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Perception of Corruption and the Erosion of Social Capital in Croatia 1995-2003

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Summary

The paper analyses the changes at the level of social capital (SC) in Croatia during the period of 1995 to 2003. Starting from theoretical and empirical arguments which link SC with economic growth, social development and political stability, the author uses data from two research projects carried out on representative national samples (World Values Survey – Croatia 1995 and South East European Social Survey, 2003), in order to establish and discuss changes at the SC level. The conducted analyses show a decrease in social capital, which cannot be solely attributed to the situational effect present during the 1995 survey. The paper analyses the suitability of the standard macro approach to measuring SC in the transitional context, but also points out the influence of perception of the extent of corruption on the negative dynamics of SC.

Key words: social capital, Croatia, generalized trust, civic participation, trust in institutions, post-communist transition, perception of corruption



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According to the analyses presented in a recent paper (Štulhofer, 2003a), social capital (SC) in Croatia decreased during the period of 1995 to 1999.¹ To be more precise, during the observed period all the three usual indicators of SC decreased: generalized trust, civic participation and trust in institutions. Nevertheless, in the conclusion of the paper it is suggested that the change should not be particularly disturbing. Given the specific situation during both measurement periods (the 1995 research was carried out immediately after the operation “Storm”, whereas the 1999 research was conducted prior to important parliamentary elections), the author argued that the collected data

¹ The author wishes to thank an anonymous reviewer for useful criticisms, comments and suggestions.

were strongly marked by the situational effects which in 1995 probably led to a short-term increase, and in 1999 to a decrease in the values of SC indicators.² Following this assumption, the significance of the finding on negative dynamics of SC was downplayed (Štulhofer, 2003a).

The third measurement of SC was conducted in late 2003 within the international research project *South East European Social Survey*. The new measurement provides a clearer assessment of dynamics of SC in Croatia, but in the same time raises a series of questions as to the suitability of the macro approach to SC in the context of post-communist transition.

Introduction: The Theory of Social Capital and Its Shortcomings

Social capital denotes a cluster of specific characteristics of social life, norms and customs, which support cooperation and solidarity (Fukuyama, 2000). SC is often defined as a characteristic of social structure, as civic participation or *density* of relationships among the members of community, which is characterized by widespread mutual trust, collective actions and respect for (shared) norms (Portes, 1998; Brehm/Rahn, 1997; Grix, 2001).

One of the basic reasons for the popularity of SC in social sciences is its positive *societal* impact or development potential which has been recently reflected in concerns for the decline of SC (Paxton, 1999; Putnam, 1993; 2000). SC has become a synonym for positive influence of informal norms and institutions on growth and development. In other words, SC has been interpreted as a resource which makes communities economically more prosperous (Torsvik, 2000), socially more stable (Sandefur/Laumann, 1998), more creative (Hospers/van Lochem, 2002), healthier (see Petersen, 2002), safer (Rosenfeld et al., 2001), as well as happier and more content (Bjornskov, 2003). In recent years, the importance of SC has been empirically confirmed in the transitional context as well (Mihaylova, 2004; Dowley/Silver, 2002), both in terms of linking the trust in institutions and civic participation with economic growth (Raiser et al., 2001), and pointing out the deficit of civility (Rose et al., 1997) and civic participation (Pal-dam/Svendson, 2001) in the post-communist societies.

The macro-analytical application of the SC model has been initiated by the renowned Putnam's research on Italian regions (Putnam, 1993). By explaining the persistence of differences between the prosperous North and improsperous South, Putnam highlights the importance of historical development of civic community and pertaining norms of reciprocity, social trust and civic association. According to the theoretical model, the norms of reciprocity, trust and association are closely related dimensions, which mutually establish and support each other. Putnam uses the same dimensions of SC in his recent analyses of the dynamics of SC in the USA (Putnam, 2000).

² The data collected in 1999 are not used in this paper, since the author does not have permission for secondary analysis.

Putnam's model has been subject to a series of criticisms (Grix, 2001), both conceptual and methodological. As to the former, the critics emphasized the lack of elaboration of the model (is SC a dependant or independent variable in relation to trust?), its excessive scope, ahistoricism and decontextualisation (Fine, 1999; 2003), conceptual vagueness (problems with distinguishing the positive from the negative SC; Streeten, 2002), as well as ignoring the dynamics of social power and the role of the state (Foley and Edwards, 1999; Grix, 2001; Hospers/Van Lochem, 2002; Mihaylova, 2004; Maloney et al., 2000). On the other hand, methodological problems related to the measurement of fundamental dimensions were pointed out (see Grix, 2001). More precisely, empirical validity of generalized trust was questioned (what does it really represent?), as well as the problematic aggregation of civic organizations (does a church choir help in developing democratic habits to the same extent as an environmental association does?) and similarly problematic generalizations used for measuring trust in institutions (how are we to determine the level of trust in the press if a respondent completely trusts one newspaper while seriously doubting the objectivity of others?).

Without underestimating the importance of suggested criticisms, this paper nonetheless follows the logic of macro measurement of SC or the so called Putnam's approach. The main reason for such stubbornness is the fact that the macro approach is still the sole method for monitoring the dynamics of SC on the national level. The emphasis on time dimension is of particular importance for political analyses and social planning. Ignorance of socio-cultural trends, of which the dynamics of SC is one the central elements, substantially impoverishes the social decision making process. Without dynamic insight, *policy* activities lack strategic dimension and realistic development orientation.

Methods

The paper uses the data from the two research projects the author was involved in, *World Value Survey – Croatia 1995* (Erasmus Guild, Zagreb) and *South East European Social Survey 2003* (Institute for Sociology, University of Tromsø, Norway). Both research projects were carried out on probabilistic, nationally representative sample. The first study included 1196, and the second one 1250 citizens of Croatia aged 20 and above. With the purpose of increasing the external validity of conclusions, the analyses that follow have been carried out on weighted data. The realized samples were weighted for age, gender and education according to the population parameters from the 1991 and 2001 census, respectively.

SC has been measured through three standard dimensions (Raiser et al., 2001; de Mello, 2004; Brehm/Rahn, 1997; Foley/Edwards, 1999; Štulhofer, 2003a): generalized trust, trust in institutions and civic participation. The indicator of generalized trust was a dichotomous variable measuring the level of trust in other, unknown, members of community. Respondents had to choose one of the two responses: "most people can be trusted" (value 1) or "one needs to be very careful in dealing with other people" (value 0). The indicator of trust in institutions was obtained by aggregating the levels of trust (from "a great deal or quite a lot" to "none at all") in twelve social institutions. Theoretical range was 1–4, and the values were recoded so that a greater value denotes

greater trust in formal institutions.³ Reliability of this index was very good ($\alpha = 0,87$). The last indicator, an index of civic participation, was a composite variable obtained by aggregating data on membership in eight types of nongovernmental organizations.⁴ The theoretical range of the index was 0–8.⁵

Religiosity was measured through the frequency of participation in religious services. Due to slightly different formulation of the scale in the two questionnaires, the variable has been dichotomised, with 0 denoting the frequency of religious participation that occurs less than once a week, and 1 denoting religious participation occurring once a week or more often.

Political orientation has been assessed by the usual left-right scale. Respondents were asked to locate their political views on the scale of ten degrees, with categories “left” (1) and “right” (10) at its ends.

Perception of corruption was measured with a question about its extent among public officials (“To what extent are bribes and corruption spread in this country, among persons who work in civil services?”). Answers were recorded on a 4-item scale: (1) almost none of them are involved in it, (2) only few of them are involved, (3) most of them are involved, (4) almost all of them are involved.

Results

Social Capital as a Latent Dimension

Measurement of SC is usually operationalized through a certain number of indicators (Raiser and associates, 2001; de Mello, 2004; Brehm/Rahn, 1997; Foley/Edwards, 1999; Štulhofer, 2003a). In order to assess reliability of such approach, correlation between the indicators used has been examined (Raiser and associates, 2001; Brehm/Rahn, 1997), but not in the Croatian context. Given the theoretical postulate on mutual entanglement of trust and civic participation (Putnam, 2003; Štulhofer, 2003b), an explanatory factor analysis was carried out to establish whether the three indicators indeed form the latent dimension of SC, as suggested by Bjornskov (2003).⁶ The results presented in *Table 1* confirm the expectation. In both points of time one all three indicators are loaded on a single factor, which suggests that the construct is reliable and robust.

³ The trust in the following institutions was included: the church, the army, the legal system, the press, television, trade unions, the police, political parties, government, parliament, the European Union and the United Nations.

⁴ These were religious, sports or recreational, art and educational associations, trade unions, political parties, environmental organizations, professional societies and other civic associations.

⁵ Due to its rather skewed distribution, the civic participation index, when used as a dependent variable in a multiple regression, was dichotomised. Respondents were divided into two groups: those who were not members of any association and those who were members of at least one association.

⁶ The principal components method was used for factor extraction.

Table 1: Factor analysis of the SC indicators

	Factor loadings	
	1995	2003
Generalized trust	0,78	0,72
Civic participation	0,62	0,61
Trust in institutions	0,40	0,56
	Eigenvalue (% of interpreted variance)	
	1,14 (38,12)	1,21 (40,37)

Developmental Potential of Social Capital

Socially beneficial effects of SC were tested by two analyses. The first used data on voting in last parliamentary elections, while the second analysis utilized the comparison of personal financial situation in 1990 and 2003. Whereas the first indicator assessed the level of basic political participation, the second one referred to personal capability to adapt to a new market framework. Instead of resorting to attitudinal analyses (assessing, for example, views on democracy or market economy), marred by practical impossibility to distinguish between the actual and the socially desirable views, the development potential of SC was addressed directly – through socially beneficial individual activities.

The analyses were carried out on the 2003 dataset⁷. The logic of the testing was simple: if the SC factor is associated with voting and positive assessment of personal financial situation it should be considered a developmental resource. The results confirmed theoretical expectation. If we compare the average results of the respondents who voted at the last parliamentary elections and of those who abstained on the latent SC variable, the first group was characterized by a considerably higher level of SC ($t = 3,67$; $p < 0,001$). To put in another way, the respondents who displayed a low level of SC were overrepresented among the absentees.

Similarly, there was a positive association between the level of SC and the assessment of current personal finances as compared to the situation in 1990 ($r = 0,14$; $p < 0,001$)⁸. It should be noted that the analysis does not answer the question of whether the improvement of household financial situation is the consequence or the cause of the respondent's SC.

⁷ To avoid the contamination with the situational effect of war (for a more detailed discussion see the next section), especially in the assessment of one's financial situation, the 1995 dataset was excluded from the analyses.

⁸ Although the correlation is weak, the more positive a respondent estimates the change of his or her financial situation in the period 1990–2003, the higher his or her result on the latent SC variable.

The Dynamics of Social Capital

Tables 2 and 3 present the dynamics of SC during the 1995-2003 period. Contrary to the expectation based on economic growth⁹, accelerated democratization, and the increase of social and political stability, the level of SC decreased in the observed period. The decline was recorded in two out of three dimensions. The level of generalized trust stayed the same (Table 2). After it had considerably decreased in 1999 (Štulhofer, 2003a), in 2003 generalized trust returned to the initial 1995 level.¹⁰ Currently, only one-fourth of Croatian citizens claim to trust others.

Table 2: Levels of generalized trust, 1995-2003

	1995	2003
	%	
“Most people can be trusted”	23,6	24
“One needs to be very careful”	76,4	76
	n. s. ($p > 0,12$)	

The levels of civic participation and trust in institutions have considerably decreased (Table 3). As to the first of the two dimensions, a systematic quality of the recorded change should be emphasized. Although a more detailed analysis showed that the decrease was most dramatic in the case of membership in religiously based associations (-38%) and than trade unions (-10%), the phenomenon of declining membership was observed in each and every category of civic participation.

Table 3: Levels of civic participation, 1995-2003

	1995	2003	p <
	Mean (S.D.)		
Civic participation	0,25 (0,25)	0,13 (0,20)	0,001
Trust in institutions	2,39 (0,52)	2,28 (0,51)	0,001

A more detailed insight into the proportions of change related to trust in institutions provided the analysis of the dynamics of trust in three key institutions: government, parliament (Croatian *Sabor*) and the legal system. As presented in Table 4, the trust in

⁹ According to Croatian National Bank (<http://www.hnb.hr>), the growth of GDP *per capita* was the following: 1995 – 4,029; 1996 – 4,422; 1997 – 4,398; 1998 – 4,805; 1999 – 4,371; 2000 – 4,206; 2001 – 4,477; 2002 – 5,137; 2003 – 6,484.

¹⁰ Compared to Western European countries, the level of generalised trust in Croatia is considerably lower (Štulhofer, 2000: 90).

the legal system decreased by more than a half, while the trust in government decreased by approximately 45%. The trust in parliament suffered the least, decreasing by a third.

Table 4: Trust in institutions of the state, 1995-2003

Trust in	1995		2003		p <
	A great deal/quite a lot	Not very much/none at all	A great deal/quite a lot	Not very much/none at all	
	%				
Legal system	58,4	41,6	26,6	73,4	0,001
Government	59,4	40,6	32,5	59,4	0,001
Parliament	48,5	51,5	30,5	69,5	0,001

Correlates of Social Capital

Which factors influence the level of SC? To answer this question, central to interpreting the dynamics of SC, three multiple regression analyses were carried out (*Table 5*).¹¹ The first of the three analyzed dimensions, generalized trust, was found significantly associated only with the perception of corruption.¹² The negative correlation points to the fact that the perception of the extent of corruption in public services – regardless of the actual (i.e. objective) situation – is destructive for social trust. It should be borne in mind that the finding is robust, since it was found to be statistically significant both in 1995 and 2003.

The perception of corruption was the strongest predictor in the case of trust in institutions. Those who believed in the omnipresence of corruption were less likely to have confidence in important societal institutions. In addition to the perception of corruption, the level of trust in institutions was correlated with age (younger respondents displayed lower trust), education (better educated respondents were less trustful), the place of residence (respondents from larger communities reported lower trust), and political orientation (respondents on the “left” displayed lower levels of trust). Age, education and the perception of corruption were found to be robust correlates of SC.

¹¹ As dichotomous variables, generalized trust and civic participation were analysed using logistic regression. Correlates of trust in institutions were assessed by linear regression (OLS). The analysis of each of the three dimensions was also carried out for each year separately (these analyses are not presented in the paper), in order to establish the correlates that are robust, i.e. significantly related to the dependent variable in both measurements (1995 and 2003).

¹² The list of independent variables was determined on the basis of the overview of empirical literature characterized by the quantitative macro-approach to SC.

Table 5: Correlates of generalised trust, civic participation and trust in institutions

	Generalised trust ^a	Civic participation ^a	Trust in institutions ^b
	(N = 1.442)	(N = 1.765)	(N = 1.422)
	Odds ratio		Beta
Age	1,00	0,98***	0,11***
Gender (1 = female)	1,09	1,61***	-0,02
Education	1,21	1,65***	-0,11***
Size of the place of residence	1,06	0,91	-0,08**
Household income	1,04	0,86***	-0,05
Religiosity	1,33	5,03***	0,01
Perception of corruption	0,79**	1,04	-0,27***
Political orientation: "left" – "right"	0,97	1,04	0,10***
*p < 0,05; **p < 0,01; ***p < 0,001			

^a Logistic (multiple) regression; ^b linear (multiple) regression

Civic participation was correlated with education (better educated were more likely to be members of nongovernmental organizations), age and gender (younger respondents and women were more likely to participate), religiosity (more religious respondents were more likely to participate) and income. In the case of income, an additional analysis confirmed a non-linear relationship. The observed correlation is based on a distinct reluctance to associate among the respondents with highest income. No difference as to the degree of civic participation was found between the other income groups.

Of the five correlates, religiosity proved to be the only robust predictor of civic participation. The higher representation of religious persons in civic organizations could reflect their more pronounced *communitarianism* (Veenstra, 2002), that is the higher level of sensitivity for common interests and the needs of local community.

Discussion: Situational Effects and Transitional Constraints to Measuring SC

How are we to explain the decline of SC in Croatia between 1995 and 2003? As already mentioned, the 1995 data were collected immediately after a large-scale military action, which in fact marked the end of war in Croatia. The military success and its consequences provoked an explosion of national pride and public approval of political and military leadership. Could it be that the observed decrease in SC is superficial, mirroring the 1995 situational effects that actually inflated SC?

The hypothesis can be empirically corroborated. In 1995 the army and the police were the institutions which citizens trusted the most (Žunec, 1997)¹³. In the same year Croatia had the largest percentage of citizens who were members of religious associations in all the European countries represented in the World Values Survey project (Štulhofer, 2003a). Having in mind that the largest decrease in membership in 2003 was recorded in this very group of civic organizations, it is plausible to assume that a large number of these associations emerged during the war and ceased to exist after it ended. The charitable character of religiously based organizations (distribution of humanitarian aid), often founded by foreign or international religious organizations, often implied a personal gain for the members, helping them cope with the rough wartime years. An additional argument is provided by the analysis of regional distribution of trust in institutions in 1995. In line with the hypothesis on the situational effects, the highest level of trust in institutions was found in the regions most exposed to the hardships of war: in Lika and Banovina, and Slavonia.

In order to test the above hypothesis a couple of new analyses of the dynamics of civic association and trust in institutions were carried out, with religious associations excluded from the first analysis, and the army, the police and government excluded from the latter. As presented in *Table 3*, the decline in the density of civic participation and trust in institutions was found less severe, but statistically significant ($p < 0,001$ and $p < 0,05$, respectively). In other words, the decline of SC during the 1995-2003 period cannot be explained solely by the situational effect of the war.

The next possible objection highlights the futility of measuring the dynamics of SC with standard indicators, suggesting that they are not applicable in the context of post-communist transition. Indeed, the difficulties which Dowley and Silver (2002) had with linking the SC indicators to the process of democratization in transition countries, and the absence of correlation between generalized trust and economic prosperity in the work of Raiser et al (2001) seem to suggest just that.

It is important to note that the argument presented above does not rest on an assumption of a *quantitative* difference – as it would be the case, for example, if it would say that generalized trust is necessarily scarce in post-communist societies due to the legacy of the totalitarian state¹⁴ – but presupposes a *qualitative* difference or incommensurability. The argument, in other words, insists that the standard indicators of SC measure one thing in the “West”, but something completely different in the “East”. Although the authoritarian legacy and costs of transition (including widespread cynicism and opportunism) are surely responsible for relatively low values of generalized trust and civic participation¹⁵ (Rose et al., 1997; Raiser et al., 2001), it is not clear how they could change *the content* of the two dimensions. The finding that generalized or social trust is not related to economic prosperity in transition countries (Raiser et al, 2001: 6), could reflect a different *character* of the market economy rather than a different type of social trust.

¹³ In the 1999 and 2003 national surveys the ranking of these two institutions was markedly lower.

¹⁴ The case of GDR is particularly instructive.

¹⁵ On the other hand, the very same costs of transition – particularly the decline in standard of living – may provide an extra motivation for joining various civic organizations.

The last dimension, trust in institutions, is a somewhat more complex case. If we take into consideration a series of difficulties related to post-communist institutional reforms and their low degree of efficiency in a number of transition countries, the question is raised as to whether it is trust or distrust in institutions in those countries that measures the acceptance of democratic rules of the game and the meritocratic concept of society better.

This dilemma affects the validity of the standard measurement of SC only superficially. It is, in fact, based on a quantitative, and not a qualitative distinction. Distrust in institutions, when based on a more or less realistic assessment of their inefficiency and the incompetence of their employees, clearly demonstrates the deficit of SC. As long as there is a correlation between trust in institutions and social trust (indicating inclination to cooperate), a different conclusion is unsustainable. The fact that the level of SC in the transitional context is determined by the activities of the state (or lack of them) and not by a spontaneous evolution of beneficial norms (Putnam, 1993), does not change the character of the relationship between trust in institutions and SC. Nor does it necessarily change the relationship among the dimensions of SC. Furthermore, the possibility that the distrust in institutions might encourage networking, as a way of substituting inefficient state institutions, is equally applicable to both the transitional and non-transitional context. Such a negative correlation between trust in institutions and civic participation, however, has first to be empirically demonstrated.

By rejecting the suggestion that macro indicators of SC are culture-specific we encounter the real limitations of the analyses presented in this paper. The central problem is a marginal percentage of the explained variance of SC dimensions.¹⁶ Simply put, the presented analyses do not provide enough data to clarify the negative dynamics of SC. A set of predictors which has been tested in regression analyses tells us very little about the reasons behind the erosion of SC. The search for more substantial factors is severely limited by the existing data. Sharing less than 20% percent of question the 1995 and 2003 questionnaires allow but a very restricted comparison. Unfortunately, Croatia has no systematic (longitudinal) monitoring of social trends, such as the Eurobarometer or the US General Social Science Survey, which renders certain research ambitions unduly modest.

Conclusion: On Perception of Corruption and the Role of the State

The presented analyses pointed to the decrease of SC in Croatia in the 1995-2003 period that could not be exclusively attributed to the situational effect of the 1991-1995 war. Among the correlates included in the regression models, the strongest and most consistent factor contributing to negative dynamics of CS through fragmentation of trust in institutions was found to be the increasing public perception of corruption among

¹⁶ This particularly refers to generalised trust. To enable the comparison between logistic and linear regression models, a pseudo R^2 (in logit equations) has been calculated according to the procedure described by Menard (1995: 23). Percentages of variance explained varied from 2% (generalized trust) to 15% (trust in institutions).

civil servants (*Table 6*).¹⁷ Although it is conceivable that both the SC deficit – expressed in chronic lack of trust and the unwillingness to cooperate – and suspicion of people in positions could be character traits¹⁸, a more plausible conclusion is that perception of corruption affects individual levels of SC. Decreasing social trust and trust in institutions are adaptive reactions to the social environment that is perceived as unpredictable, risky and full of frauds.

Table 6: Dynamics of the perception of corruption, 1995–2003

Perception of the extent of taking bribes and corruption among civil servants	1995	2003
	%	
Almost no one is involved	1,3	1,4
Only a few are involved	23,5	21,4
Most are involved	60,5	53,8
Almost all are involved	14,7	23,4
p < 0,001		

Indeed, how to maintain trust where norms seem to be breached regularly and without sanctions? It is, undoubtedly, one of the central dilemmas of post-communist transition (Raiser et al., 2001; Rose et al., 1997; Štulhofer, 2000). On the bright side, a constructivist character of transitional societies – manifested in vast, “over night” institutional reforms – makes it easier to notice and accept the importance of intervention into the socio-cultural fabric of society. Designer spirit of political, economic and social post-communist transformation legitimizes the role of the state in the development of SC.¹⁹ Having in mind that authoritarian regimes, collapsed in 1989, had interrupted a spontaneous historical development of the socially beneficial norms, the process of democratization necessarily entails the task of stimulating trust, cooperation and association. In Croatia, its success will be closely related to the introduction of measures capable of reducing the perception of corruption.

¹⁷ Bjornskov (2004) also reported the link between SC and the perception of corruption. The latter was measured by the *Transparency International's* index of corruption.

¹⁸ Making the relationship between the erosion of SC and the perception of corruption spurious.

¹⁹ Fukuyama (2000) and Putnam (2000) have already prescribed this role to the US government.

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