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# Three dimensions of social capital and government performance

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Robert Putnam has been a leading scholar in research of social capital since the publication of his groundbreaking work *Making Democracy Work: Civic Traditions in Modern Italy,* in 1993. The core of his social capital theory is that activities in informal and formal social interaction settings can create norms of cooperation and generalised trust, leading to positive results for society as whole. Putnam's empirical research has shown that social capital can be used to explain a range of political, social and economic outcomes, including government effectiveness.

In this paper I will address Putnam's theory on social capital empirically using individual-level data from an Icelandic local government research project. Firstly, I will examine what Putnam considers to be the main components of social capital – measured as generalised trust, civic participation and informal social networks – to see if they have the same demographic and socio-economic predictors, and whether the three dimensions are interrelated. Secondly, I will examine the relationships between the social capital variables and two local government performance indicators. The aim is not to examine the relationship between social capital and government performance in detail, but rather to search for general trends between different dimensions of social capital and government performance. The findings will provide an indication on the role of social capital in explaining government performance of local governments in Iceland.

## Putnam's Theory of Social Capital

For Putnam social capital is both a structural and attitudinal phenomenon. In *Making Democracy Work*, Putnam (1993) defines social capital as "features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions" (p. 167). Here, Putnam is referring to social networks of civic engagement, societal level of trust and the norms of generalised reciprocity. [1] He considers the trust and the norms to be equally important components of social capital as the social networks. In *Bowling Alone: The Collapse and Revival of American Community,* Putnam (2000) refines his earlier definition stating that social capital "refers to connections among individuals - social networks and norms of reciprocity and trustworthiness that arise from them" (p. 18). At this time Putnam puts more emphasis on social networks while he considers norms to be subordinate. Either way, social capital is embedded in social structures and together with associated norms it links people together and enables them to work more effectively towards common objectives: it is a resource that gives communities a way out of dilemmas of collective action.

[1] In Putnam's theory on social capital the notion of generalised reciprocity refers to relationship of exchange between people: "a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future" (Putnam, 1993, p. 172).

While acknowledging the importance of social capital for the quality of individuals' social ties and their subject well-being (Putnam, 2000, p. 20), Putnam's theoretical contribution and research have, however, focused more on the collective aspect of social capital and its impact on the meso and macro levels of society. In Putnam's view, social capital has the properties of a public good and he treats it as a benign concept. He maintains that the supportive norms generated in social interactions and the benefits of the cooperation go beyond the social networks: they benefit society as a whole, not only network members. Thus, the source of social capital is found in people's daily interactions and its effects are felt at the community and society levels, such as in the forms of better schools, faster economic development and more effective governments. Putnam (1995a, p. 2) acknowledges that these mechanisms, from micro to macro levels of society, are both "multiple and complex," yet he also points out that there are strong empirical results supporting his argument. And, Putnam's approach to social capital has always relied on empirical research. His focus on the collective aspect of social capital and its impacts on meso and macro levels of society has led him to use aggregated rather than to individual-level data in his research.

Putnam's empirical approach has been embraced by scholars and policy makers alike, while his conceptualisation of social capital has received much more criticism. Portes (1998) and Durlauf (2002) criticised Putnam's theoretical framework for conceptual vagueness and logical circularity. Foley and Edwards (1999) argue that social capital has to be understood in its context and specific situations and is therefore not useful for empirical and comparative research studies explaining macro social, political and economic outcomes. Others have criticised Putnam for his overemphasis on society-centred interpretation of how social capital is generated and maintain that he neglects the influence of political institutions and government policies on the formation of social capital (Rothstein & Uslaner, 2005; Lowndes & Wilson, 2001). Furthermore, Rothstein and Stolle (2008) counter Putnam's society-centred understanding of social capital completely. They argue for an institution-centred approach, insisting that social capital is embedded in and linked to contemporary political, administrative, and legal institutions. As such, it is governments, through their public institutions, that have the capacity to generate trust between people if citizens consider the state itself to be trustworthy. And then, there are scholars who reject Putnam's mix of structural and attitudinal variables in the conceptualisation and operationalisation of social capital (see Portes & Landolt, 1996; Foley & Edwards, 1999; Lin 2008). Their network approach is grounded in the works of Pierre Bourdieu (1986) and James Coleman (1988), arguing that social capital is first and foremost a structural phenomenon: "resources embedded in one's social networks, resources that can be accessed or mobilized through ties in the networks" (Lin, 2008, p. 51).

In explaining the relationship between the structural and attitudinal components of social capital Putman (1993) starts with the interplay between civic engagement and the norm of generalised reciprocity. He maintains that the norm reconciles self-interest and solidarity and is more likely to be found in dense networks of social interactions, such as of civic engagement. Moreover, the norm of reciprocity together with networks of civic engagement can generate generalised trust. Putnam points out that people learn about the trustworthiness of others through personal interactions, referring to the school of game theory in explaining how trust and trustworthiness become essential elements of social capital: "As folk theorem from game theory reminds us, ongoing social relations can generate incentives for trustworthiness" (p. 172). Putnam argues that the horizontal social associations of civic organisations, where actors are equal in power and status, provide the most prosperous conditions for people to learn to trust non-family members. Hence, the experience of

participation in civic organisations leads people to be better able to reconcile differences, to trust each other and to be more willing to work co-operatively together.

Putnam (1993) insists that involvement in almost any type of civic organisations supports the creation of social capital, whether in neighbourhood associations, sports clubs or mass-based parties (p.173). Yet he emphasises that people have to be actively involved; it is the face to face interactions among members that generate trust and cooperation, not a passive membership. And the causal relationship is somewhat clear, participation leads to the creation of trust. In studying social capital in the US, Putnam (1995a, 1995b, 2000) broadens his interest in social networks to informal socialising arguing that the face to face interactions with neighbours and friends also contribute to the creation of generalised trust, as well as they reinforce civic engagement (chapters 6 and 16). Moreover, his conception of the causal mechanism between the social interactions and social capital values has become more complex and ambiguous than before, or as he states "the causal arrows among civic involvement, reciprocity, honesty and social trust are as tangled as well-tossed spaghetti" (p. 137).

The close association that Putnam posits between social participation and high levels of generalised trust has been called into questions (see Portes & Landolt, 1996; Arneil, 2006). Empirical studies have demonstrated difficulties in establishing robust evidence for the relationship between participation and trust and for the causal mechanism for the generation of social capital (see Stolle, 2002; Stolle & Hooghe 2003; Nannestad, 2008). Brehm and Rahn's (1997) individual-level study of civic engagement and generalised trust in the US confirms Putnam's claim whereas Uslaner and Brown's (2005) aggregate American state level analysis concludes that the relationship runs from trust to participation. Hall's examination of social capital in the UK, from 1950 to 1990, did not produce a robust evidence for the relationship between trust and participation while Wollebaek and Selle's (2002) Norwegian study supports the relationship. Yet, Wollebaek and Selle concluded that the participation doesn't necessarily have to be active as their data showed that passive memberships also influence generalised trust. Furthermore, Stolle and Rochon's (1998) comparative research on associational membership and social capital in Sweden, Germany and the US revealed that membership does influence trust, but often more towards other group members than with regards to generalised trust. By comparing non-members to members, and those who just had joined to those who had participated for longer periods, Stolle and Rochon observed a pattern of self-selection effects whereas people with higher levels of generalised trust self-select into associations of mind liked people. Does this mean that associations are, maybe after all, a mechanism where pre-existing social capital values are strengthened rather than created? Or, should we not expect all associations and membership organisations to generate outwards looking attitudes of generalised trust and cooperation? This whole ambiguity regarding the interplay between participation and trust have Stolle and Hoohge (2003) concluding that one should not dismiss the role of civic engagement for good governance and democracy, but to consider that, "the influence of social interactions seems more limited and more context-dependent" (p. 37) than maintained in Putnam's line of research.

## Social capital and government performance

The main thesis of Putnam's (1993) Italian study was the role of civic engagement in creating social capital, resulting in more successful regional governments. His comparative analysis on Italian regional governments revealed that the regions characterised with vibrant civic networks did also have more successful regional government institutions. The success was shown both in the efficiency with which the regional governments worked as well as their perception by the public.

Putnam's (1993) hypothesis on the relationship between social capital and good governance is grounded in the Tocquevillian notion of civic activism, emphasising the twofold effects of civic associations: the *internal* effects on individual members and the *external* effects on the political system. Putnam argues that by participating in associations members adopt "habits of cooperation, solidarity and public-spiritedness" (pp. 89-90), and they gain skills that are important for a participatory democracy to function. Hence, civic associations can function like *schools in democracy* for the citizens. The external effects are in the institutional links that civic associations provide between their members and the political system and allow for flow of information and articulation of interests (p. 90). These twofold effects of participation are believed to produce more accountable and responsive public officials, as well as engaged citizens that have the capacity to influence the decision-making process and political outcomes. Furthermore, Putnam's notion of the relationship between social capital and good governance should be understood as a reinforcing and cumulative development, rather than a one way mechanism.

Putnam's (2000) empirical study on social capital in the US confirmed his theory on social capital and good governance. And there have been more empirical studies confirming the positive relationship between social capital and the functioning and responsiveness of the political system (Andrews, 2011; Cusackt, 1999; Ingelhart, 1997; Knack & Keefer, 1997; Paxton, 2002; Stolle, 2004). Yet, the findings vary depending on whether the researchers follow Putnam's innovation of using *social capital indexes*, (mixing social capital indicators into one index) or if they measure the social networks, generalised trust and norms variables separately. With regard to government performance, the trust variable shows much stronger impact and more robust results than the participation variable. Moreover, there is still slim evidence on informal sociability and government performance (see Andrews, 2012; Knack, 2002; Nannestad, 2008).

Rice's (2001) study of 114 Iowa cities and towns shows that social capital values correlated more strongly with local government performance than social capital measured as social networks. Knack (2002) disaggregates social capital in his research and finds that generalised trust to be associated with better performance of US state governments while informal socialising and activity in associations are unrelated to performance. Both Rice and Knack stress that since social capital has various dimensions one should not expect all aspects of it to affect government performance in the same way. Therefore, one should be careful with mixing different dimensions of social capital into heterogeneous indexes.

## Measuring social capital and government performance

Putnam's approach to social capital has always relied heavily on empirical research using proxy indicators and indexes to measure social capital and its impact. Proxy indicators "are 'easy variables' either being already measured or easy to measure" (Paldam, 2000, p. 631), yet the problem with them is validity, i.e. whether they actually measure what they are supposed to measure. Taking note of this problem, three indicators of social capital are used in the present study: generalised trust, participation in civic and voluntary organisations and informal socialising, termed as informal social networks. The first two indicators are the most popular empirical measures in Putnam's line of research while the third one reflects Putnam's, more recent, emphasis on informal sociability in conceptualising and measuring social capital (Putnam, 2000, Fidrmuc & Gërxhani, 2008; van Deth, 2003, 2008).

The indicator for *generalised trust* is based on the standard World Values Survey (WVS) question: *Generally speaking, would you say that most people can be trusted, or that you*

*need to be very careful in dealing with people?* This standard WVS question on trust in other people is considered to provide an indication of the societal level of trust in the respondents' community and/or society. The indicator for *participation in civic and voluntary organisations* is measured according to the percentage of survey respondents that are members of civic and/or voluntary organisations and did attended at least one meeting in the last year. The question on participation allowed for participation in various kinds of organisations, including: political; sports and recreational; religious; arts and educational; environmental and conservational; consumers'; humanitarian and charity; and professional associations. Despite this variety in types of associational involvement, the participation indicator emphasises the intensity of involvement: the focus is on the respondents' active participation in associations, not on the quantity of associational memberships. The third social capital indicator measures the respondents' *informal social networks*: the frequency of their social interactions with friends, neighbours and/or work colleagues (phone calling or meeting).

Following Putnam (1993), local government performance in the present paper is measured using indicators to assess government responsiveness and effectiveness. Or in Putnam's own words: "A good democratic government not only considers the demands of it citizenry (that is, is responsive), but also acts efficaciously upon these demands (that is, is effective)" (p. 63). But, the formulation of performance indicators is not a straight forward matter (see Sjöfn Vilhelmsdóttir & Gunnar Helgi Kristinsson, 2011), and due to the limited scope of the present paper only two performance proxy indicators will be used to measure responsiveness and effectiveness in the forthcoming analysis.

The indicator for responsiveness is *responsiveness in the formulation of urban planning policy*. It is based on a local government survey question where respondents were asked to assess the responsiveness of their local government in taking note of public opinions and different interests in the formation of urban planning policy making. The indicator for effectiveness is *general satisfaction with services,* based on a survey question where respondents are asked to report their general satisfaction with the services provided by their local government. The general satisfaction indicator does not make a distinction between respondents reporting on the quality of services received, and those who are expressing their general perception of the effectiveness of their local government in delivering services. Therefore, the present study acknowledges the problem of validity when choosing a satisfaction measure as an indicator for effectiveness.

## The Data

The study is based on a nationwide survey carried out in 2009 as part of professor Gunnar Helgi Kristinsson's local government research project. To produce a more representative response the survey sample was stratified and organised according to municipalities in Iceland. The sampling frame was organised in 23 units as follows: 300 people from each of the 22 most populated municipalities (where 90% of the country's population lives) and then 300 people from the remaining municipalities in the country. Drawing a random sample from the National Population Register the survey was administered by means of phone calling 6900 people, 300 people in each of the 23 sampling units, aged 18 years and older. Some 3904 people participated in the survey giving a response rate of 57%. During the analysis the data was weighted and adjusted according to the population size of the municipalities sampled. In table 1 descriptive statistics for background, social capital and government performances variables is shown.

**Table 1. Descriptive Statistics**

| Variables | Mean | N | Std. Deviation |
|---|---|---|---|
| Generalised trust (0/1) | 0.301 | 3600 | 0.458 |
| Active participation in civic and voluntary organisations (0/1) | 0.638 | 3040 | 0.480 |
| Informal social networks (1-5) | 3.896 | 3615 | 0.922 |
| Gender - Women | 0.489 | 3904 | 0.499 |
| Age | 45.165 | 3904 | 15.273 |
| Income (sq) | 489,956 | 2829 | 206,242 |
| Employment status - Not employed | 0.232 | 3835 | 0.422 |
| Education (level 1-5) | 3.244 | 3798 | 1.591 |
| Satisfaction with services provided by the local government (1-5) | 3.644 | 3802 | 0.887 |
| Responsiveness in formation of urban planning policy (1-5) | 2.613 | 3222 | 1.163 |
| Valid N (listwise) | | 1717 | |

## Empirical Analysis

The empirical analysis is based on individual-level data and is organised in two parts. The first section studies the interrelationship between generalised trust, participation and informal social networks and examines the effects of demographic and 2 socio-economic background variables on the three dimensions of social capital. The second section examines the relationships between the three dimensions of social capital and two government performance indicators.

### Interrelationship between the social capital variables

To test the relationships between the three dimensions of social capital logistic regression analyses were conducted for generalised trust and for active participation in civic and voluntarily organisations, and a linear regression analysis for informal social networks. Based on preliminary regression analyses (not presented in this paper) it was decided to control for five demographic and socio-economic background variables in the regression models, including: gender, age, income, employment status and education. The results of the regression analyses are shown in table 2.

**Table 2. Regression analysis models for social capital variables**

| Variables | Gerneralised Trust (logistic) | | | Participation (logisitc) | | | Inf. Social Networks (linear) | |
|---|---|---|---|---|---|---|---|---|
| | B | S.E | Exp(B) | B | S.E | Exp(B) | B | S.E |
| Constant | **-3.211*** | 0.347 | 0.040 | **-1.591*** | 0.312 | 0.203 | **3.742*** | 0.115 |
| Gender - women | **-0.217*** | 0.107 | 0.804 | **-0.289*** | 0.100 | 0.748 | 0.062 | 0.041 |
| Age | **0.018*** | 0.003 | 1.017 | 0.002 | 0.003 | 1.002 | **-0.009*** | 0.001 |
| Income | -0.000 | 0.000 | 0.999 | **0.001*** | 0.000 | 1.001 | **0,000*** | 0.000 |
| Emplyoyment status - not employed | **-0.869*** | 0.162 | 0.419 | **-0.585*** | 0.128 | 0.557 | 0.079 | 0.054 |
| Education | **0.368*** | 0.038 | 1.444 | **0.073*** | 0.033 | 1.075 | 0.000 | 0.013 |
| Participation - active | 0.167 | 0.114 | 1.181 | - | - | - | **0.319*** | 0.042 |
| Informal social networks | **0.143*** | 0.059 | 1.154 | **0.403*** | 0.054 | 1.497 | - | - |
| Geralised Trust - trust | - | - | - | 0.180 | 0.113 | 1.197 | **0.108*** | 0.044 |
| Numer of cases | 1952 | | | 1992 | | | 2005 | |
| Nagelkerke $R^2$ / $R^2$ | 0.134 | | | 0.115 | | | 0.057 | |

Statistical significance tests: *$p$<0.05

Table 2 illustrates mixed results, both in terms of effects of personal variables on the social capital variables, as well as of the interrelationship between the three social capital variables. The analysis shows that the variables for active participation and for

generalised trust have very much the same demographic and socio-economic predictors, yet the two social capital variables do not have statistical impact on each other. Active associational membership is not a predictor for generalised trust after controlling for gender, age, income, employment status and education. Gender, employment status and education have all significant and the same kind of effects on the two social capital variables, yet the influence of education on trust is much stronger than on participation. While there is a statistically significant relationship between age and trust and between income and participation, the impact of these two personal variables is relatively weak compared to other personal variables. There is, however, a strong relationship between informal social networks and participation, and a fairly weaker relationship between social networks and trust. Yet different to trust and participation, gender, employment status and education have no influence on the networks variable. Meanwhile, age and income have statistically significant but relatively weak linear relationship with informal networks.

In sum, the analysis shows mixed results for Putnam's argument on the creation of social capital. The results do not support Putnam's argument that active participation in civic and voluntary organisations is a productive source for generalised trust, while his claim that informal socialising is an important factor in generating societal trust and reinforcing civic participation holds.

## Effects of social capital on local government performance

To examine how different dimensions of social capital relate to government performance linear regression analysis was conducted. Two models were applied to illustrate possible variation in the effects of the two social structure variables and of the trust variable. In the first model only the impact of participation and informal social networks is tested, while in the second model the generalised trust variable is added to the equation. Both models control for gender, age, income, employment status and education. The results for the regression analysis models are shown in table 3.

**Table 3. Regression analysis on social capital and government performance**

| | General satisfaction with services | | | | Responsiveness in urban planning policy | | | |
|---|---|---|---|---|---|---|---|---|
| | Model 1* | | Model 2* | | Model 1 | | Model 2* | |
| Varibles | B | S.E | B | S.E | B | S.E | B | S.E |
| Constant | **3.018*** | 0.126 | **3.027*** | 0.126 | **2.654*** | 0.178 | **2.685*** | 0.178 |
| Gender - women | 0.032 | 0.040 | 0.036 | 0.040 | -0.068 | 0.057 | -0.058 | 0.056 |
| Age | **0.009*** | 0.001 | **0.009*** | 0.001 | 0.000 | 0.001 | -0,000 | 0.001 |
| Income | 0.000 | 0.000 | 0.000 | 0.000 | -0.000 | 0.000 | -0.000 | 0.000 |
| Emplyoyment status - not employed | **-0.205*** | 0.053 | **-0.191*** | 0.054 | -0.111 | 0.076 | -0.080 | 0.076 |
| Education | 0.014 | 0.013 | 0.008 | 0.013 | -0.011 | 0.018 | -0.026 | 0.019 |
| Participation - active | **-0.140*** | 0.042 | **-0.142*** | 0.042 | -0.074 | 0.060 | -0.083 | 0.060 |
| Informal social networks | **0.049*** | 0.022 | **0.046*** | 0.022 | 0.051 | 0.030 | 0.044 | 0.030 |
| Geralised Trust - trust | - | - | **0.090*** | 0.043 | - | - | **0.223*** | 0.061 |
| Numer of cases | 1945 | | 1945 | | 1744 | | 1744 | |
| $R^2$ | 0.046 | | 0.048 | | 0.004 | | 0.007 | |

Statistical significance test: *$p$<0.05

Table 3 demonstrates very different effects of participation and trust on government performance. In the case of general satisfaction with services there are contrary effects: generalised trust having a positive association with the performance indicator while active participation in civic and voluntary organisations shows a negative relationship. A comparison of the participation and networks variables demonstrates opposite effects of the two social structure variables. Informal socialising has, like the trust variable, a positive linear relationship with the satisfaction

indicator, yet its impact is much weaker than of the other two social capital dimensions. Furthermore, the beta coefficients for participation and informal social networks in both models show that the impact of the trust variable on their relationships with the performance indicator is minor.

Trust and participation show again contrary effects on government performance in the case of responsiveness in the formation of urban planning policy. The trust variable has a strong positive relationship with the responsiveness indicator whereas participation, whilst not passing the statistical significance test, shows a negative relation. Moreover, model one and the participation and networks variables in model two do not pass statistical significance tests. This means that active participation in civic and voluntary organisations and vibrant informal social networks do not have an impact on the local government responsiveness indicator, all together.

In sum, the analysis shows mixed results for Putnam's argument on social capital and government performance. The generalised trust variable shows a robust relationship with government performance indicators. Active participation has a negative impact on the satisfaction with services indicator while informal social networks have a positive relationship with the same indicator, but a fairly weaker impact. The two social structure dimensions of social capital have no impact on the government responsiveness indicator.

## Conclusion

The study's findings provide valuable insights into internal relationships of the three dimensions of social capital and better understanding of their respective effects on local government performance, at least in the context of local governments in Iceland. The analyses show results that challenge Putnam's notion regarding the creation and generation of social capital in a number of ways. The findings do not support Putnam's argument that active participation in civic and voluntary organisations is a productive source for societal trust. But rather than dismissing the relationship between civic participation and generalised trust it would be interesting to redefine and re-examine the participation variable. As other studies have demonstrated, the influence of associational participation may be more limited and more context-depended than Putnam's line of research assumes. Is the scope (the number of memberships) and/or the type involvement more important in explaining social capital in Icelandic municipalities, than active participation in any type of associations? And while informal socialising shows a statistical significant relationship with trust, employment status, education and gender are much stronger predictors for generalised trust. One could conclude that the role formal and informal social networks have been given in the creation of generalised trust is overstated.

The study's findings support Putnam's argument that social capital has effects on the way governments perform. Yet, contrary to Putnam's claim the three dimensions of social capital have very different effects on two local government performance indicators examined. The positive relationships between generalised trust and the two performance indicators are in accordance with established studies on the matter. Same goes for the absence of statistical relation between the two social structure variables and government responsiveness indicator. Yet, the negative relationship between active participation in civic and voluntary organisations and the indicator measuring general satisfaction with services is intriguing and surely gives important indications for further research. Moreover, taking note of the study's limited scope and the issue of validity when using indirect measures, the findings support the argument against mixing different dimensions of social capital into heterogeneous indexes when measuring its impact on government effectiveness.

Rather than considering further implications of the findings it is important to draw attention to the study's limitations. Putnam argues that social capital is a collective phenomenon and an individual-level analysis, like the one of the present paper, poses some methodological difficulties. Do individual responses give an accurate picture of the collective nature of social capital? Would aggregate-level analysis show the same, or similar, results? Only a follow-up study using aggregated data can answer these questions. The findings of the present study provide useful suggestions on how to develop that more advanced analysis using aggregated data.

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