	1.067	.100 (.007)***	1.105	.096 (.013)***	1.100	
Employment Status (employed=1)	.038 (.101)	1.039	.085 (.036)*	1.089	.096 (.066)	1.101	
Marital Status (married=1)	.231 (.090)**	1.260	170 (.033)***	.844	263 (.060)***	.768	
Gender (male=1)	070 (.081)	.933	.066 (.032)*	1.068	.196 (.055)***	1.216	
Town Size	.031 (.018)	1.032	.030 (.007)***	1.030	.055 (.011)***	1.056	
Church Attendance	.029 (.027)	1.030	.055 (.008)***	1.056	.034 (.015)*	1.034	
Associational Membership	.291 (.038)***	1.338	.242 (.013)***	1.274	.189 (.027)***	1.208	
χ <sup>2</sup> Nagelkerke R-Square	156.742*** .073		958.371*** .066		187.303*** .036		

Note: Cell entries are regression coefficients with standard errors in parentheses and the predicted change in odds for a unit increase in the predictor. \*\*\*p<.001; \*\*p<.01; \*\*p<.05.

Table 3. OLS Regression of Associational Membership on Age, Income, Employment Status, Marital Status, Gender, Town Size, Interpersonal Trust, Politics Discussion, and Trust in Parliament

Predictors	Scandinav	ian Countries	Other EU	U Countries	Post-Communist Countries		
	1990	1999	1990	1999	1990	1999	
Age	002 (.002)	.004 (.002)	.003 (.001)***	.004 (.001)***	.002 (.001)	-1.7E005 (.001)	
	025	.051	.040	.059	.028	.000	
Income	.046 (.010)***	.064 (.015)***	.073 (.004)***	.103 (.007)***	.012 (.008)	.057 (.006)***	
	.120	.150	.162	.201	. <i>0</i> 23	.164	
Employment Status (employed=1)	.616 (.077)***	.279 (.080)***	.161 (.022)***	.210 (.036)***	.448 (.039)***	.110 (.026)***	
	.215	.116	.070	.081	.187	.072	
Marital Status (married=1)	.029 (.069)	.008 (.078)	003 (.021)	061 (.033)	059 (.035)	022 (.024)	
	.011	.003	001	<i>0</i> 23	024	014	
Gender (male=1)	.069 (.058)	115 (.062)	.085 (.020)***	007 (.031)	.078 (.031)*	.008 (.023)	
	.029	<i>04</i> 9	037	003	.036	.005	
Town Size	021 (.013)	003 (.014)	001 (.004)	005 (.007)	.016 (.006)**	007 (.004)	
	<i>0</i> 39	005	<i>00</i> 2	003	.039	.024	
Interpersonal Trust	.289 (.061)***	.305 (.067)***	.236 (.020)***	.393 (.033)***	.139 (.036)***	.186 (.026)***	
	.080	.125	.099	.145	<i>.054</i>	.105	
Politics Discussion	.230 (.045)***	.189 (.050)***	.349 (.015)***	.276 (.024)***	.307 (.024)***	.070 (.018)***	
	.124	.103	.205	.139	. <i>18</i> 3	.057	
Trust in Parliament	.124 (.038)***	.127 (.044)**	.055 (.012)***	.111 (.019)***	.118 (.017)***	.060 (.015)***	
	.079	.077	.038	<i>.06</i> 8	<i>.0</i> 96	.060	
R-Square	.150	.116	.121	.139	.107	.066	

Note: Cell entries are unstandardized regression coefficients with standard errors in parentheses. The standardized regression coefficients are in italics. \*\*\*p<.01; \*\*p<.01; \*p<.05.

Figure 1. Specification of the Structural Equation Model

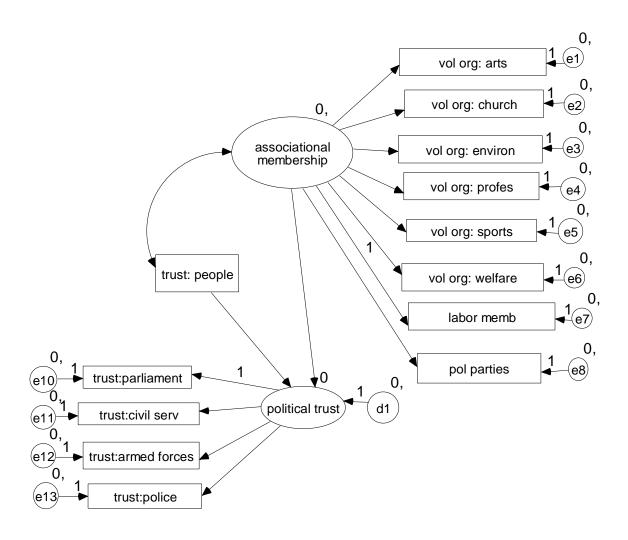
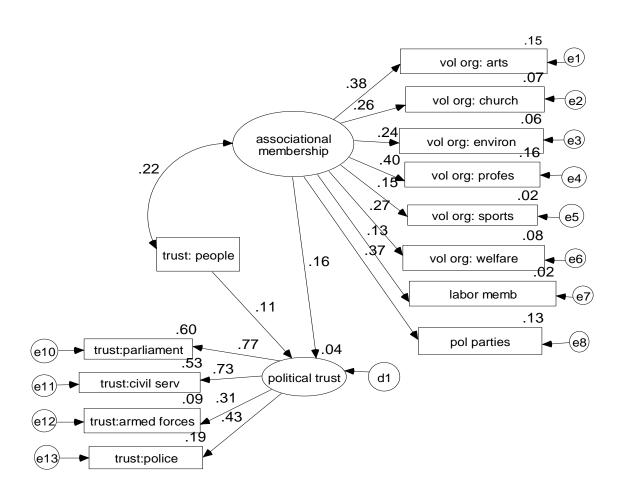
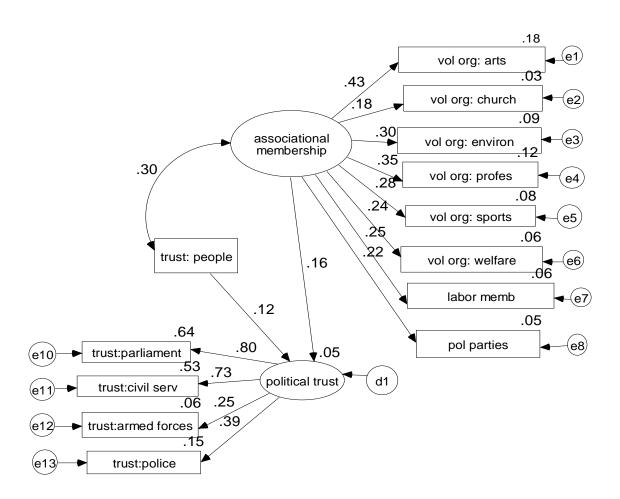


Figure 2. Political Trust by Social Capital, Scandinavian Countries, 1990



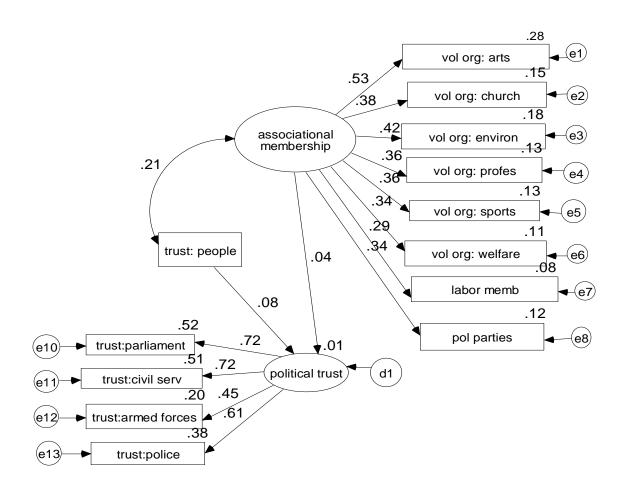
Note: Chi-Square=332.085, df=63; RMSEA=.040.

Figure 3. Political Trust by Social Capital, Scandinavian Countries, 1999



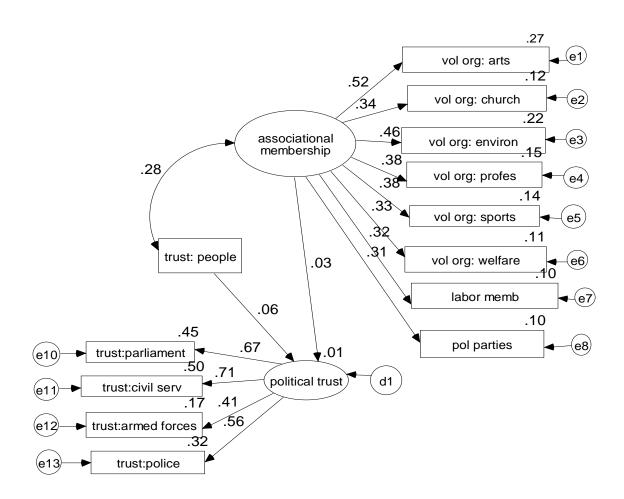
Note: Chi-Square=570.548, df=63; RMSEA=.051

Figure 4. Political Trust by Social Capital, Other EU Countries, 1990



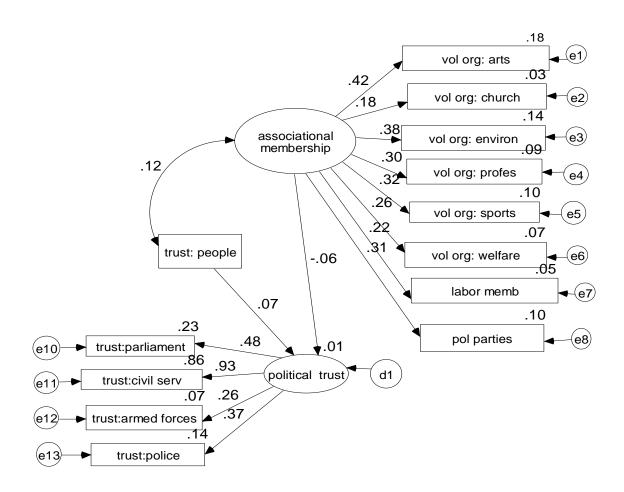
Note: Chi-Square=2258.516, df=63; RMSEA=.044.

Figure 5. Political Trust by Social Capital, Other EU Countries, 1999



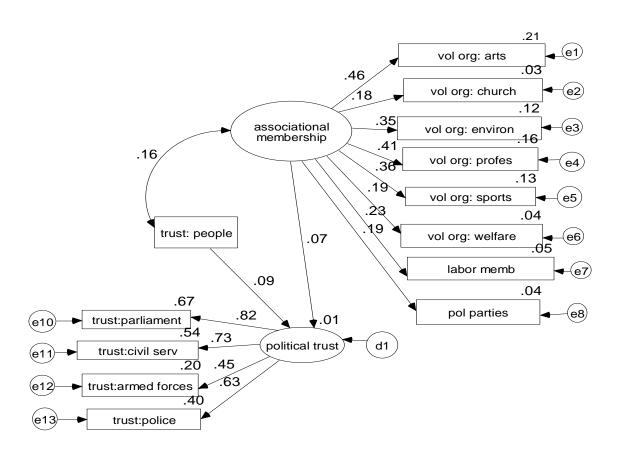
Note: Chi-Square=1963.026, df=63; RMSEA=.048.

Figure 6. Political Trust by Social Capital, Post-Communist Countries, 1990



Note: Chi-Square=1540.485, df=63; RMSEA=.061.

Figure 7. Political Trust by Social Capital, Post-Communist Countries, 1999



Note: Chi-Square=371.347, df=63; RMSEA=.028.