Social or "Political" Capital? Explaining Variance in Quality of Public Institutions around the World

Roberto Foa

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This is a first draft (feedback welcome)

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ABSTRACT: In recent years, a number of scholars have argued that stocks of 'social capital', or horizontal norms of tolerance and cooperation, can explain variation in institutional quality, such as the performance of democracy, levels of corruption, or the effectiveness of governments in delivering public services (Putnam et al. 1993). This paper promotes an alternative hypothesis, namely that variance in institutional quality is largely a function of a country's stock of 'political' capital, in the form of 'vertical' obedience and compliance. Using a range of items from the World Values Surveys, this paper demonstrates that such norms are vital determinants of institutional characteristics such as public order, aid effectiveness, and fiscal discipline. These effects are verified when instrumenting social institutions by measures of state history, suggesting that long-term political development is the main source of public order and the presence of state institutions capable of effective governance.

In recent decades, a number of scholars have argued that variation in institutional quality, such as the performance of democracy, levels of corruption, or the effectiveness of governments in delivering public services, can be attributed to stocks of 'social capital', or horizontal norms of tolerance and cooperation (Putnam et al. 1993, Knack and Keefer 1997). In their landmark study, *Making Democracy Work*, Putnam and his colleagues showed that regional governments in the more-trusting, more civic-minded northern and central parts of Italy provide public services more effectively than do those in the less-trusting, less civic

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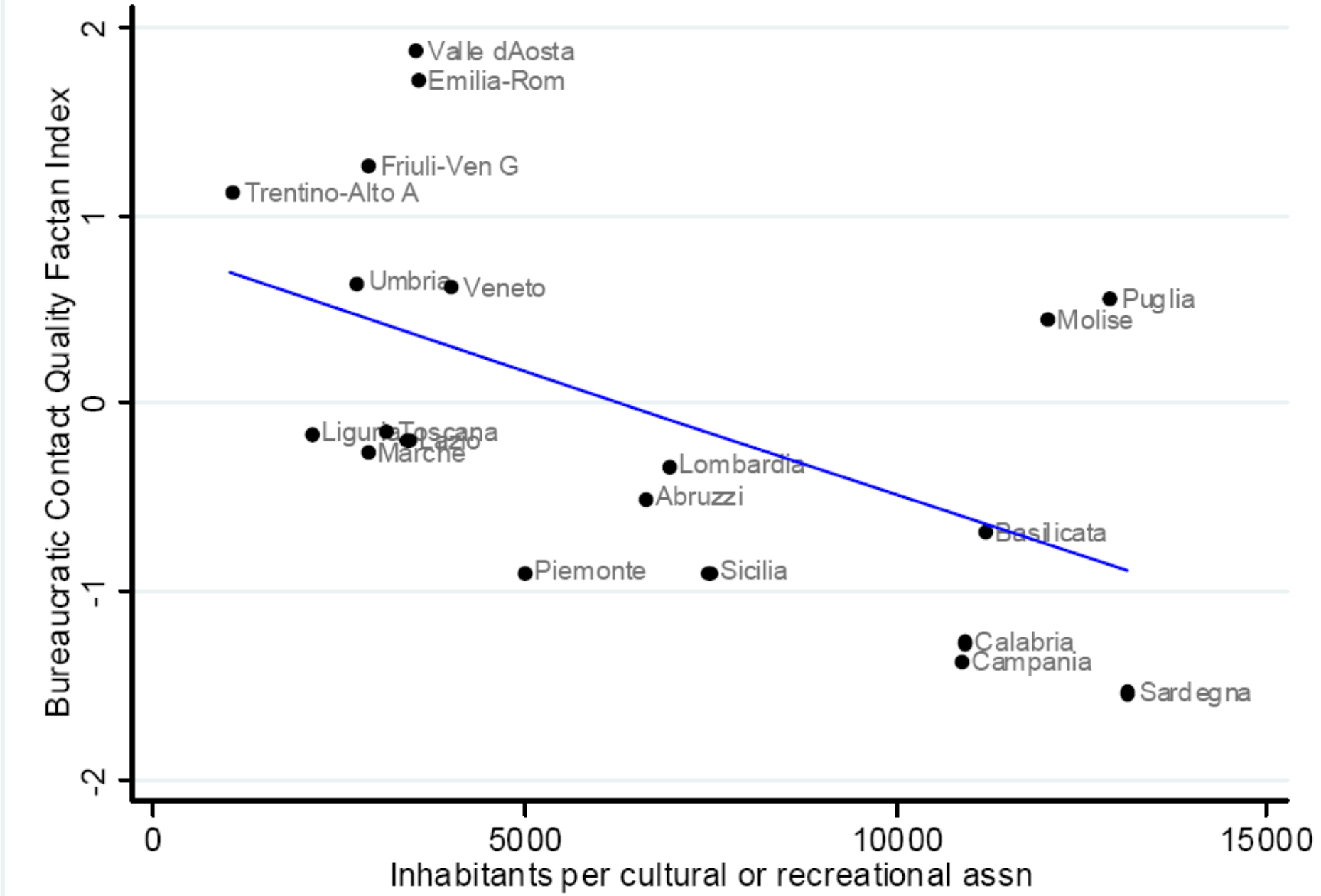
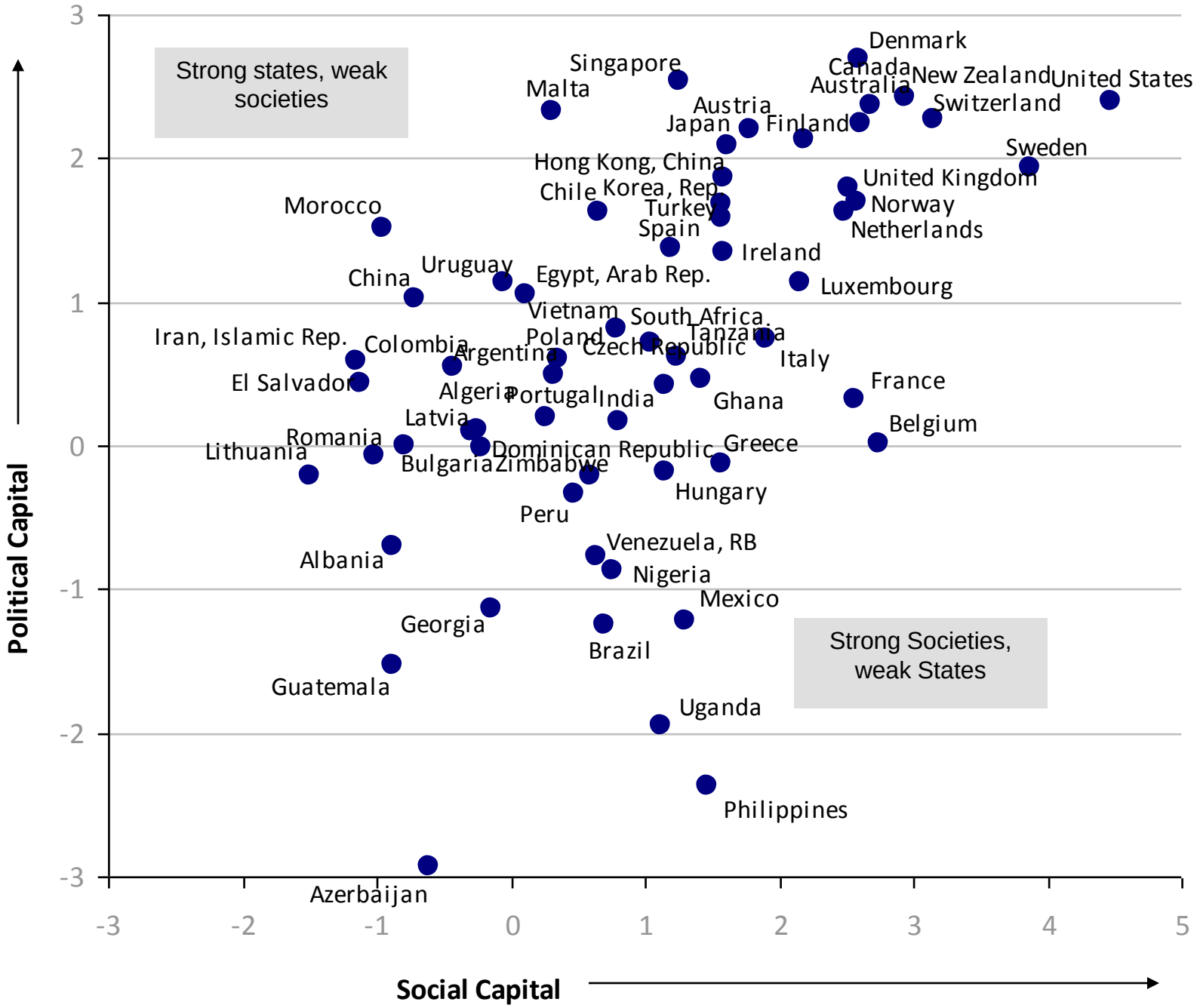

Bureaucratic Contact Quality Factan Index
2
1
0
-1
-2
Valle dAosta
Emilia-Rom
Friuli-Ven G
Trentino-Alto A
Umbria
Veneto
Puglia
Molise
Toscana
Lazio
Marche
Lombardia
Abruzzi
Basilicata
Piemonte
Sicilia
Calabria
Campania
Sardegna
0
5000
10000
15000
Inhabitants per cultural or recreational assn

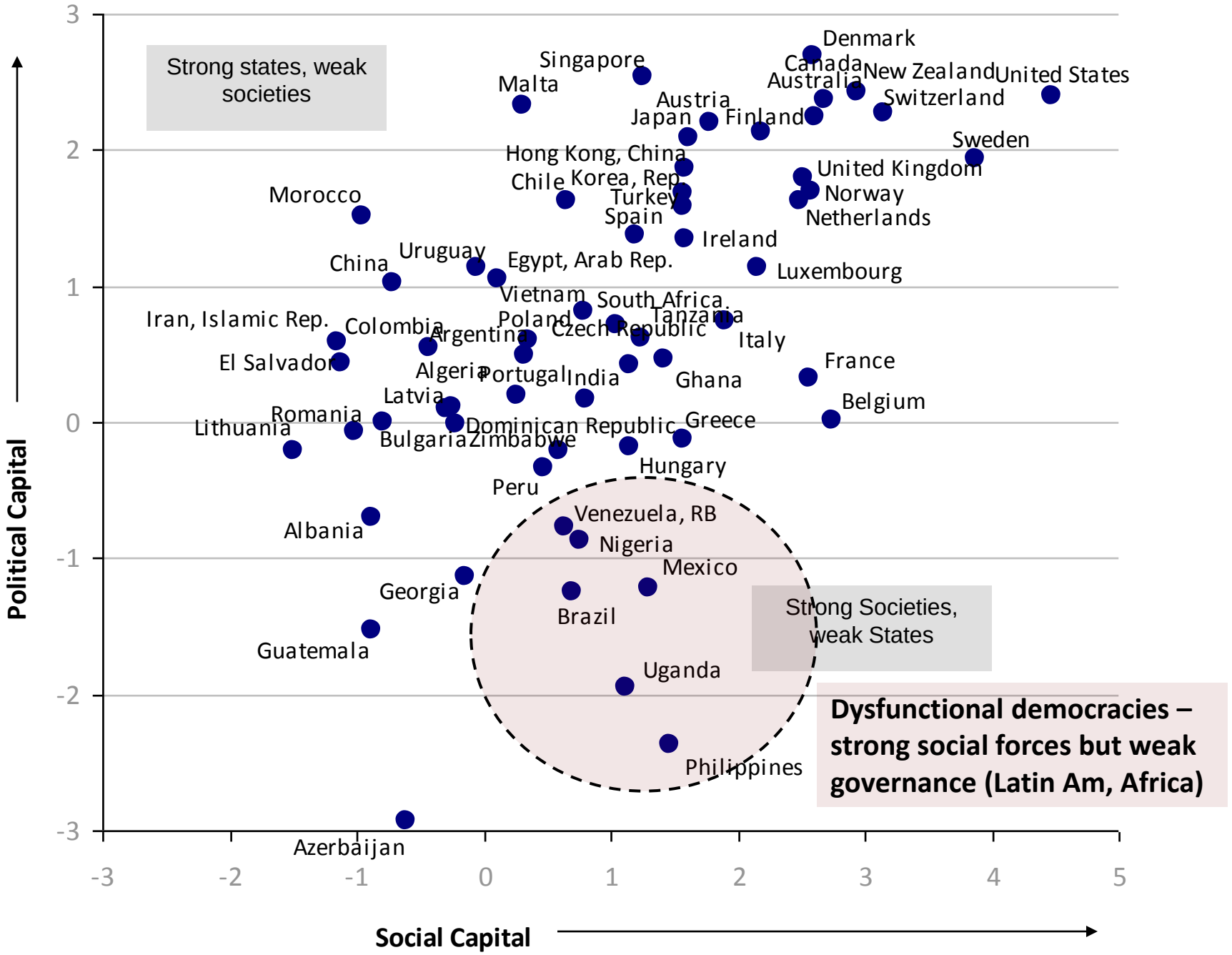
Charting ‘social’ vs. ‘political’ capital

- We can make a quick chart to show how ‘social’ and ‘political’ capital vary across the world using some basic metrics:

- **Index of “Social capital”** – membership of voluntary associational groups (arts, music or educational organizations, religious organizations, labor unions, professional associations, human rights organizations, environmental organizations, women’s groups, sports clubs, youth)

- **Index of “Political capital”** – composed of i) the *government effectiveness* measure of the Worldwide Governance Indicators (‘quality of public services, the quality of the civil service and the degree of its independence from political pressures’) and ii) survey items for whether “taking a bribe in the course of one’s duties” is “never justifiable” and whether “cheating on tax if you have the chance” is “never justifiable”.


Strong states, weak societies
Strong Societies, weak States
Political Capital
Social Capital
3
2
1
0
-1
-2
-3
-3
-2
-1
0
1
2
3
4
5
Denmark
Singapore
Canada
New Zealand
United States
Malta
Australia
Austria
Switzerland
Japan
Finland
Sweden
Hong Kong, China
United Kingdom
Chile
Korea, Rep.
Norway
Morocco
Turkey
Netherlands
Spain
Ireland
Uruguay
China
Egypt, Arab Rep.
Luxembourg
Vietnam
South Africa
Iran, Islamic Rep.
Poland
Tanzania
Colombia
Czech Republic
Argentina
Italy
El Salvador
France
Algeria
Portugal
India
Ghana
Latvia
Belgium
Romania
Greece
Lithuania
Dominican Republic
Bulgaria
Zimbabwe
Hungary
Peru
Albania
Venezuela, RB
Nigeria
Mexico
Georgia
Brazil
Guatemala
Uganda
Philippines
Azerbaijan


Strong states, weak societies
Strong Societies, weak States
Dysfunctional democracies – strong social forces but weak governance (Latin Am, Africa)
Political Capital
Social Capital
3
2
1
0
-1
-2
-3
-3
-2
-1
0
1
2
3
4
5
Denmark
Singapore
Canada
New Zealand
United States
Malta
Australia
Switzerland
Austria
Japan
Finland
Sweden
Hong Kong, China
United Kingdom
Chile
Korea, Rep.
Norway
Morocco
Turkey
Netherlands
Spain
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Poland
Tanzania
Colombia
Argentina
Czech Republic
Italy
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Algeria
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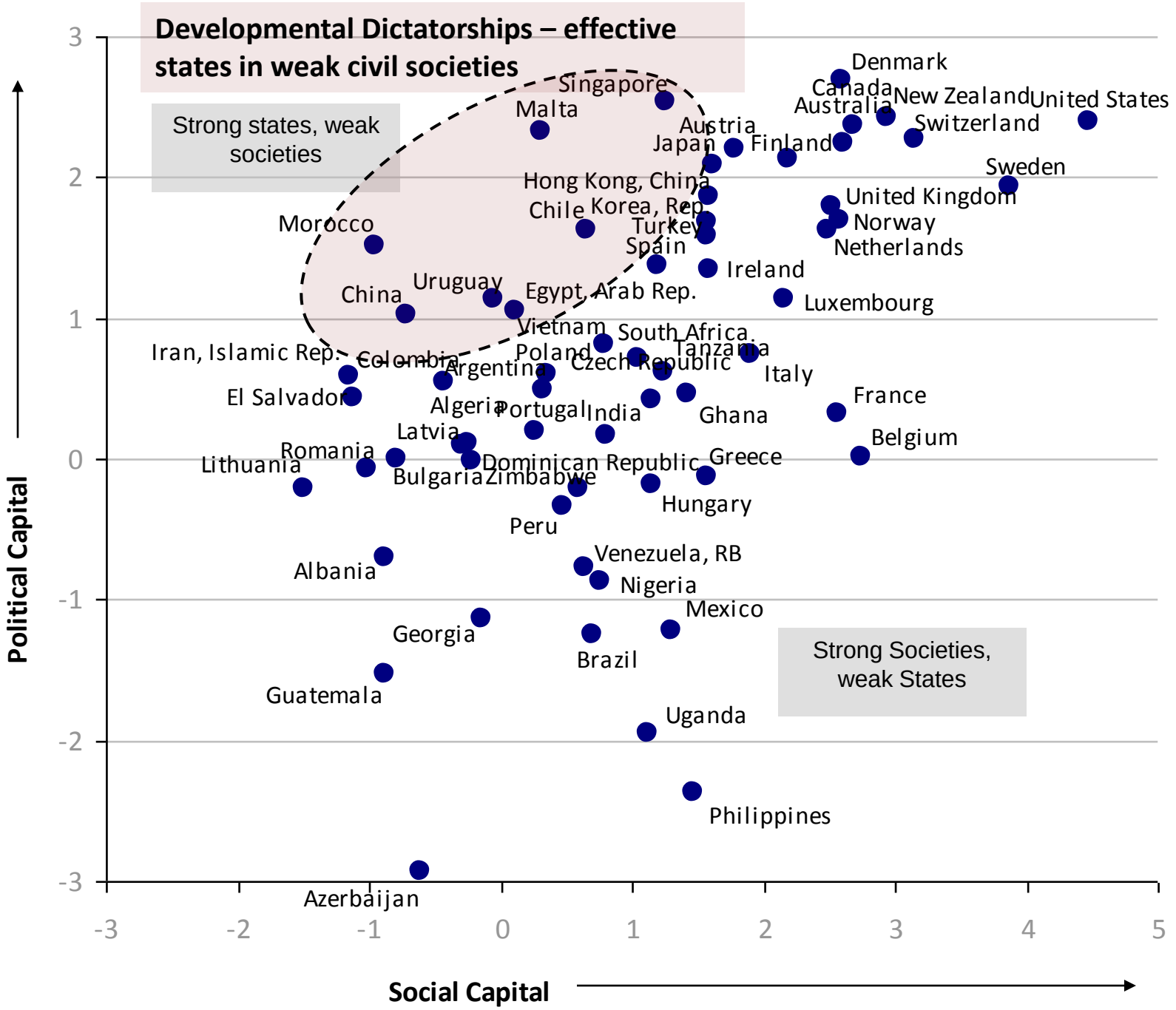
France
Latvia
Belgium
Romania
Dominican Republic
Greece
Lithuania
Bulgaria
Zimbabwe
Hungary
Peru
Venezuela, RB
Albania
Nigeria
Mexico
Georgia
Brazil
Guatemala
Uganda
Philippines
Azerbaijan


Developmental Dictatorships – effective states in weak civil societies
Strong states, weak societies
Strong Societies, weak States
Political Capital
Social Capital
3
2
1
0
-1
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-3
-3
-2
-1
0
1
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3
4
5
Denmark
Canada
New Zealand
United States
Australia
Switzerland
Singapore
Malta
Austria
Japan
Finland
Sweden
Hong Kong, China
Chile
Korea, Rep.
United Kingdom
Norway
Morocco
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Netherlands
Spain
Ireland
China
Uruguay
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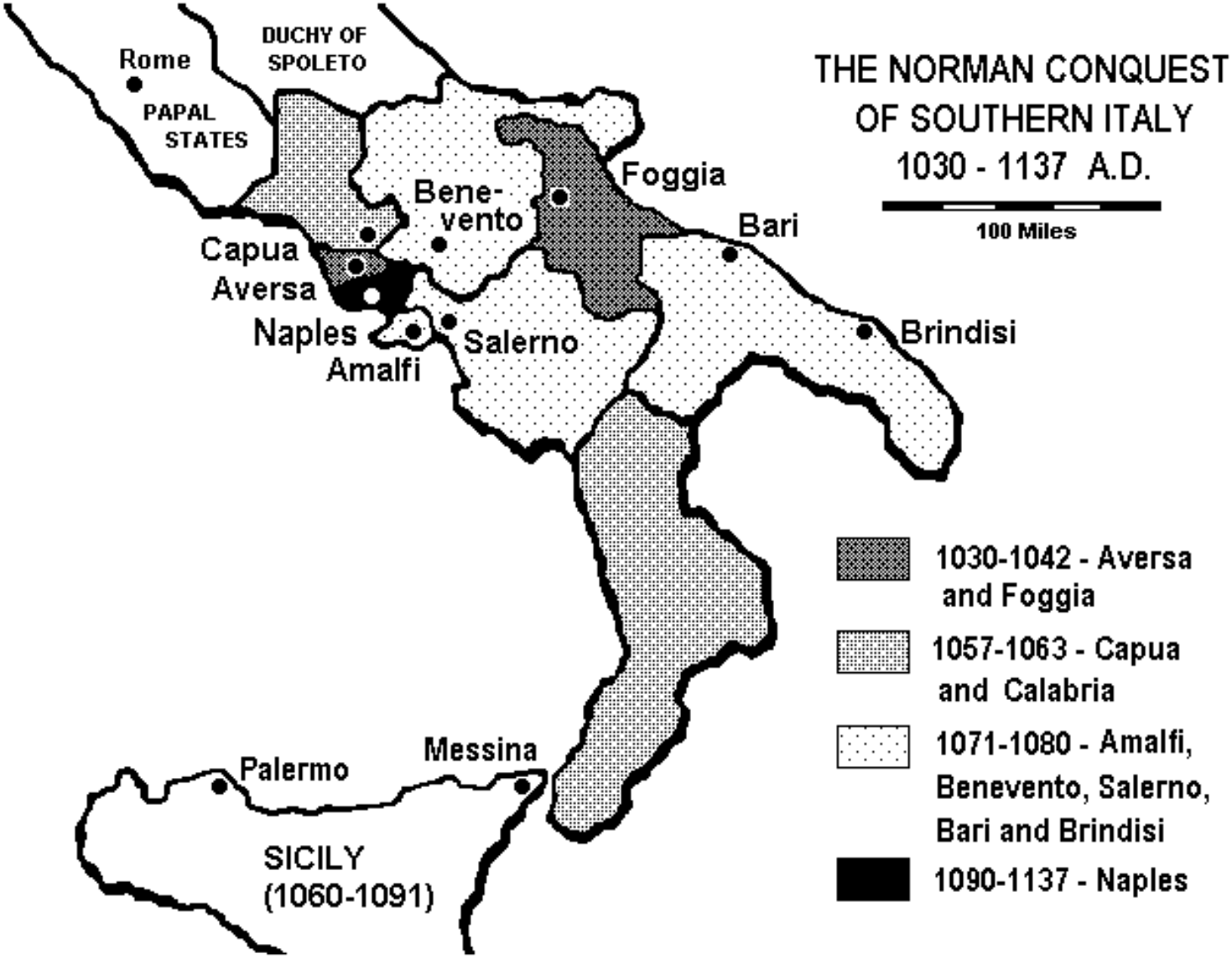
Luxembourg
Vietnam
South Africa
Iran, Islamic Rep.
Colombia
Poland
Tanzania
Argentina
Czech Republic
Italy
El Salvador
Algeria
Portugal
India
Ghana
France
Latvia
Belgium
Romania
Lithuania
Dominican Republic
Greece
Bulgaria
Zimbabwe
Hungary
Peru
Albania
Venezuela, RB
Nigeria
Mexico
Georgia
Brazil
Guatemala
Uganda
Philippines
Azerbaijan


THE NORMAN CONQUEST
OF SOUTHERN ITALY
1030 - 1137 A.D.
100 Miles
Rome
PAPAL
STATES
DUCHY OF
SPOLETO
Bene-
vento
Foggia
Bari
Capua
Aversa
Naples
Amalfi
Salerno
Brindisi
Palermo
Messina
SICILY
(1060-1091)
1030-1042 - Aversa
and Foggia
1057-1063 - Capua
and Calabria
1071-1080 - Amalfi,
Benevento, Salerno,
Bari and Brindisi
1090-1137 - Naples

Source: Banerjee and Iyer (2004) “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India”

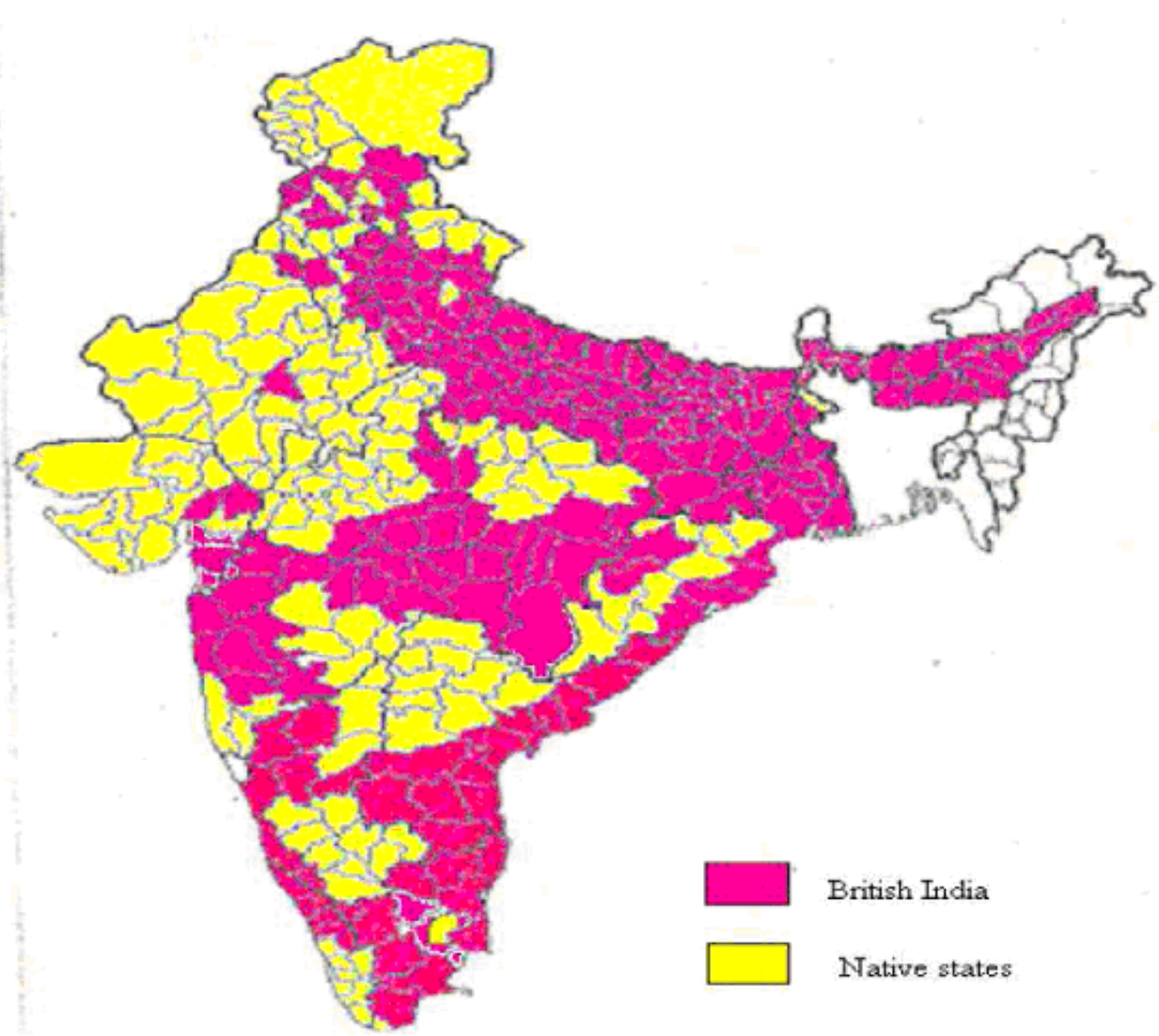


Figure 1 : British India and Native States

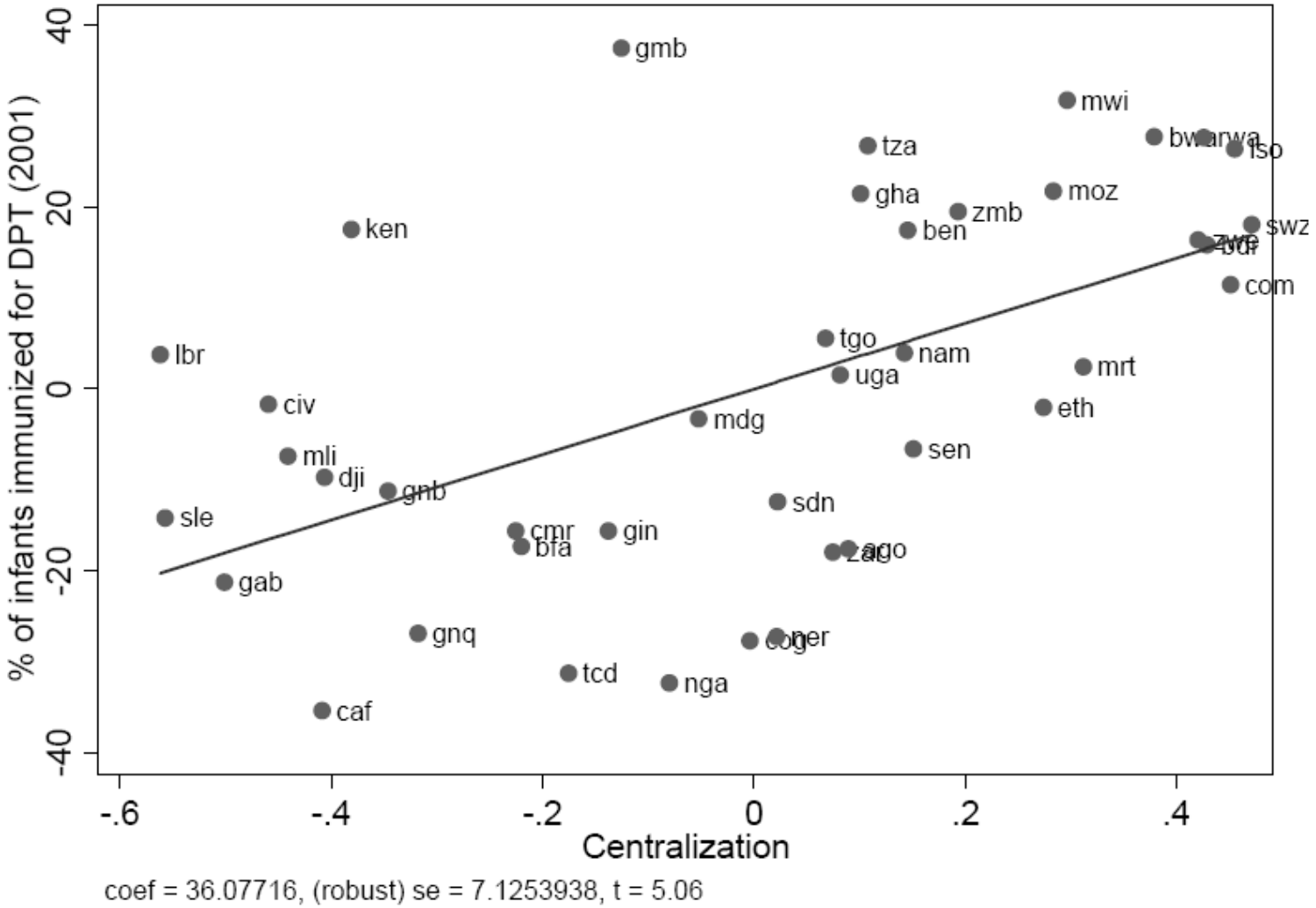


Figure 2: Indigenous centralization and infant immunization
(partial relation controlling for log of GDP/cap in 2001)

Source: **Gennaioli and Rainer, "The Modern Impact of Precolonial Centralization in Africa", *Journal of Economic Growth*, Vol. 12 (3), pp 185-234, September 2007.**

How to Measure Quality of Public Institutions?

i) **Rule of law** –universal application of the law (no-one above the law), public order (low crime and high contract security)

ii) **Delivery of public services** (infrastructure, education, health etc)

iii) **Low corruption** – public office not used as a means to private gain via embezzlement, graft, nepotism, extortion

iv) **Human rights** – protection of basic liberties, right to fair trial etc.

v) **Accountability and participation** – citizens have the means to shape policy outcomes, elites responsible to mass preferences

vi) **Regulatory quality** – meritocratic, well-trained bureaucracy capable of designing 'good' regulation

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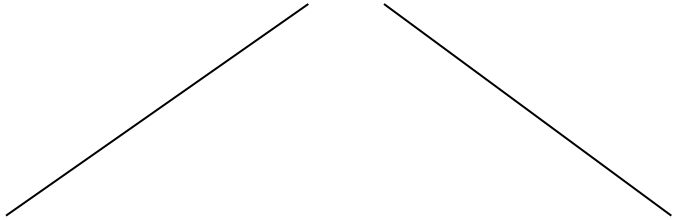


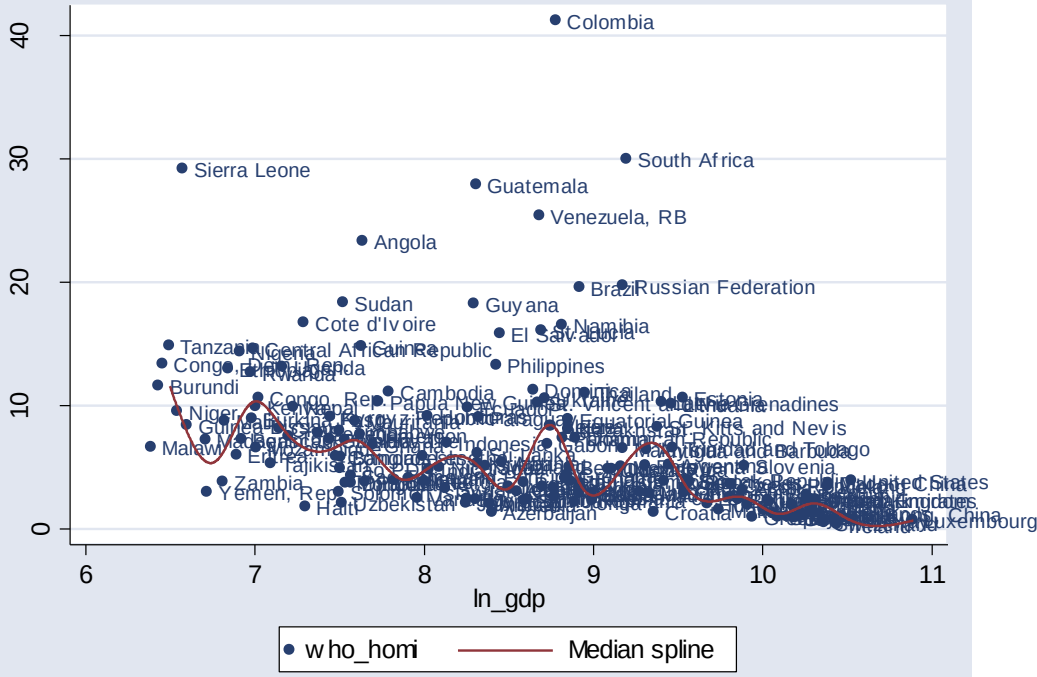
Perceptions-based

Transparency International, International Country Risk Guide, Polity, Worldwide Governance Indicators (largely based on perceptions measures)

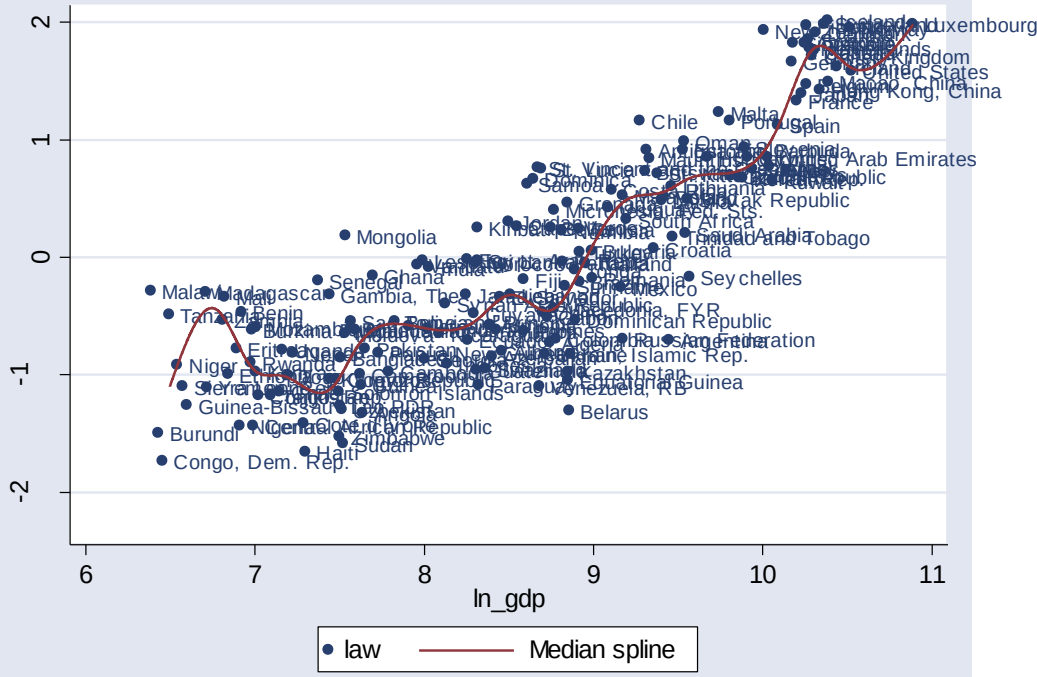
'direct' indicators

Measures of homicide, crime victimisation, corruption surveys, business surveys

Log GDP per capita and the World Health Organisation estimated homicide rate (2005)



Log GDP per capita and the Worldwide Governance Indicator for *Rule of Law* (2005)



‘Direct’ Measures of the Rule of Law

Afrobarometer – Crime Victimisation

Indicator	*Description*	*n*
crime_home	felt unsafe in home, proportion saying 'never'	16
stolen_home	had stuff stolen from home, proportion saying 'never'	16
attacked	been attacked, proportion saying 'never'	16

International Crime Victim Survey

Indicator	*Description*	*n*
c01a10_1	Car stolen last 5 years	67
c02a10_1	Theft from car last 5 years	67
c03a10_1	Car vandalism last 5 years	67
c04a10_1	Mopeds/scooters stolen last 5 years	67
c06a10_1	House burglary, last 5 years	66
c07a10_1	Attempt at house burglary, last 5 years	67
c08a10_1	Garage theft, last 5 years	28
c09a10_1	Assault, last 5 years	66
c10a10_1	Mugging, last 5 years	67
c11a10_1	Sexual assault, last 5 years	67
c12a10_1	Personal aggravation, last 5 years	67

‘Direct’ Measures of the Rule of Law

Interpol – Reported Crime Rates

Indicator	*Description*	*n*
homi_interpol	interpol reported homicide rate	103
ip_rape	Interpol reported rape rate	103
serass_rate	Interpol serious assault rate	103
agg_theft	Interpol aggravated theft rate	103
robb_rate	Interpol robbery rate	103
b_e_rate	Interpol breaking and entering rate	103
veh_th	Interpol vehicle theft rate	103
oth_th	Interpol other theft rate	103
Ip_fr	Interpol fraud rate	103

World Health Organisation – Violent Death Rate

Indicator	*Description*	*n*
who_homi	WHO violent death rate	102

World Bank Doing Business Surveys

Indicator	*Description*	*n*
crime	% of managers surveyed for whom crime is ‘a major business constraint’	66

‘Direct’ Measures of the Rule of Law

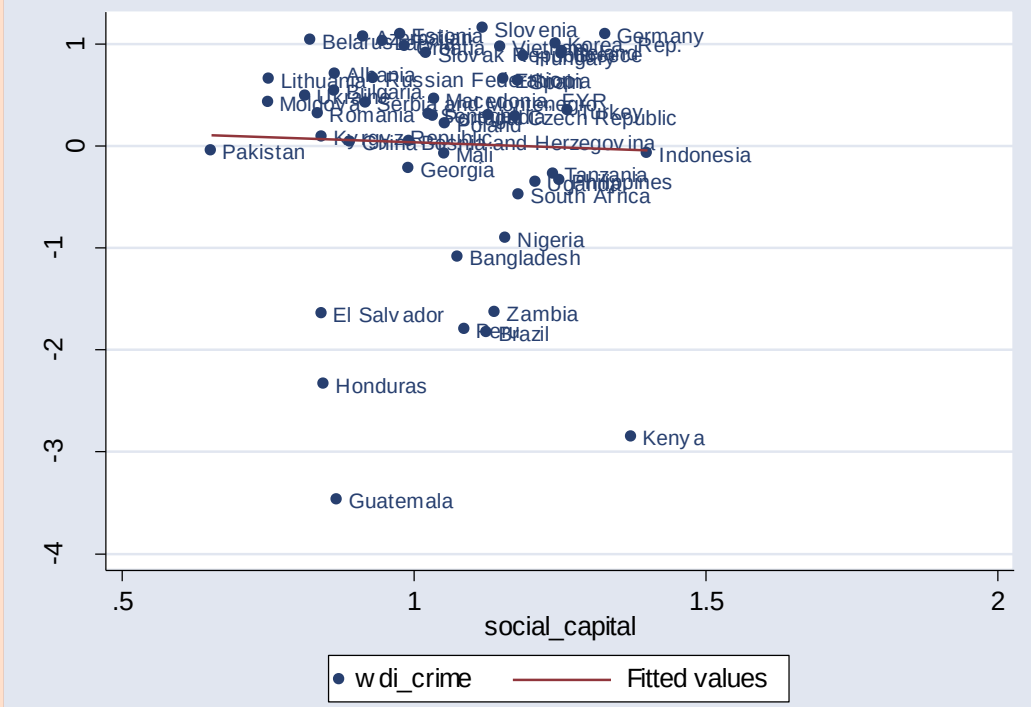
International Crime Victim Survey (Attudinal Items)

Indicator	*Description*	*n*
dark	% respondents feel 'very safe' or 'fairly safe' walking alone in their area after dark	64
safehom	% respondents feel 'very safe' or 'fairly safe' while at home after dark	37
avoid	% respondents who avoid places when they go out	56
company	% respondents who take company with them when they go out	67

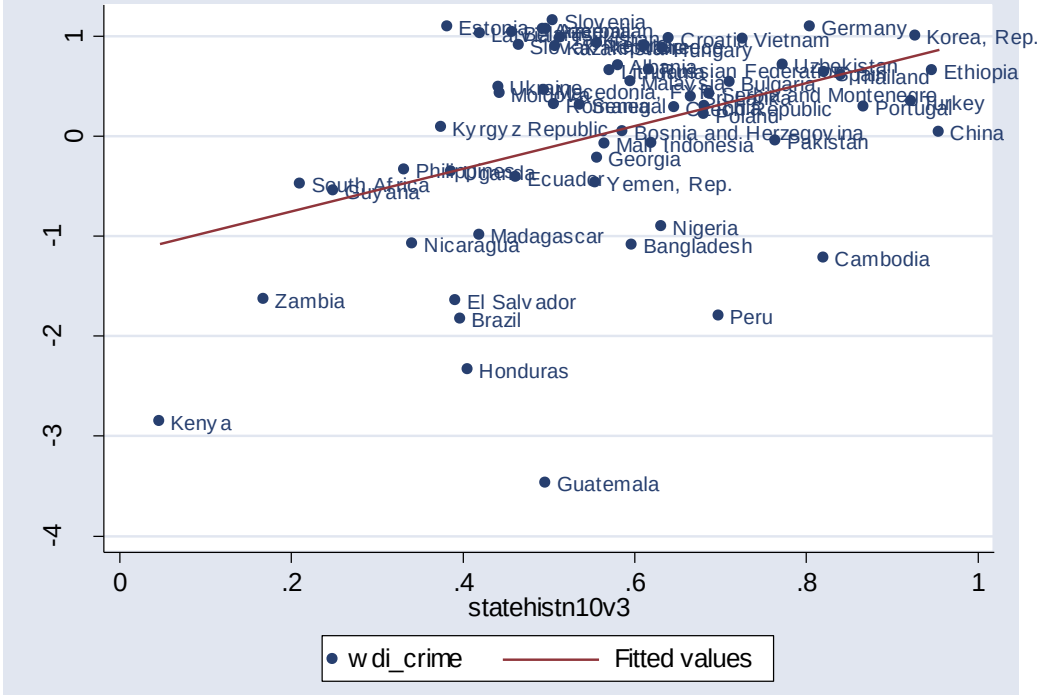
World Values Survey

Indicator	*Description*	*n*
bribe	How justifiable is it to ‘accept a bribe in the course of one’s duties’	86
taxes	How justifiable is it to be ‘cheating on taxes if you have the chance’	86

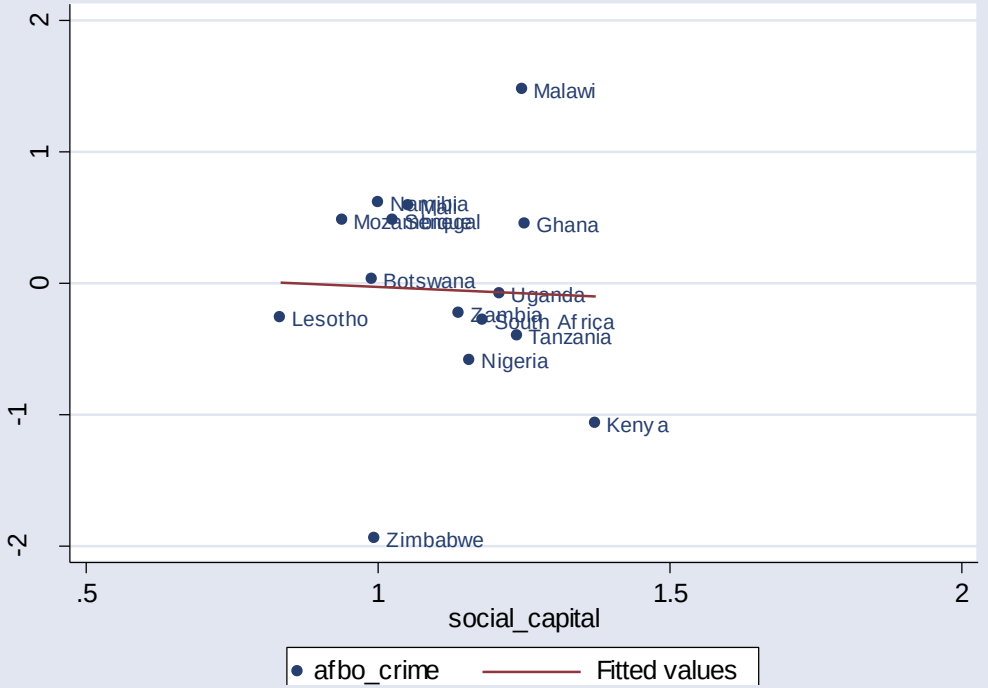
WDI crime cited as ‘major business constraint’ and *social capital index* (2005)



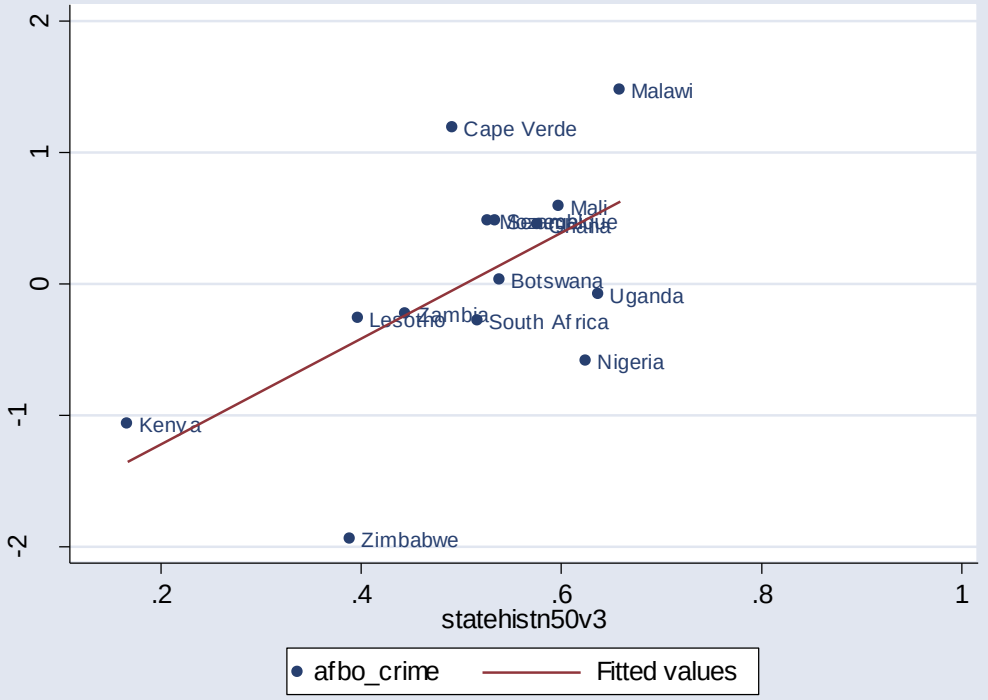
WDI crime cited as ‘major business constraint’ and *state history* variable (2005)



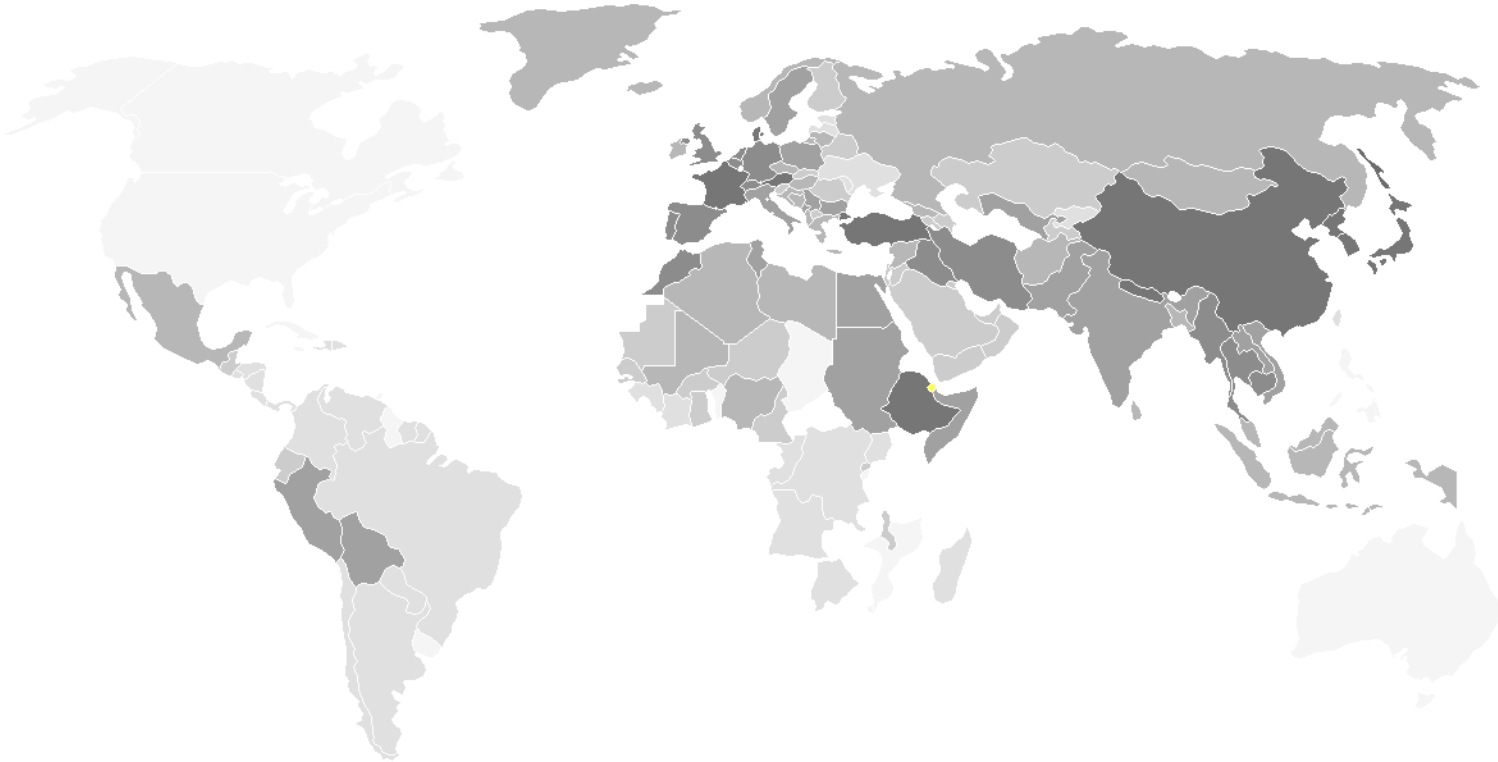
Afrobarometer crime victimisation and *social capital index* (2005)



Afrobarometer crime victimisation and *state history* variable (2005)



“State History” (darker = longer state history)



Source: Bockstette et al. (2002). Shown is the state history index with a discount rate 50.

Dependent Variable (Indices based on source items)

	Afro barometer	Asian Barometer	Log WHO deaths	Interpol crime	UN (log) homicide	Latino-barometer	ICVS hood	WDI crime	Wvs avoid taxes
Log GDP per capita	-0.158 (0.255)	0.373 (0.901)	0.000 (0.000)***	-0.611 (0.185)**	-0.573 (0.203)**	-0.146 (0.349)	0.008 (0.141)	0.59 (0.194)**	0.257 (0.11)*
State History	4.107 (1.624)*	23.835 (19.458)	-0.412 (0.105)***	-4.08 (0.91)***	-3.306 (0.88)***	-2.425 (1.365)†	1.861 (0.629)**	2.406 (1.084)*	-1.522 (0.769)*
Ethnolinguistic religious fractionalization	-0.498 (0.758)	1.465 (2.585)	-1.251 (0.518)*	-0.548 (0.283)	-0.355 (0.306)	-0.219 (0.558)	-0.126 (0.216)	0.348 (0.331)	0.068 (0.173)
Former colony (=0/1)	-	4.544 (4.289)	0.087 (0.177)	-1.416 (0.47)**	-0.741 (0.459)	-3.014 (0.934)**	0.359 (0.346)	0.302 (0.516)	-0.207 (0.303)
Log social capital index	1.334 (2.508)	-	-0.189 (0.282)	-1.466 (0.761)	-0.16 (0.92)	-0.172 (1.237)	2.799 (0.65)***	-0.554 (0.957)	-
Constant	-0.104 (2.691)	-25.967 (26.978)	-0.514 (0.503)	11.354 (2.108)***	9.34 (2.246)***	5.702 (4.166)	-1.5 (1.586)	-7.097 (2.359)**	1.162 (1.324)
n	13	8	86	56	70	16	57	42	65
r^2	0.48	0.65	0.43	0.51	0.33	0.63	0.51	0.36	0.13
Adj. r^2	0.22	0.19	0.4	0.46	0.27	0.45	0.47	0.27	0.07

***** significant at the 0.001 level, ** significant at the 0.01 level, * significant at the 0.05 level,** † significant at the 0.1 level

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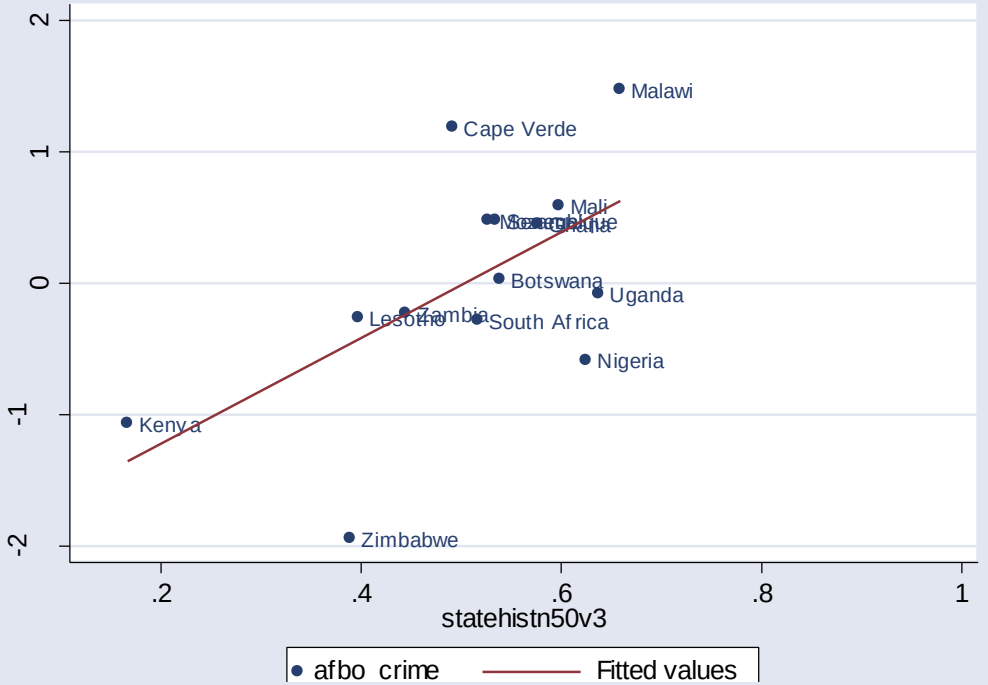
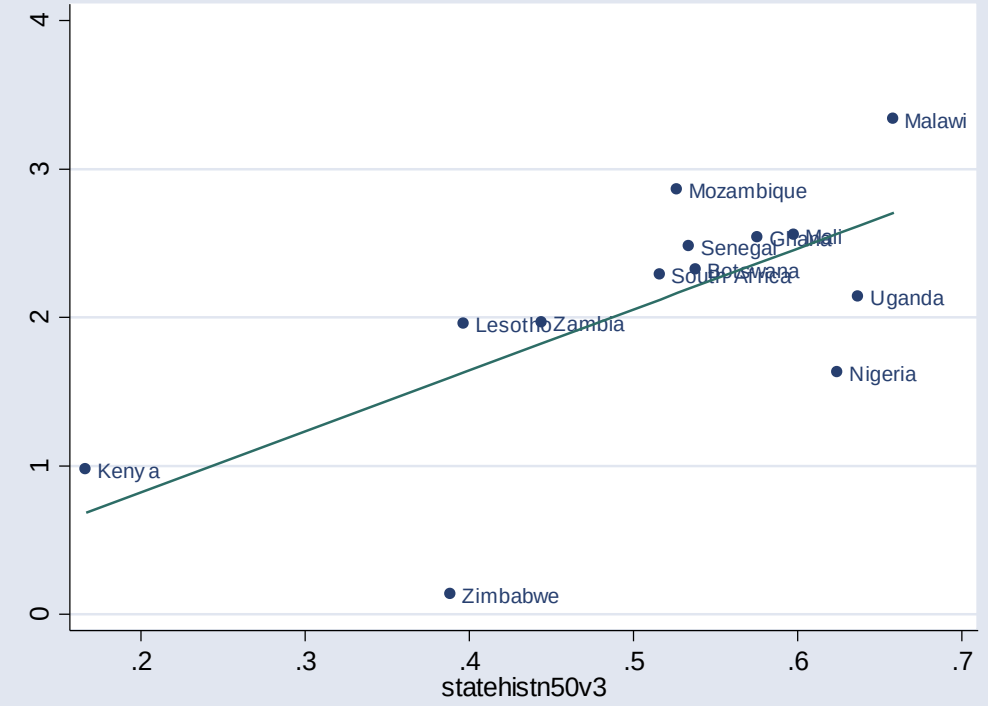
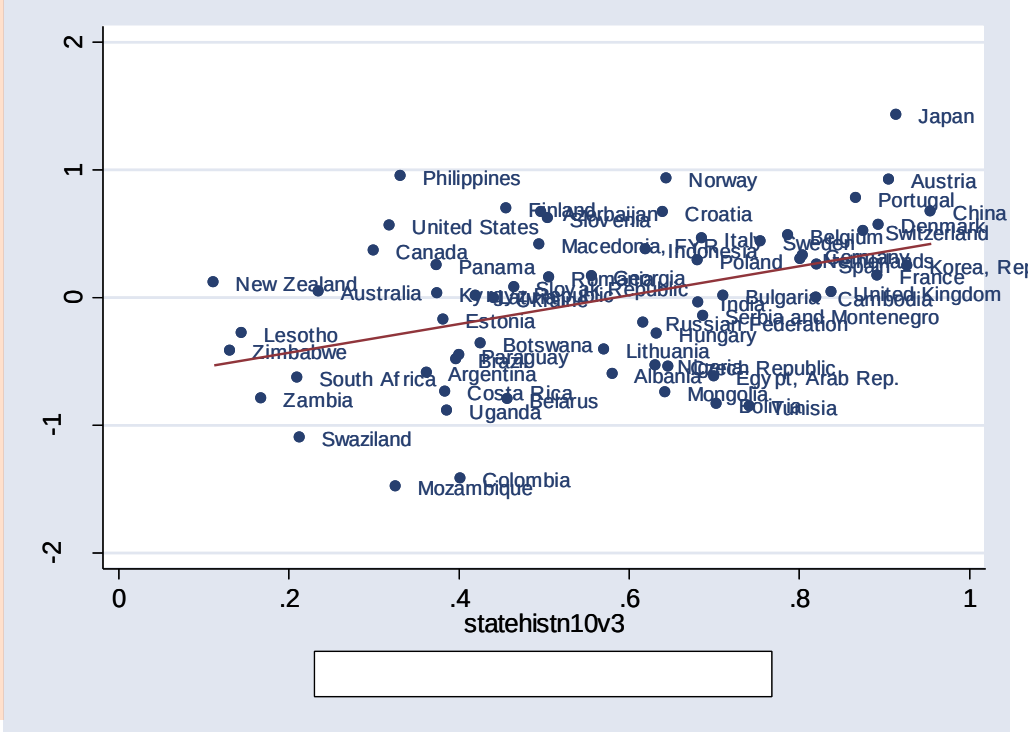
Afrobarometer crime victimisation and *state history* variable (2005), bivariate correlation (r = 0.59)



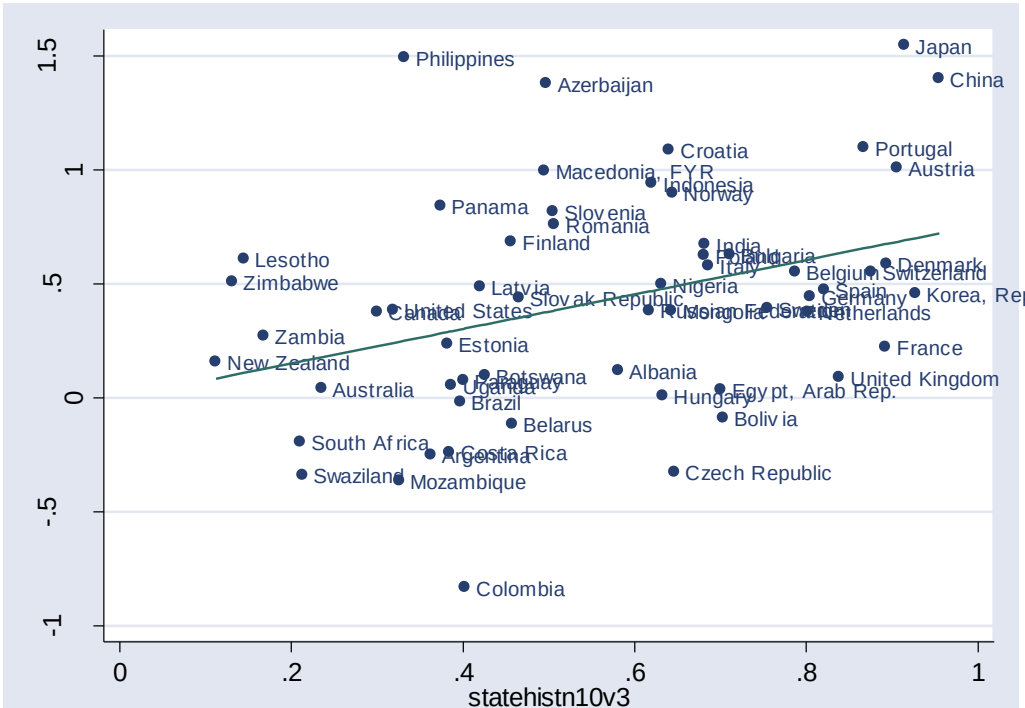
Afrobarometer crime victimisation and *state history* variable (2005), partial correlation (p = 0.035*)



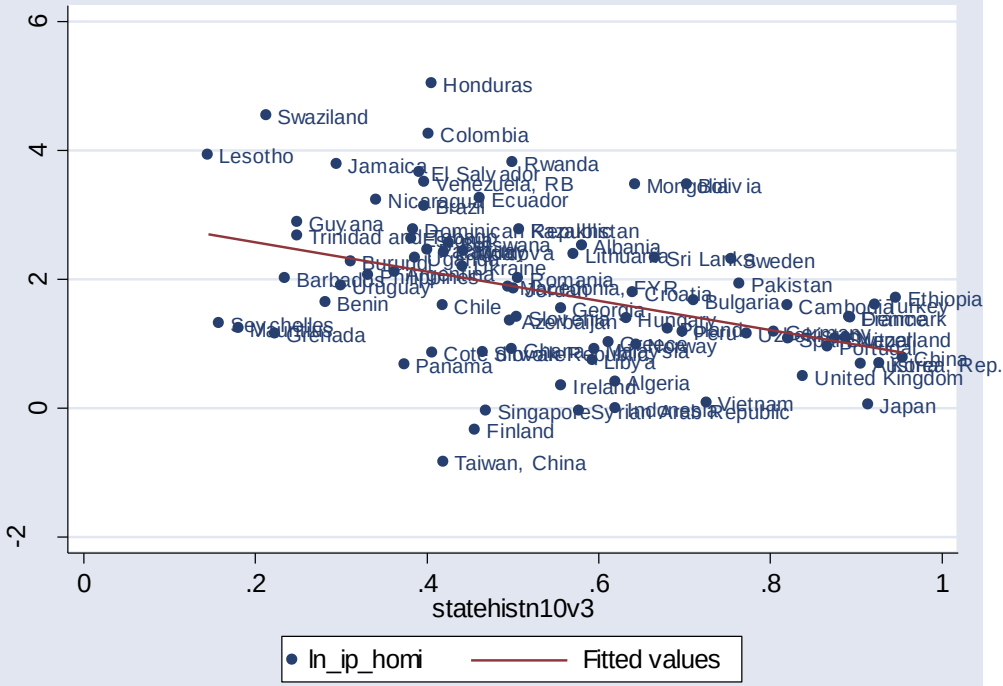
International Crime Victim Survey and *state history* variable (2005), bivariate correlation (r = 0.42)



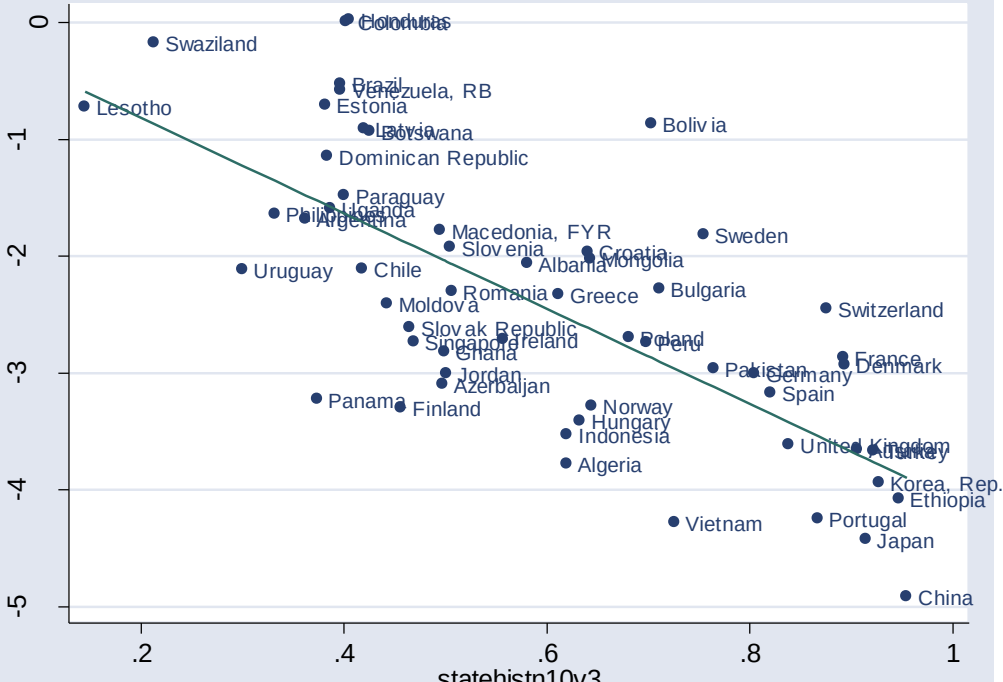
International Crime Victim Survey and *state history* variable (2005), partial correlation (p = 0.089)



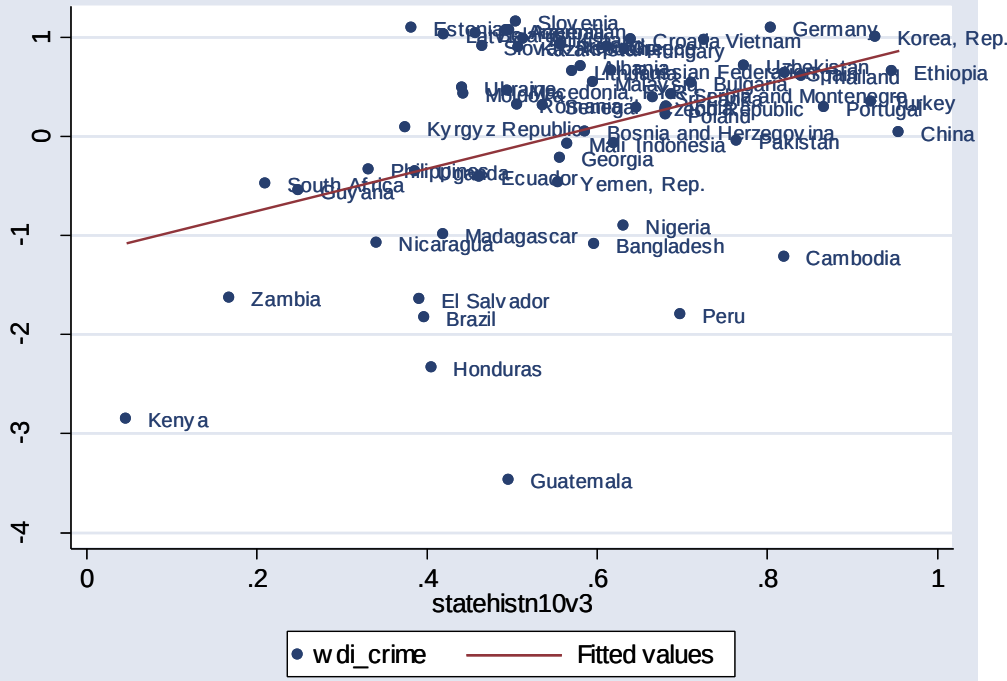
Interpol Crime Rate and *state history* variable (2005), bivariate correlation (r = -0.42)



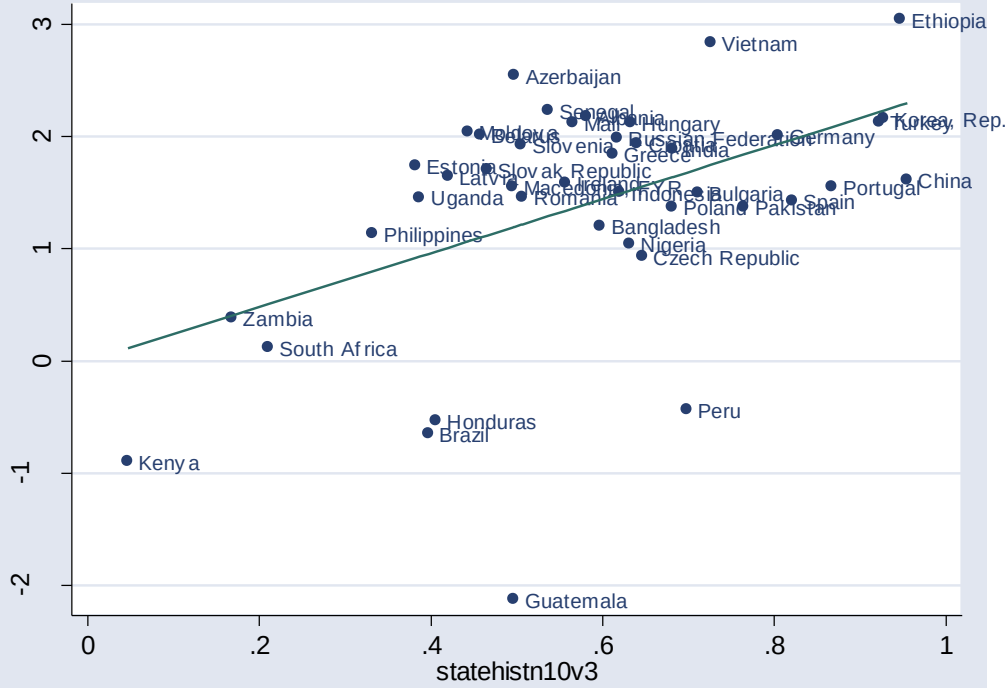
Interpol Crime Rate and *state history* variable (2005), partial correlation (p = 0.000***)



Managers Citing Crime as Major Business Constraint and *state history* variable (2005), bivariate correlation (r = 0.44)



Managers Citing Crime as Major Business Constraint and *state history* variable (2005), partial correlation (p = 0.033*)



Why this association? – several possible options:

i) State formation lead to ethnic-linguistic homogenisation (Alesina et al. 2004),

ii) State formation builds social capital (Levi 1998);

iii) State formation leads to ‘political capital’ – some set of norms specific to state functioning, e.g. identity, legitimacy of public institutions

New areas for investigation:

i) Operationalising political capital (using items on bribery, tax evasion, identity)

ii) Examining subnational variation in both political norms and state formation (e.g. building on studies of state-level variance in large polities e.g. India, China, Russia, Nigeria)