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Social capital and subjective well-being trends: Comparing 11 western European countries

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ABSTRACT

Discovering whether social capital endowments in modern societies have been subjected or not to a process of gradual erosion is one of the most debated topics in recent economic literature. This new stream of research has been inaugurated by Putnam's pioneering studies about social capital trends in the United States. Recently, a considerable work by Stevenson and Wolfers (2008) put a new emphasis on this topic contending Easterlin's assessment. Present work is aimed at analyzing the relationship between changes in social capital and subjective well-being in western Europe considering 11 different countries. In particular, I would like to answer questions such as: (1) is social capital in western Europe declining? Is such erosion a general trend of modern societies or is it a characteristic feature of only some of them? (2) social capital trend can help to explain subjective well-being trend? In so doing, my research considers four different set of proxies of social capital controlling for time and socio-demographic aspects in eleven different western European countries using World Values Survey (WVS) data between 1980 and 2000. My results are encouraging, showing evidence of a probable relationship between social capital and happiness. Furthermore, my results show that during last 20 years western European citizens have persistently lost confidence in the judicial system, in the church, in armed forces and the police. Finally, considering single countries, we discover that United Kingdom is the only country, among the investigated ones, with a negative pattern for social capital: the majority of the proxies of social capital in UK declined over the considered period.

1. Introduction

Discovering whether social capital (SC) endowments in modern societies have been subjected or not to a process of gradual erosion is one of the most debated topics in recent economic literature. This new stream of research has been inaugurated by Putnam's pioneering studies about SC trends in the United States. Considering numerous proxies of SC, Putnam (2000) argues that during last 30 years USA experienced a decline in social relationships and in its system of shared values and beliefs. From this point, much of the literature on SC tries to find evidence to support or to contend this statement. For a comprehensive review of such literature see Stolle and Hooghe (2004). Putnam's finding has been carefully scrutinised by Paxton (1999); Robinson and Jackson (2001); Costa and Kahn (2003), and Bartolini et al. (2008), while Ladd (1996) criticised this evidence. "On balance, social capital has been confirmed as declining in the US, although not so dramatically as Putnam claimed."[1] All these studies are focused on the USA since similar research asks for a generous database and the US General Social Survey (GSS) offers a long lasting temporal data-series. Consequently, we do not have much information about what happened in other countries in the same period Putnam (2002), Van Deth et al. (2000). For that reason the first question I would like to give an answer is: how is doing Europe? is SC declining? is such erosion a general trend of western societies or is it a characteristic feature of the American one? To my knowledge only a few authors payed attention to this aspect since only a few datasets are useful to establish a clear long-term pattern Arts and Halman (2004), Van OOrschot et al. (2006). In 2001 OECD[2] dedicated to this topic a publication in which, beyond others, dealt with the theme of trends in five European countries: United Kingdom, Netherlands, Sweden, France and Germany. The report assesses that in general SC declined, in particular in United Kingdom, while remaining countries show a more mixed pattern.

Another general perspective is offered by Leigh (2003). Contributing to an entry on "Trends in social capital" he identifies three common patterns of declining trust, political participation and organizational activity across industrialized countries in the

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[1] See Bartolini et al. (2008).

[2] See OECD (2001b), Centre for Educational Research and Innovation, Paris.

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period between 1980 and 1990. Among the five reviewed European countries (Britain, France, Germany, Spain and Sweden) only the Scandinavian one seems to have a positive trend even if civic engagement is declining. Further studies have been conducted by Norris (2004); Delhey and Newton (2005) but these studies focused on particular indexes of SC or only on generalised trust and were based on old data from the World Values Survey (WVS). A deeper analysis was conducted by Morales (2004) on trends and levels of associational participation in Europe. Looking at trends between 1980 and 2002 from the WVS and the European Social Survey (ESS) she concludes that it is not possible to state whether a clear increase or decrease in general levels of membership exists. Anyway, her analysis is merely descriptive and, even if she focuses on a broad set of countries, her conclusions do not account for other aspects, such as socio-demographic variables, that can affect SC trends. Finally, a more recent article by Adam (2008) observes trends of generalized trust and membership in voluntary organizations using data from WVS in the period 1980–2000. The author finds evidence of a non-eroding SC in Europe even if he warns about signs of decline as well as improvement. He states that decline in trust in individuals is quite visible, while associational involvement shows a more complex but on average positive trend.

Adam's work is, to my knowledge, the most up-to-date and complete research on European trends of SC. Anyway, it suffers some limitations. First of all it is based on mean variations between the starting and ending period. This is quite comprehensible since the second aim of the author was to test the reliability of the WVS vis-a-vis other databases (i.e. ESS), but in general this approach does not allow to check for other factors; secondly the author adopts only some of the available proxies of SC, namely generalized trust, membership in voluntary organizations and unpaid voluntary work; finally, Adam focuses on a large number of European countries including transition countries: this is an interesting point, but misses to account for different economic realities (developed and transition countries) preventing a more detailed knowledge of what happened to SC during last 20 years.

In order to overcome these limitations, my research considers four different set of proxies of SC controlling for time and socio-demographic aspects in eleven different western European countries. Data are drawn from the WVS, a dataset composed of four waves between 1980 and 2000. In so doing, I am able to investigate trends on a 20 years period.

The second question I would like to answer is whether SC trends can help to explain subjective well-being (SWB) trends. In a pioneering work Easterlin (1974) discovered that, using cross-section data, on average richer people are also happier than poorer ones; but a life-cycle analysis on the same sample shows that during time income grew up while happiness stayed constant. Such a puzzle is actually known as the "Easterlin paradox." Starting from this point an even more consistent part of the economic literature flourished trying to solve the problem Blanchower and Oswald (2004). Many different theories coming from manifold scientific fields have been advanced so far, but until now they failed to fully explain the paradox.[3] Recently, Stevenson and Wolfers (2008) revive the debate challenging the existence of the paradox. Considering Europe and Japan they argue that societies get happier as they become richer. That is to say that "money can buy happiness." Unfortunately, at the same time they state that "the failure of happiness to rise in the United States remains a puzzling outlier."[4] In this way the Easterlin paradox remains unsolved and also its non-existence is not demonstrated. There is a need to further look into the "black box" of the American case. From this point of view, some recent contributions by Helliwell (2001, 2002, 2006) propose SC as an important aspect for SWB arguing that money cannot explain the whole variation in people well-being. To my knowledge, the paper tackling most successfully with the challenge settled by Helliwell is Bartolini et al. (2008)[5] which argues that SC, and in particular relational goods, is important for SWB. They do not deny the importance of income for happiness, but using data from the American GSS between 1975 and 2004 they find out that U.S. SWB is largely explained by four forces acting in different directions: (1) income growth; (2) decreasing relational goods; (3) decreasing confidence in institutions; (4) social comparisons. These four groups of variables allow to explain quite the whole variation in SWB. In other words, the three authors suggests that American happiness did not grow up together with economic growth because the positive effect of income growth was counterbalanced by the declining availability of SC which negatively affects SWB. In this way they provide a convincing and powerful explanation of the Easterlin paradox giving SC a new role: a higher income increases happiness as long as it does not undermine SC Bartolini and Bonatti (2003). Whenever this hypothesis would be corroborated by further research, policy agendas will have to consider also the effects of economic policy on the preservation and the provision of social capital. Hence, SC can become an important aspect of future development policies.

The theory proposed by Bartolini et al. (2008) can help to explain what happened in USA. A few example can probably be convincing. Estimates from the three authors suggest that in presence of a stable endowment of SC, and in particular of relational goods, American SWB would have been higher than the actual one. Similarly, if income growth should compensate for the effect of the reduction of SC on happiness, keeping this variable stable to its 1975 levels, then the growth rate of GDP should have been more than 10%. Finally, they also estimate that the positive effect of income growth on SWB has been counterbalanced by the increase of other's people income (which offsets 2/3 of the effect of income growth) and by the decrease in relational goods and confidence in institutions (which accounts for 5/6 of the total effect of social comparisons on SWB).

Concluding, the contribution by Bartolini et al. (2008) seems to suggest that differences in SC trends can help to explain differences in SWB trends. The aim of present work is to provide further evidence to support this hypothesis looking at some European countries. Main results of my research are the following:

1. SC trends in the majority of the western European countries are different from the American ones. Great Britain is the country with the worst trend, among the investigated ones, for SC.
2. SWB trends in present sample of countries are generally positive with the only exception of Great Britain.
3. SC and SWB trends for investigated European countries are compatible with a relational explanation of the Easterlin paradox.

Present work is structured in four sections: the first section outlined my research questions and motivations behind them; the second section points out data adopted for my research and methodological aspects; the following section reports results from different regressions considering various proxies of SC as dependent variable and adopting time dummies and socio-economic conditions as independent variables. Finally, some concluding remarks will follow.

[3] For a review of the main theories advanced so far please refer to Sarracino (2008).

[4] See Stevenson and Wolfers (2008), p. 16.

[5] See Bartolini et al. (2008).