Does social capital matter for European regional growth?

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**Abstract**

The study of the implications of social capital on economic growth has received major attention over the last two decades. One of the most accepted definitions is that proposed by Putnam (1993), who defined social capital as “features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions”. Triggered by Putnam’s (1993) findings, which suggested that differences in social capital are important for explaining regional growth patterns in Italy, scholars began to consider social capital as a potential growth driver in other geographical contexts.

Today, contributions are substantial at country level, including Knack and Keefer (1997), Whiteley (2000), Zak and Knack (2001), Dearmon and Grier (2009), or Doh and McNeely (2011), to name few. However, at regional level, contributions are still scant, specially for the European regional context. Considering regions in Europe rather than countries is not a trivial affair, since one third of the European budget is devoted to regional policies. In this geographical context and in the particular field of social capital and growth, we only find Schneider et al. (2000) and Beugelsdijk and Van Schaik (2005), both of which focused on periods on the late nineties.

This article analyzes the role of different elements of social capital in economic growth for a sample of 85 European regions during the period 1995 - 2008. The improvements in data availability allow us to consider the traditionally disregarded Central and Eastern European regions. This is especially interesting, since they are all transition economies that recently joined to the European Union and show remarkably low levels of social capital. Therefore, if social capital is positively linked to growth, policy implications for these countries might be specially useful. Additionally, there is no previous evidence for the selected period, which is particularly relevant for two reasons: i) it was a period of unprecedented growth for most of the European regions; and ii) it was a period of deep changes in the European Union, including fifteen new accessions (years 1995, 2004 and 2007), the creation of the Eurozone (1999), and advances in integration at different levels (Amsterdam, Nice and Lisbon Treaties).

The study is conducted following Bayesian statistical methods, which have allowed to evaluate with some precision the probabilities of the different social capital indicators.
to have a positive impact on regional growth. Our results suggest that higher levels of
trust and better social norms may lead to more intense economic growth with probabilities
over the 81% and 84%, respectively. However, little evidence is provided supporting the
hypothesis that higher level of active participation in groups positively affects growth.

Policymakers should take into consideration that economic growth is linked to ed-
ucation and knowledge diffusion which, at the same time, need from favorable social
conditions—i.e healthy levels of trust and social norms. In this sense, the improvement
of the institutional quality might be one of the fronts to start from, especially after the cases
of corruption recently appeared in some European countries. Europe is changing and, in
the relatively advanced European regions, perhaps, the role played by society in the near
future will be more relevant than ever before.

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