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**Doctoral Dissertation** 

# Social Capital in Poland: Determinants, Historical Roots and Trends

Abstract of the doctoral dissertation
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## Introduction

The aim of the dissertation is to analyze the issue of low social capital in Poland. Social capital is hereby understood as a set of informal social norms such as trust, reciprocity, meeting of obligations and truth-telling, which benefit the group by raising the efficiency of exchange. There are three rationales behind the choice of the topic of the dissertation. Firstly, social capital is very important for the social and economic development of a society. Secondly, there seems to be an apparent deficit of social capital in Poland, as measured by various measures of social capital, and this, according to scientific literature, stands in contrast with the fact that Poland seems to be able to achieve socially desirable outcomes such as economic growth, improvement in standards of education, reduction in income inequality. Finally, data from Social Diagnosis survey give an opportunity of evaluating the growth potential of social capital in Poland. These reasons make the question of the state of social capital in Poland both scientifically interesting and socially important.

The structure of the document is as follows. The first part provides a literature review of the research in the area of social capital. Then comes a part which describes hypotheses regarding the research conducted for the dissertation. Another part provides the outcomes of the empirical analysis. The document is concluded with a short summary and suggestions for further research.

## Literature Review

One of the key characteristics of social capital from the perspective of economic science is its correlation with GDP growth. For instance, Arrow (1972) linked trust, a key component of social capital, to effectiveness of commercial transactions and economic development. Helliwell and Putnam (1995) showed how increased autonomy among Italian regions led to divergence in per capita GDP in 1980s. The regions that grew faster were the Northern ones where social capital was more abundant. Knack and Keefer (1997) used averages of World Value Survey data in a country-comparison regression models in order to capture the impact of social capital. They had measured it by the acceptance of rent seeking, bribery, cheating on other citizens. Their findings indicated that trust and civic values had significant impact on the GDP growth. Zak and Knack (2001) found that trust had positive impact on the 1970-1992 GDP growth and the average investment as a share of GDP during this period. Other authors found similar outcomes in their research linking GDP growth to social capital (Hall and Jones, 1999; La Porta et al, 1997; Whiteley, 1997).

Further research found that social capital is also correlated with other socially desirable outcomes. One of them is quality of education. In USA, children from states with lower social capital, usually the Southern ones, had lower scores on standardised test (Halpern, 2005) and experienced a higher drop-out rates (Putnam, 2000). A meta-analysis by Hanushek (2003) showed that increasing expenditures on education either yielded a very weak outcome or had no effect at all when not paired with adequate level of social capital.

An important feature of social capital is its negative correlation with a exclusive focus on family. Already in 1958, Edward Banfield in a monograph on Chiaromonte, a city in South

Italy, argued that the poverty in Southern Italy was the result of the culture's narrow focus on nuclear family (Banfield, 1958). He observed that locals were willing to help others only when they had personal interest in doing so and this resulted in envy, corruption and the inability to pursue a common goal. Similar results regarding Southen Italy were achieved by others (Almond and Verba, 1965; Putnam et al., 1993). Later research brought support to a view that generally, a narrow focus on nuclear family is negatively correlated with social capital (Alesina and Giuliano, 2011; Durante, 2009; Kääriäinen and Lehtonen, 2006). Such results can be explained in the framework of the "outward exposure" hypothesis by Ermisch and Gambetta (2010). Namely, all the factors that force individuals to cooperate outside family will benefit social capital by giving individuals the possibility to learn to distinguish trustable individuals from those who should not be trusted and by directly forcing them to rely on others. This will boost the so-called generalised trust which is the trust to other people who are not members of the family or close friends.

There are studies showing that the social capital can be rooted in the past. Putnam et al. (1993) argued that historical political institutions and the predominance of the Catholic Church are responsible for the socio-economic underperformance of Southern Italy. Similar outcomes were reached by Tabellini (2010) who found that societies with a history of political system putting constraints on executive power turn out to have higher values of generalised trust and various measures of civic activity. A Nunn and Wantchekon (2011) found that regions of Western Africa which experienced slave trade had less social capital and their populations are less trusting.

The exact definition of social capital is a matter of debate. Most authors agree that social capital features reciprocity and trust imbedded in networks of people. However, they disagree on details. Putnam (2000) uses a distinction between bonding and bridging social capital, which he credits to Gittell and Vidal (1998). In essence, bonding social capital means all the networks in groups where members are rather homogenous, while bridging social capital consists of networks in groups in which members are socially heterogeneous. Fukuyama (1997) puts emphasis on informal rules, norms and virtues like truth-telling, the meeting of obligations, and reciprocity. Durlauf and Fafchamps (2005) make a summary of various definitions of social capital. They argue that while definitions of social capital vary, they all share three basic aspects:

- 1. "Social capital generates positive externalities for members of a group.
- 2. These externalities are achieved through shared trust, norms, and values and their consequent effect on expectations and behaviour.
- 3. Shared trust, norms, and values arise from informal forms of organisation based on social networks and associations." (p. 1644)

Durlauf and Fafchamps (2005) also indicate that social capital is linked to the First Welfare Theorem. Namely, social capital becomes important in cases where Pareto-efficient solution cannot be achieved. This would encompass various problems such as imperfect competition, externalities, information asymmetry, free-riding or rent seeking. From this perspective, the positive effect of social capital stems from its ability to, at least partially, overcome any of

these difficulties, thus improving the efficiency of exchange. An example of such an effect is provided by Granovetter (1973) in his study of the labour market. The author found that having large and diverse social network makes it easier to match jobseeker with job entries and makes the overall job market more efficient.

The issue of social capital was also noticed by Polish social scientists. Already in the 1990s, Piotr Sztompka wrote a series of articles where he stated that Poland suffers from lack of trust and he related this to the experience of communism (a good summary is in Sztompka, 2007). However, the topic of social capital was actually popularised in Poland by Janusz Czapiński (e.g. Czapiński, 2008). He pointed that Poles have a deficit of social capital - they do not trust one another and they rarely participate in voluntary associations. This characteristic of Polish social life will become increasingly a hindrance in economic development once the dual economic engines of expansion of tertiary education coupled with cheap local labour will deplete. At this point the lack of social capital will make it impossible, in Czapiński's opinion, to develop a modern knowledge-based economy. In effect, the deficit of social capital will at some point halt the process of catching up to Western levels of GDP per capita and standard of living. This handicap in economic development was mentioned also by other scientists and public figures. They pointed that low social capital in Poland has negative effect on judiciary system (Regulski, 2014), effectiveness of public administration (Clapham, 2012; Wnuk-Lipiński, 2014) or entrepreneurship (Mordasewicz, 2013).

Katarzyna Growiec finds that while social capital among Poles is lower, comparing to other European countries, it is especially lacking among those who base their social network primarily on family (Growiec, 2009, 2011). Growiec and Growiec (2010) find that bridging social capital among Poles is beneficial both in terms of increased earnings and by increasing subjective well-being. They also find that there may exist a "low trust trap"; a self-reinforcing effect of low trust and small social network based primarily on family members (Growiec and Growiec, 2011). Węziak-Białowolska (2010) provided an analysis of regional differences in social capital using the data from the Polish Social Diagnosis data. She found that the voivodships with highest level of social capital are Warmian-Masurian, Subcarpathian and Greater Poland.

# Research Hypotheses

The relationship between social capital and GDP growth is well established. Societies abundant in social capital are wealthy, have a high standard of living and their economies grow faster (e.g. Halpern, 2005; Helliwell and Putnam, 1995; Knack and Keefer, 1997). Unfortunately, data from the European Social Survey suggest that Polish society has lower level of social capital than virtually any of the "old" EU15 countries. Poles score low on two frequently used indicators of social capital — only 16 percent declare trusting others and as little as 5 percent participate in a voluntary or charity organisations once a month. These numbers are much below Western European levels. This would suggest that Poles lack a key asset necessary for building a well-organised, affluent society.

The literature shows that low social capital is correlated with low GDP growth, poor education, low standard of living, corruption, high income inequality (Halpern, 2005). However, regarding each of these measures Poland looks favourably. The country is among the leaders of GDP growth in the EU, it scores high on educational outcomes as measured by PISA survey (OECD, 2013), the standard of living of the population rises steadily (Social Diagnosis, 2013), it scores second among the post-communist countries in terms of low corruption (Transparency International, 2016) and the income inequality among Poles is steadily falling (Eurostat SILC, 2016). All these outcomes are key characteristics of a country richly endowed in social capital.

Low values of key indicators of social capital stand in contradiction with good socioeconomic performance of the Poland. This phenomenon required a thorough analysis. The aim of the dissertation was exactly to analyse the characteristics of social capital and find a scientifically plausible explanation of this contradiction. As such, the research presented in the dissertation was tailored to examine the validity of three general hypotheses:

- 1. The characteristics of the deficit of social capital are different in Poland than in Western nations.
- 2. Deficit of social capital in Poland has historical roots.
- 3. Poland will experience rise in social capital thanks to improving socio-economic conditions after the fall of communism in 1989.

The main indicator of social capital used in the research is generalised trust. It is measured by asking whether "most people can be trusted" against "you cannot be too careful in dealing with people". It was first used by Morris Rosenberg in the 1950s (e.g. Rosenberg, 1956) in his research on how distrust is negatively related to civic attitudes. This question is a major component of various indicators of social capital. It has proven to be consistently indicative of various positive effects of social capital which are assumed by theory (Halpern, 2005) and in many studies it is used solely as an indicator of social capital. In addition, an auxiliary index of civic participation (ICP) was created in order to measure participation in voluntary organisations. The ICP covers attending public gatherings, voluntary work for the local community and participation in voluntary organisations, associations, political parties, public committees, unions and religious groups. It is focused on behavioural aspect of participating in voluntary organisations, as highlighted in the research by Putnam (1993, 2000).

The empirical approach in the dissertation is based mostly on regression models. They are used to find correlations between independent variables (demographic, economic, cultural, etc.) and the indicators of social capital (generalised trust, ICP). Depending on the distribution of dependent variables, OLS or logit regressions are used. For modelling ICP negative binomial regression is used. Most models were created with data from Polish Social Diagnosis panel, occasionally supported by data from GUS (Central Statistical Office of Poland). Country comparisons implement data from European Social Survey and World Values Survey, complemented with data from organisations such as Eurostat, World Bank or Transparency International. Additionally, data from interwar Polish general censuses is used to examine the impact of historical factors on current level of social capital in the society.

#### **Outcomes**

The empirical research provided in the dissertation shows that education is correlated with generalised trust. The effect of primary and secondary education is positive but small. It is tertiary education which is strongly positively correlated with generalised trust. This is consistent with findings which indicate that higher education results in a substantial rise in social capital (Halpern, 2005; Pattie, Seyd and Whiteley, 2003; Putnam, 2000).

There is a negative relationship between age and trust among those aged 16-25. The parameter for age 25-85 is small but positive. Such results mean that among the youngest age group in the sample trust drops with age. This outcome is contrary to scientific literature where youngest members of a society have low value of generalised trust which rises with age (e.g. Alesina and La Ferrara, 2002). In particular, Guiso, Sapienza and Zingales (2008) and Tabellini (2008) provided an analytical framework explaining lower values of generalised trust among youngest people in terms of strategies for intergenerational transmission of trust.

Economical factors are also correlated with social capital. Powiats with highest share of trusting citizens are those with the lowest level of unemployment and such outcome is in line with findings from other countries (Alesina and Giuliano, 2011). Income is positively correlated with generalised trust and this outcome in accord with the findings in the literature (Alesina and La Ferrara, 2002; Glaeser et al., 2000; Guiso, Sapienza and Zingales, 2003). Among professional groups, entrepreneurs turn out to be most trusting, which may be related to experience of identifying trustworthy business parties or (Ermisch and Gambetta, 2010) or to due to the fact that they have more control of their professional life and have higher levels of optimism (Uslaner, 1998, 2002), a trait commonly found among those running a business (e.g. Liang and Dunn, 2008).

An important phenomenon, which can be found in the literature, is the relationship between optimism and social capital. Uslaner (1998) argued that pessimists see others as malevolent and, in effect, tend to retreat to their own small communities where they feel safe. Optimists, on the other hand, think that future will be better and believe that one can control his or her life. Additionally, they have a sense of well-being and a supportive community. This relationship was tested in the dissertation and the outcome turned out fit the framework laid out by Uslaner (1998, 2002). Seeing optimism as a prerequisite of a good life and attributing successes to oneself or other people turned out to be positively correlated with generalised trust. On the other hand, the view that money, health or family are prerequisites of a good life was negatively correlated with generalised trust. Negative correlation between narrow focus on family and social capital is well documented in the literature (e.g. Almond and Verba, 1965; Banfield, 1958; Durante, 2009; Ermisch and Gambetta, 2010). As for negative correlation regarding emphasis on money and health – it reveals to some extent the preoccupation with danger or hazards that one can encounter. It is better to have money and be healthy because one never knows when misfortune can happen.

This relationship between optimism and social capital was juxtaposed with the outcomes of opinion polls published by Polish research agency CBOS since early the 1990s (CBOS, 2016). The number of those assessing life as "good" has climbed from 10-15 percent in 1992 up to about 55 percent in 2016. However, when asked about the prospects the majority of

Poles are convinced that the country is heading in the wrong direction and this outcome is consistent for the last quarter of a century. The fact that individual lives of many Poles have significantly improved since the fall of communism does not seem to penetrate this strong pessimistic conviction. Such fatalistic outlook can be often heard in Polish public life in statements from scientists or public figures and it can be summed up to a view that Poland is nearly heading towards a disaster. In the dissertation, such views are interpreted using the concepts from Uslaner (2002). Namely, for many Poles the world is an evil place (unsupportive environment) and one cannot do much about it (no sense of control). Due to this lack of control, the future looks gloomy (pessimism). Others cannot be trusted too (distrust leading to low social capital) and for this reason there is no point in cooperating because such cooperation is bound to fail. All this creates a sad picture shared by others in the community (low personal well-being).

The abovementioned findings coupled with low measures of social capital, such as generalised trust and participation in voluntary associations, would suggest that Poland indeed suffers from low level of social capital. There are, however, arguments for a contrary statement. One such argument is the fact that Poland experienced good economic and social development during the last quarter of a century. For this reason it was interesting to estimate the amount of social capital based purely Poland's socioeconomic outcomes. Such analysis is provided in the dissertation. The assumption was that one does not know the level of generalised trust in Poland and estimates it based on socio-economic outcomes – values of indicators such as Corruption Perception Index (Transparency International, 2016), educational outcomes in the PISA research panel (OECD, 2013), Gini coefficient (Eurostat SILC, 2016) and Index of Economic Complexity (Hausmann, Hidalgo et al., 2011). The average of predicted generalised trust from four models is 29.7 percent. This is significantly higher than the actual outcome from ESS survey with 16.4 percent. This should be interpreted as follows – the socioeconomic outcomes of Poland would be characteristic of a much more trusting society.

Scientific literature also provides clues supporting the view that Polish society has substantial amount of social capital. Uslaner (2008) provided an analysis of the impact of European ethnic heritage on current level of social capital in the USA. He found that while Eastern Europeans have much lower levels of generalised trust than Germans of Irish, in the USA, Americans of Eastern European reach much higher levels of generalised trust - similar to those of German-Americans or Irish-Americans. Kääriäinen and Lehtonen (2006) analysed social capital in Europe using the measures of social capital proposed by Robert Putnam (2000) which are bonding social capital (ties within homogeneous groups like family and close friends) and bridging social capital (ties in heterogeneous groups). They found that Poland, similarly to other Post-Socialist countries, scored low on the measure of generalised trust, as it did on both, bridging and bonding social capital. This would suggest that in Poland low values of generalised trust and bridging social capital are not related to an inward focus on family, measured by bonding social capital, as was found to be the case for Mediterranean countries. A study by Mönkediek and Bras (2014) showed a similar picture - Poles tend to live close to their family, nonetheless the strength of their family ties are weaker and in this particular respect they resemble Germans or Scandinavian societies.

All in all, Polish society has features of both a society with substantial amount of social capital and one which lacks this important asset. In order to reconcile these contradiction, an explanatory hypothesis was presented in the dissertation. Namely, one can square the discrepancies by assuming that Polish society is one with a substantial amount of social capital and the low values of indicators of social capital are an effect of negative shocks to the social fabric in the 19th and 20th century.

It is not difficult to identify historical events that could serve as negative shocks to social capital Poland. It was occupied throughout the 19th century by Russia, Germany and Austro-Hungary. In the 20th century it was the battleground for two World Wars. After 1945, the country fell under Soviet sphere of influence. This resulted in the implementation of communism, infiltration of the society by security services, and a ban on free speech. Actually, during each period in which foreign powers were present in the country, one of the aims of the occupants was to reduce cooperation among Poles in order to curb resistance. The negative impact of such events on social capital is documented in the scientific literature. Bjørnskov (2007) finds that communism has left a strong legacy of distrust among countries that have experienced it. In fact, in his research the experience of communism is more correlated (negatively) with trust than economic performance, religion or ethnic diversity. Paldam and Svendsen (2001) reached a similar conclusion in their analysis of social capital in post-communist countries of Eastern Europe. A study by Delhey and Newton (2005) shows that wars within the borders of a country are strongly associated with distrust.

Polish social scientists and public figures give very similar explanations of deficits of Polish social capital. Jerzy Regulski pointed at Polish partitions and the experience of communism as being responsible for the creating distrust among Poles (Regulski, 2013). Aleksander Smolar, speaks about communism and military occupation as being responsible (Smolar, 2012). However, Janusz Czapiński looks for even deeper roots of Polish distrust seeing the social structure based on serfdom, abolished only in the 19th century, as being the key culprit (Czapiński, 2013).

The political tradition of Poland is a democratic one. The Polish-Lithuanian Commonwealth, which had collapsed by the year 1795, was run by a parliamentary political system that put strong constraints on the executive power – a feature characteristic of countries with high level of social capital (Tabellini, 2010). In its final days, the Parliament adopted the constitution which expanded rights to city inhabitants and the Kościuszko's 1974 Proclamation of Połaniec was a first step in abolishing serfdom. Obviously, in the late 18<sup>th</sup> century the Polish-Lithuanian Commonwealth was en route to liberal reforms which were interrupted by military intervention by Prussia and Russia. In addition, the crucial factor in developing distrust – the narrow focus on family – is not present in Poland (Kääriäinen and Lehtonen, 2006; Mönkediek and Bras, 2014).

In summation, a hypothesis presented in the dissertation states that Polish society exhibits many fundamental features of a society with substantial amounts of social capital (democratic political culture, lack of narrow focus on family, relatively low corruption and inequality, effective schooling system etc.), however, it lacks the most apparent features of social capital

- generalised trust and participation in voluntary associations - due to negative shocks in recent history (communism, military conflicts, foreign occupation).

In order to verify some potential historical factors, an analysis of the historical variables is included in the dissertation. The analysis is based on data from interwar Polish censuses and covers ethnicity, migration and literacy rate. The analysis shows that Poles living within the borders of the historical German partition exhibit lower generalised trust, though all three partitions turn out to be very similar in this respect. Powiats with a historical Ukrainian and Belarusian population have lower generalised trust as well. In addition, the abrupt immigration during or after World War I seems to have had positive impact on generalised trust. All these finding show that historical factors did play a role in shaping social capital in Polish society.

Since the fall of communism in 1989, Poland is an independent country and is no longer subject to communist rule. This finally provides the society an opportunity for development in economic and social terms. If the hypothesis presented in the dissertation is indeed true and low values of indicators of social capital are only an effect of recent negative experiences, then one should expect indicators of social capital to rise after 1989 when the opportunities for cooperation among Poles are not hindered by various factors. Such finding would give support to the hypothesis provided in the dissertation.

This question was tested on data from the period 2003-15. During these years, generalised trust among Poles has slightly risen from 12 percent in 2003 and peaked at the level of 17 percent in 2015. However, this rise was more pronounced among younger generations, aged 16-44. For age group 16-24 the change was from 13 percent up to 21 percent in 2015. Thus, in 2015, it is the youngest adults who exhibit most generalised trust. For the Index of Civic Participation, which captures participation in voluntary associations, no rise was observed during years 2003-15. Nonetheless, this is the effect of the fall in value of the indicator for those aged 45 or more. Among those aged 16-44 a rise was observed, which was especially pronounced in the youngest age group 16-24.

This is good news, which suggests that new cohorts entering the population have steadily rising social capital. Such an outcome is not coincidental; after all, if the experience of communism is among the factors responsible for low values of these indicators among Poles then those who did not experience communism should be more trusting and have a higher propensity to participate in voluntary organisations. The rise of social capital among the young should be seen as a proof that the scarring effects of negative shocks to social capital are waning and that given an improving social environment, the values of indicators of social capital are rising. Such outcomes give support to the hypothesis presented dissertation. Namely, it is the effect of negative historical experiences which effects in low values of indicators of social capital, not the cultural propensity of Poles.

# **Summary**

The empirical research conducted for the purpose of dissertation gave support to each of the proposed hypotheses. Regarding the first hypothesis – social capital in Poland has indeed different features than in Western nations. In particular, two features stand out – young Poles are more trusting than older generations and Poles are distrustful despite having relatively weaker family ties. Regarding the second hypothesis – social capital in Poland has historical roots, with pre-war ethnic composition and migration patterns having impact on current levels of social capital. Finally, the third hypothesis also finds empirical support. In the recent decade, a trend of rising social capital can be observed and it is most apparent among the youngest cohort of Poles consecutively entering the adult population. If the trend is to last, then the future incoming cohorts ought to have even more social capital.

While the dissertation has added to current understanding of social capital, further research is possible and scientifically desirable. There are a few avenues for research which seem scientifically promising. One is the analysis of historical determinants of social capital in Poland and in the region of Eastern Europe. Among factors which ought to historically have impact on social capital are religion, experience of communism, serfdom or ethnic conflict. A detailed analysis of the impact of these factors seems both interesting and scientifically valuable. Another question is that of the correlation between low trust and narrow focus on family. It is one of most commonly found outcomes in Western countries, however, it seems to have less explanatory power for Eastern European countries. An interesting exercise would be to describe in more detail the mechanisms behind the culture of distrust in societies where the effect of family culture is not of key importance. Additionally, an interesting topic is the analysis of current trends in social capital. The question is whether the positive trend of rising social capital is stable and what factors scaffold it. The specific questions here would be: what are the factors behind this change? Does higher social capital among the youngest differ from what can be observed among other age groups or even among the same age group of the last decade?

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