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THE DYNAMICS OF SOCIAL CAPITAL IN CROATIA, 1995 – 2003.

Dinamika socijalnog kapitala u Hrvatskoj, 1995 – 2003.

APSTRAKT Koncept socijalnog kapitala je široko prihvaćen i korišćen u društvenim naukama, posebno u sociologiji, političkim naukama i institucionalnoj ekonomiji. Njegova se popularnost može prvenstveno pripisati raznim, teorijski i empirijski istraženim društvenim doprinosima, koji su povezani sa proizvodnjom i opstajanjem socijalnog kapitala. U ovom radu se preispituje dinamika socijalnog kapitala u Hrvatskoj prikazana u ranijem tekstu (Štulhofer, 2003a). Koristeći podatke iz dve ankete na nacionalno reprezentativnim uzorcima (World Values Survey – Croatia 1995, and South East European Social Survey, 2003), autori se fokusiraju na dinamiku socijalnog kapitala u periodu od 1995. do 2003. godine. Uprkos ekonomskom rastu, rastućoj političkoj stabilnosti i napretku u demokratizaciji u posmatranom periodu, nalazi ukazuju na eroziju socijalnog kapitala. Glavni faktori u pozadini negativne dinamike kapitala u Hrvatskoj izgleda da su rastuće opažanje korupcije i opadajuća religioznost.

KLJUČNE REČI socijalni kapital, Hrvatska, generalizovano poverenje, građanska participacija, poverenje u institucije, razvoj, religioznost, opažanje korupcije

ABSTRACT The concept of social capital has gained wide acceptance and use in social sciences, particularly in sociology, political science and institutional economics. Its popularity should be primarily attributed to various societal benefits, theoretically and empirically well explored, linked to the production and persistence of social capital. This paper reconsiders the dynamics of social capital in Croatia presented in a previous article (Štulhofer, 2003a). Using data from two cross-sectional nationally representative social surveys (World Values Survey – Croatia 1995, and South East European Social Survey, 2003), the authors focus on the dynamics of social capital during the 1995–2003 period. In spite of economic growth, increasing political stability and advancing democratization in the observed period, the findings point to the erosion of social capital. The main factors behind

the negative dynamics of social capital in Croatia seem to be growing perception of corruption and declining religiousness.

KEY WORDS *social capital, Croatia, generalized trust, civic participation, trust in institutions, development, religiousness, perception of corruption*

According to the analyses outlined in a recent paper (Štulhofer, 2003a), the dynamics of social capital (hereinafter referred to as SC) in Croatia during the 1995-1999 period was distinctly negative.¹ Values of all three standard indicators – generalized trust, trust in institutions, and civic participation (membership in civic organizations) – have decreased over the observed period. However, it was suggested that the change should not be viewed as dramatic. Considering specific situation that marked both surveys (in 1995, the survey was carried out just months after the “Oluja” military action, whereas in 1999 it shortly preceded decisive parliamentary elections), it seemed plausible that the gathered data were strongly influenced by short-term contextual effects. In 1995, the successful final offensive of the Croatian army has, most probably, temporarily inflated trust in institutions and possibly generalized trust. Four years later, the contextual effect worked in the opposite direction.²

The third survey was conducted at the end of 2003, this time as a part of an international research project. That particular moment was also marked by pre-election apprehension and suspense, but the most recent survey nonetheless provides clearer assessment and a more reliable evaluation of the SC trend. In short, this paper compares the SC levels in 1995 and 2003, in order to re-evaluate and update previous conclusions (Štulhofer, 2003a).

The Importance of Social Capital

Social capital (SC) is a cluster of specific features of social life, particularly those that facilitate cooperation and solidarity (Fukuyama, 2000). Quite often, it is defined as a property of social structure, as civic participation (or “density” of relations among members of a community), which is characterized by widespread mutual trust, collective actions and adherence to norms (Portes, 1998; Brehm & Rahn, 1997; Grix, 2001). Unlike other types of capital, SC is not embodied in individuals, but rather in their relations. In other words, it is a characteristic of collective practices performed on daily basis.

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² According to many Croatian analysts, the 2000 elections were characterized, by “voting against” the failures, frauds, and arrogance of the then ruling party.

One of the fundamental reasons, if not the central one, for popularity of the concept of SC in social sciences, can be found in its positive societal effects and developmental potential.³ SC has become synonymous with positive effects of culture, i.e. informal norms and institutions, on growth and development. In that sense, SC is usually interpreted as a spontaneous evolution of socially beneficial norms and institutions (Putnam, 1993), which makes communities rich in SC economically more successful (Torsvik, 2000), socially more stable (Sandefur & Laumann, 1998), more creative (Hospers & van Lochem, 2002), healthier (cf. Peterson, 2002), safer (Rosenfeld et al., 2001), as well as happier (Bjornskov, 2003). Although SC can also have negative effects – as in the case of a narrow radius of trust (Fukuyama, 2000) or the prevalence of bonding SC⁴ (Putnam, 2000) – it is generally regarded as public good. Following the discussion about the role of the state in stimulating or rebuilding SC (Grix, 2001; DeMello, 2004; Fukuyama, 2000; Putnam, 2000), a recent study (Raiser et al., 2001) has empirically analyzed the importance of SC in the post-communist transitional context.⁵ Although the authors did not confirm the expected benefits of generalized trust, trust in institutions and the level of civic participation were found to be positively related to economic growth (Raiser et al., 2001: 27).

Sample and Instruments

In this paper we use data from two research projects in which the first author took part. Both were based on a survey and were carried out on a national probability sample. The first, World Values Survey – Croatia 1995 (Erasmus Gilda, Zagreb), was conducted in 1995 on 1196 respondents, and the second, South East European Social Survey (Institute of Sociology, University of Tromsø, Norway), in 2003 on 1250 respondents aged 20+.

The level of SC was assessed by the three standard indicators (Raiser et al., 2001; de Mello, 2004; Brehm & Rahn, 1997; Foley & Edwards, 1999; Štulhofer, 2003a, Štulhofer, 2003b): generalized trust, trust in institutions, and civic participation. Generalized trust was measured by a dichotomous variable where the response “Most people can be trusted” was coded 1 and “One needs to be very careful in dealing with people” was coded 0. The indicator of civic participation was

³ Therefore the recent concern over its decline, especially in the US (Paxton, 1999; Putnam, 2000).

⁴ According to Putnam (2000: 22-24), *bridging* SC is the one that includes, whereas *bonding* SC is the type that excludes different actors and groups. Examples of the latter are secret societies, cliques or criminal organizations.

⁵ Several authors reported a deficit in civicness as something typical for transitional countries (Rose et al., 1997; Pejovich, 2003).

a dichotomous variable representing aggregated data on membership in seven types of NGOs⁶; active members (in one or more associations) were coded 1 and non-members 0. Trust in institutions was the average score on nine variables representing the level of trust in ten societal institutions (answers were recorded on the 4-item scale ranging from “I trust a great deal” to “I have no trust whatsoever”).⁷ The values were recoded so that larger score would represent more trust in the institutions. Reliability of the index was satisfactory ($\alpha = 0.82$).

Even though some authors did test relationship between these indicators (Raiser et al., 2001; Brehm & Rahn, 1997), reliability of such measurement is not established. Following Bjornskov's example (2003), we have additionally operationalized SC as a latent variable by factor analyzing the three indicators. With the exception of trust in institutions in 1995, the indicators loaded highly on a single factor at both measurement points (table 1). The procedure resulted in a latent SC variable expressed as factor scores.⁸

Table 1 – Factor analysis of the indicators of SC

	Loading	
	1995	2003
Generalized trust	0,76	0,71
Civic participation	0,68	0,61
Trust in institutions	0,22	0,56
	Eigenvalue (% of variance explained)	
	1,08 (36,06)	1,2 (40)

The level of religiousness was determined by the frequency of participation in religious practices. Since there were slight differences in the 1995 and 2003 scales, the original variables were dichotomized into 0 – “Attending religious services less than once a week” and 1 – “Attending religious services weekly or more frequently”. Political orientation was assessed by a rather crude and somewhat outdated distinction between the “left” and the “right”. The respondents were asked to place their general political views on a ten-grade scale, where the left (1) and the right (10) were at extreme ends. Perception of corruption was measured by asking

⁶ These were religious, recreational, and artistic/educational organizations, the unions, political parties, environmental groups and professional associations.

⁷ The following institutions were included: the church, the army, the legal system, the press, the TV, the unions, the police, the parliament, the government and the political parties.

⁸ Principal components method was used for factor extraction.

respondents how widespread they think corruption is among civil servants. The answers were recorded on a four-point scale ranging from “Almost no one is involved” (1) to “Almost everyone is involved” (4).

Results

As shown in table 2, the level of SC was significantly lower at the end of the analyzed period pointing to a decline. However, the difference in average values does not provide any details about the negative dynamics. Is the erosion observable in all three dimensions of SC? To answer this question we have carried out additional analyses presented in tables 3 and 4.

Table 2 – The dynamics of SC, 1995 – 2003

	1995	2003
SC factor	0,21	-0,21
t = 8,92; DF = 1681,18; p > 0,001		

The negative trend is not observable in all three dimensions. The level of generalized trust has not changed (table 3); more precisely, in the 2003 survey it regained the initial 1995 level, after it had significantly dropped in 1999 (Štulhofer, 2003a).

Table 3 – Generalized trust, 1995 – 2003

	1995	2003
	%	
“Most people can be trusted”	25,1	25
“One needs to be very careful... with people”	74,9	75
p > 0,51		

Unlike generalized trust, both civic participation and trust in institutions decreased in the observed period (table 4). A more detailed analysis revealed a decline in active membership in seven out of eight observed categories. The decline was most dramatic in the case of religious organizations, which lost half of their active members. The magnitude of the decrease in trust in institutions is also substantial. When we analyzed changes in trust in the legal system, which is the key

institution when thinking about social trust, we found that the number of those expressing zero confidence in the legal system increased four times. In 2003 every fourth respondent had no trust in Croatian courts and laws.

Table 4 – Trust in institutions and civic participation, 1995 – 2003

	1995	2003
	%	
Membership in civic associations		
non-members	60,7	73,9
members	39,3	26,1
$\chi^2 = 46,47; p < 0,001$		
	M (Std. dev.)	
Trust in institutions	23,74	22,79
	(5,4)	(5)
t = 4,04; DF = 1945,13; p < 0.001		

What are the correlates of SC (Brehm & Rahn, 1997), the factors that would help in understanding its decline? To answer the question we entered a number of socioeconomic (education, income) and demographic indicators (gender, the size of settlement), religiousness, political orientation, and the perception of corruption into an OLS regression equation (table 5).

Table 5 – Correlates of SC

	N = 1378
	<i>Beta</i>
Age	0,02
Gender (1 = female)	0,06*
Education	0,07*
Size of the settlement	-0,06*
Household income	-0,04
Religiousness	0,14***
Perception of corruption	-0,18***
Political orientation (left-right)	0,08**
* p < 0,05; ** p < 0,01; *** p < 0,001	

Our findings partially confirmed the expectations based on literature. Of the four previously identified socio-demographic correlates of SC (Fukuyama, 2000; Brehm & Rahn, 1997; Raiser et al., 2001), only household income was found insignificant. Although of marginal magnitudes, correlations between the other three indicators (education, gender and the degree of urbanization) and the SC latent variable proved statistically significant. As our additional analyses pointed out, more educated respondents were more likely to participate in civic associations, more trustful of others, and less trustful of institutions. The finding that women had higher scores on SC factor than men is based entirely on their overrepresentation in civic associations, which is an interesting finding given the country's patriarchal legacy and the traditional notion of public sphere as a male domain.

Religion, as indicated by Fukuyama (2000), should be beneficial to SC. The effect is usually described as a consequence of internalization of religious values, which (by default) include solidarity and initial trust. Furthermore, religiousness implies the conviction that the good shall prevail and the imperative of forgiveness, both of which positively affect generalized trust (Veenstra, 2002). Our study did not confirm the suggested complexity. According to our analyses, the fact that respondents who regularly participate in religious ceremonies (once a week or more often) had higher SC scores is the consequence of their more intense civic participation⁹ (primarily in religious organizations) and less pronounced distrust in institutions.

Correlation between political orientation and SC was found significant, but marginal. As in the case of religious respondents, the finding that those who placed themselves right of the political center had somewhat higher SC scores is based on their above average participation and lower distrust in institutions.

Perception of corruption among civil servants was the strongest correlate of SC. The more widespread the corruption is perceived, the lower the SC score. Although our analyses were not designed for pinpointing causal links, it is plausible that it is perception of corruption that affects SC and not vice versa. Namely, a decrease in social trust, civic participation and trust in institutions could be socially adaptive reaction to a situation that is perceived as illegitimate. Widespread conviction that corruption among civil servants is not subject to (efficient) sanctioning necessarily erodes trust and readiness to participate in an environment in which norms are broken or avoided on daily basis. As a number of authors pointed out, this is one of the central issues of the post-communist transition (Raiser et al., 2001; Rose et al., 1997; Štulhofer, 2000). Our analyses provided only partial support for this interpretation. Perception of corruption was found negatively related to generalized trust and trust in institutions, but not civic participation.

⁹ Primarily in religious organization that dominated (in terms of membership) the non-governmental scene in 1995 and 2003.

In two additional regression analyses, computed separately on 1995 and 2003 data, religiousness and perception of corruption were identified as the only robust correlates. In other words, only these two were found significantly correlated with SC at both points of measurement. As shown in table 6, the decline in religiousness and the intensification of perception of corruption offer a partial explanation for the erosion of SC in Croatia. The negative dynamics seem to be an outcome of simultaneous decrease in factors beneficial to SC (religion) and increase in factors detrimental to SC (perception of corruption).¹⁰

Table 6 – Changes in religiousness and perception of corruption 1995 – 2003

	1995	2003
	%	
Religiousness ^a		
weekly church attendance	22,3	12,4
less frequent church attend.	77,7	87,6
Perception of corruption among civil servants ^b		
almost no one is corrupt	1,1	1,3
only a few are corrupt	22,1	22,8
most are corrupt	61,2	52,8
almost all are corrupt	15,6	23,2
^a $\chi^2 = 42,17$; $p < 0,001$		
^b $\chi^2 = 23,34$; $p < 0,001$		

Discussion

The erosion of SC in Croatia during the 1995-2003 period is based on the decline in trust in institutions and civic participation. To be valid, such a conclusion needs to take into account situational effects present at the time of the 1995 data collection. As mentioned before, the survey was carried out only weeks after the decisive military action, which *de facto* brought the war in Croatia to an end. The military success and its corollary (sovereignty re-established over the most part of the pre-war territory), have evoked an outburst of national pride and exuberance, as well as unequivocal content with the political and military leadership. One should assume that trust in certain institutions soared at the time, reflecting a situational

¹⁰ It is important to note that the major proportion of the variance of SC remained unexplained by the variables entered into the equation.

short-term effect. Obviously, such an effect would have inflated SC as measured in this paper. Such an assumption is backed by the finding that the army and the police were the most trusted institutions in 1995 (Žunec, 1997). None of the surveys conducted after 1995 presented similar results.

Another argument in favor of the contextual interpretation is the fact that in 1995 Croatia had the biggest proportion of population actively participating in religious organizations of all the European countries represented in the World Values Survey (Štulhofer, 2003a). Already in 1999, the membership in these associations declined dramatically, by more than 60 percent. A very likely explanation is that the most of the religious organizations we find in 1995 are actually church-related humanitarian or semi-humanitarian organizations, usually internationally supported, that emerged during the war and vanished once it was over. The fact that many of them distributed foreign humanitarian aid implied personal benefits for the members.

Is it possible that the situational effects described above are responsible for the apparent erosion of SC in the 1995-2003 period? For example, a powerful situational (war-related) effect could have misrepresented a stagnant SC for a declining one. To test this possibility we have carried out additional analyses on appropriately adjusted indicators. We excluded religious associations from the cumulative indicator of civic participation and omitted the army and the police from the list of institutions used for the composite indicator of trust in institutions. In this manner, situational effect was effectively minimized without compromising the methodology used in the study. According to the findings, the 1995-2003 difference, although reduced, remained significant for both dimensions ($p < 0.01$). The erosion of SC cannot be explained by situational effects present at the beginning of the observed period.

In spite of the war being ended, in spite of growing social and political stability, as well as substantial democratization – especially after the January 2000 elections – SC in Croatia decreased. There are several ways to approach this paradoxical finding. The first is suggested by the theory of cultural lag, according to which the period of time observed in the study could be too short for measurable changes in SC. Obviously, this fails short of explaining the erosion that was established. Another possibility is that there are methodological shortcomings inherent to the macro approach to SC that hamper valid conclusions. The critics have pointed out different theoretical and methodological problems concerning all three standard indicators (Grix, 2001), emphasizing questionable validity and reliability of generalized trust, inadmissible generalization of categories as a part of measuring trust in institutions, and indiscriminant aggregation of civic associations (does a church choir or a mountaineering society promote democratic values as

profoundly as an environmental organization?). Unfortunately, no alternatives have yet been introduced to international survey projects.

The third approach argues that one of the standard indicators of SC may not be useful in transitional societies of post-communist Europe (Dowley & Silver, 2002). Considering the whole set of drawbacks related to post-communist institutional reforms¹¹, as well as the unconvincing performance of the new state, it becomes unclear - the argument develops - whether it is the level of trust in institutions or rather the degree of distrust that indicates values and norms usually identified with SC. Although the objection deserves more attention than the aims of our paper permit, it does seem to run into problems when confronted with positive intercorrelations between the three indicators. Namely, in order to be a theoretically valid indicator of SC in transitional societies, distrust in institutions would have to be correlated negatively with generalized trust and civic participation.

This brings us back to the paradox. How can SC decline at the same time that GDP, social and political stability increase?¹² Such a finding contradicts some basic tenets of SC theory. In our opinion, two possible explanations could be offered. The first is that we either recorded a noise or a temporary deviation. The other and more plausible explanation is more complex and suggests: (a) that changes in SC are less predictable and coherent at low levels (as is the case in post-communist countries; cf. Rose et al., 1997), (b) that oscillations in SC are more frequent in periods of rapid societal changes (such as post-communist transition), and (c) that the erosion of SC becomes problematic in the more advanced phase of the process of transition (slowing the economic development and consolidation of democracy) rather than in the initial, top to bottom, phase. If the latter proves correct, combating corruption could soon become a top priority for the Croatian government.

Conclusion

Recently, the macro approach to SC has been subject to a number of critical reviews. It has been criticized for conceptual vagueness, methodological deficiencies and arbitrariness, and for ignoring the social context – particularly in regards to power relations (Foley & Edwards, 1999; Grix, 2001; Hospers & Van Lochem, 2002; Mihaylova, 2004). As a consequence, the micro approach to SC, mostly qualitative in orientation, is gaining increasing popularity at the expense of the

¹¹ Such as the legacy of the former regime, an extremely short period of time in which the full-scale reform of all political, economic and social institutions was carried out (or at least attempted), and the lack of professional ethics among many of the new civil servants.

¹² According to the National bank of Croatia (<http://www.hnb.hr>), GDP *per capita* increased from \$4.029 in 1995 to \$6.484 in 2003.

macro approach. Nevertheless, throughout this paper the authors have stubbornly followed the so called Putnam school method. The reason is almost trivial: it allows for longitudinal observation of SC. The focus on temporal dimension, rather than on the structure of SC or power relations that mould it (Maloney et al., 2000; Foley & Edwards, 1999), seems of particular importance in the transitional context. Ignoring socio-cultural trends -particularly the dynamics of SC - and the factors that determine them deprives institution building and policy making in transitional societies of developmental insight. This, in our opinion, warrants the application of a fashionable yet still somewhat questionable concept that social capital represents at the moment.

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