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## The social capital of European welfare states: the crowding out hypothesis revisited

Wim van Oorschot\* and Wil Arts, *Tilburg University, the Netherlands*

**Summary** A recurrent critique on the welfare state is that it crowds out social capital (networks, trust and norms). However, the empirical evidence on the crowding out hypothesis is still scarce, findings are sometimes contradictory, and there is variation in the measurement of social capital. In this article we explore the crowding out hypothesis on the basis of data from the European Values Survey wave 1999/2000 for 23 European countries. Compared to (the few) other comparative studies on the hypothesis, our study contains more recent data and for a larger number of countries. Instead of focusing on a single dimension of social capital, we use an eight-scale measurement model of social capital; we explore the relationship between welfare (regime type, social spending) and social capital at both country and individual level, and we control for confounding factors. At the aggregate country level we found no evidence at all in favour of the hypothesis. At the individual level we found that it does matter for people's social capital in which type and size of welfare state they live. However, there is only evidence for a crowding out effect in case of people's trustworthiness. With regard to other forms of social capital, there is at best mixed evidence, but mostly our findings contradict the crowding out hypothesis altogether.

**Key words** Europe, social capital, social policy, welfare state

**Résumé** Une critique récurrente de l'Etat providence est qu'il évince le capital social (réseau, confiance et normes). Cependant, les preuves empiriques de cette hypothèse sont encore peu nombreuses. Les résultats sont parfois contradictoires et il existe des variations dans la mesure du capital social. Dans cet article, nous explorons l'hypothèse d'éviction sur base des données de l'enquête sur les valeurs européennes de 1999/2000 pour 23 pays européens. Comparée aux autres (peu nombreuses) études comparatives sur cette question, notre étude se base sur des données plus récentes et un nombre de pays plus important. Au lieu de nous centrer sur une dimension unique du capital social, nous utilisons un modèle comprenant à huit dimensions du capital social. Nous explorons la relation entre l'Etat providence (type de régime, dépenses sociales) et le capital social tant au niveau des pays que des personnes et nous contrôlons par des autres facteurs qui influent le résultat. Au niveau agrégé d'un pays, nous ne trouvons aucune preuve soutenant cette hypothèse. Au niveau des individus, nous trouvons que le type et la grandeur de l'Etat providence du pays dans lequel ils vivent ont un impact sur le capital social. Cependant, il n'y a seulement des preuves d'un effet éviction que dans le cas de la loyauté. Concernant les autres formes de capital social, il y a au mieux des évidences peu concluantes mais principalement le résultat de nos recherches contredit dans l'ensemble l'hypothèse d'éviction.

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## Introduction

In every stage of its development the welfare state has met criticism. Moreover, more than once its actual state has been declared as one of essential crisis, be it for different stage-specific reasons (Heclo, 1981; Esping-Andersen, 1999). A recurrent critique of the welfare state concerns its alleged unintended, negative, social and moral consequences. This critique expresses the idea that the welfare state, in spite of or even because of its good intentions, has a crowding out effect upon the social capital of the society it serves. Critics more specifically argue that social expenditures and comprehensive social programmes 'crowd out' informal caring relations and social networks, as well as familial, communal and occupational systems of self-help and reciprocity; thereby fostering social isolation, anomie and self-centredness, and leading to a general decline of commitment to civil norms, of participation in civil society, and trust in fellow citizens and social institutions (e.g. Habermas, 1973; Offe, 1984; Wolfe, 1989; Etzioni, 1995; Fukuyama, 2000; Putnam, 2000).

Others, however, have rejected the crowding out hypothesis by arguing to the contrary that a well-developed welfare state creates the structural and cultural conditions for a thriving and pluralist civil society. In their opinion, comprehensive welfare states use voluntary organizations, and invest in them; they offer people the financial resources and the free time to actively develop their social capital; they set examples of taking responsibility for the good of others, and of behaving solidaristically and impartially (Skocpol, 1996; Kuhnle and Alestalo, 2000; Rothstein, 2001; Salamon and Sokolowski, 2003). In spite of these contrary opinions, in the literature, the crowding out perspective appears most persistent and dominant. Therefore we concentrate on this hypothesis and not on its opposite.

Recently, the alleged negative relation between public-welfare arrangements and social capital has once more become a pivotal issue in the welfare state debate, due to the

upswing of communitarian and 'third way' views on welfare society. Communitarians seem to accept the idea that the 'traditional' welfare state neglected or even eroded the possible and necessary contributions of civil society and the family to the production of human welfare (Etzioni, 1995). As a solution they propose a revitalization of communities and a retrenchment of the welfare state. 'Third-way' ideologists plead for turning towards an 'enabling' welfare state, which stimulates and revitalizes the welfare potentials of civil society and the family (Giddens, 1998). Others, however, expect that reducing government social policies will have negative instead of positive effects on social capital. They suggest that less state welfare will not restore the supportive functions of civil society and family that have eroded in the period of welfare-state expansion (Boje, 1996). It will rather stimulate self-interested, 'knaveish' behaviour (LeGrand, 1997) and reduce levels of generalized trust even further (Goodin, 1996; Taylor-Gooby, 1998).

Although the crowding out hypothesis does not exhaust all the issues that are raised about the relation between welfare and social capital,<sup>1</sup> it is of central and pivotal significance for understanding the societal effects of the welfare state. Given this, and the high moral debate surrounding it, it is remarkable to see how little empirical evidence there is to substantiate the hypothesis and, what is more, to see that the available evidence is contradictory.

In this article, therefore, we leave the ideological debate aside and concentrate on empirical questions about the crowding out hypothesis, which in its most general form says: For every welfare state, if social obligations become increasingly public, then its institutional arrangements to an increasing extent crowd out private obligations or make them at least no longer necessary. As a result, voluntary, familial, communal and other interpersonal ties tend to weaken, people will lose their moral sense of collective and communal duties and responsibilities, and they will end up having less trust in their fellow citizens and in the institutions they are surrounded by.

We will briefly review the empirical evidence on the crowding out hypothesis, refine our research questions, and then present findings of our cross-national analysis of the empirical relation between various forms of social capital and characteristics of 23 contemporary European welfare states. We will use data from the 1999/2000 wave of the European Values Study survey (EVS). The main conclusion will be that the crowding out hypothesis is not supported by our data.

### Empirical evidence on the crowding out hypothesis

One can test the crowding out hypothesis by using either longitudinal or cross-sectional data. In the former case one analyses the dynamics of welfare-state policies and social capital in one or preferably several welfare states over the course of time. In the latter case one looks at several welfare states at the same point in time, arranges these states according to the comprehensiveness of public social obligations, and compares this ordering with the country differences in levels of social capital.

The strongest test of the 'crowding out' hypothesis would need time-series and panel data for a great number of welfare states. Alas, such data are not available. The longitudinal studies available are confined to single countries. In the US, for instance, declines in social engagement have been documented by several such studies. Putnam (1995; 2000), for example, found evidence for a decline in social capital in the period 1930–98, using a wide array of data and measures, including volunteering, voting, trust and membership. Costa and Kahn (2003) used an exhaustive list of data-sets drawn from studies of the labour force, studies of political participation, social surveys, time-use studies, marketing studies, and studies of volunteering. In the period 1952–98 they found small declines in the proportion of Americans reporting any time spent volunteering or any organizational member-

ship, and large declines in the proportion of visiting friends and relatives. In search of an explanation, the studies mentioned used, unfortunately, only demographic and socio-economic characteristics as independent variables and did not include social-policy issues such as welfare-state development. So, there is no direct proof of the crowding out hypothesis in the US case, only circumstantial evidence. Moreover, other researchers have empirically contested the above mentioned claims of an ongoing social-capital decline in the US. Ladd (1996) pointed out that Putnam used survey information uncritically and that the declines he observed were sometimes artefacts of the statistical methods used or did not show up on closer inspection. Paxton (1999), using data from the General Social Survey in the period 1975–94, found no evidence of a decline in social association (measured by using group memberships and evenings spent with friends or neighbours), but did find evidence of a decline in trust. This means that, as far as the US is concerned, the findings are inconclusive.

In Europe, however, longitudinal one-country studies have mostly led to refutation of the crowding out hypothesis. Rothstein (2001), using time series data and pooled cross-sectional survey data, came to the conclusion that in Sweden, people's trust in others, their political engagement and activities in voluntary organizations actually increased rather than decreased during the period of welfare-state development. Hall (1999), using the same kind of data, shows that there has been no equivalent erosion of social participation in Britain (although there has been an apparent decline in social trust). Following the same kind of procedure as Rothstein and Hall, Freitag (2001) found no decline in social capital in Switzerland, and neither did Siisiäinen (1999) in Finland. In the Netherlands, a most systematic and detailed longitudinal study on trends in social-capital development using the Social and Cultural Planning Bureau's attitudinal and behavioural repeated surveys shows that, over a period of over 40 years, pro-social attitudes, trust in other people and supportive behaviour

in families and neighbourhoods have not declined, and that participation in civil-society networks and voluntary organizations have even increased (De Hart and Dekker, 1999).

Cross-national, cross-sectional research projects into welfare-state-cum-social-capital development have been few in number and are confined to Europe. They have, moreover, led to contradictory conclusions. Scheepers et al. (2002) used Eurobarometer samples of people of 60 years of age or older for 13 countries to test the hypothesis that type of welfare-state regime has an impact on social contacts with friends and family, which is one particular dimension of social capital. They found support for the crowding out hypothesis, because older people living in comprehensive Scandinavian welfare states had the least social contacts with both family and friends. Older people living in budding Mediterranean welfare states, with their underdeveloped systems of social security and, consequently, their reliance on family arrangements, had the most social contact with family and friends. Using social expenditure as an indicator, instead of a welfare-state typology, led to similar conclusions. The higher the social expenditure, the fewer the social contacts of older people. A more encompassing test of the crowding out hypothesis – constructing a composite additive measurement instrument for social capital using survey data from the 1999/2000 wave of the European Values Study, including all member states of the European Union and an age range of 16 years and up – led to opposite conclusions (Arts et al., 2003). In this study, the Mediterranean welfare states had the lowest social capital and the Scandinavian ones the highest. The study also found a strong and statistically significant positive correlation of .81 between a welfare state's social expenditures and the amount of social capital among their populations. Regarding active participation in voluntary organizations, European and wider international comparative studies have found that welfare state comprehensiveness and the social expenditure of countries are positively related

to national rates of volunteering. For instance, Gaskin and Smith (1995) found that among European welfare states volunteering is highest in Sweden and the Netherlands, and Salamon and Sokolowski (2003) found a .63 correlation between government social spending and rate of volunteering in a 23-country sample.

### **Multidimensionality of social capital and new questions for empirical research**

Because of contradictions in findings and variations in measurement of social capital, the crowding out issue is not yet resolved empirically. Some comparative welfare-state scholars even doubt the possibility of testing the hypothesis cross-nationally. In their opinion the concept of social capital has not been nailed down sufficiently to be usable in quantitative cross-national research (Dasgupta and Serageldin, 1999). This critique, however, is too drastic. One should take note of the fact that most studies either looked into certain aspects of social capital only (notably into volunteering, trust and informal sociability), or they used a composite, additive measurement model of the various aspects of social capital. What is important here is that in the more recent literature on social capital there is a growing consensus that it is a multifaceted phenomenon, containing various dimensions and forms which may not necessarily correlate highly among each other (e.g. Rothstein, 2001; Healy, 2003; Johnston and Percy-Smith, 2003). An inescapable consequence of this is that, when studying the relationships between welfare-state regimes and welfare effort on the one hand, and social capital on the other hand, one should distinguish between different aspects or components of social capital and not lump them together. There is discussion about what types and functions of social capital can be distinguished (e.g. objective and subjective types; bonding, bridging and linking functions; see OECD, 2001), but there is also a growing

consensus that empirical indicators of social capital can be grouped into three broad categories: *social networks* – relations within and between families and friends (informal sociability); involvement in community and organizational life (e.g. volunteering); public engagement (e.g. voting); *social norms* – shared civic values, norms and habits of cooperation; and *social trust* – generalized trust in social institutions and in other people (e.g. Putnam, 2000; Narayan and Cassidy, 2001; OECD, 2001; Rothstein, 2001).

Assuming that social capital is indeed a multifaceted construct, then several empirical questions can be raised in a cross-national survey-based test of the crowding out hypothesis. The first question concerns the empirical validity of the multidimensionality of social capital. In other words, is there empirical proof that the various forms of social capital each capture specific aspects of the concept? If so, they should be reproduced by a factor analysis on the total set of indicators for all aspects.

A second and substantive question is whether welfare stateness has the same degree and direction of effect on all social-capital indicators. Or does its influence differ for people's participation in social networks, their social trust and their civic norms? In other words, does the validity of the crowding out perspec-

tive depend on the form of social capital concerned? Here it is difficult to formulate any specific expectations, since crowding out theories and ideas thus far have not differentiated in this sense between forms of social capital. Mostly they discuss various aspects of social relations, norms and trust that would be negatively affected by the welfare state, but do not question whether there are relative differences.

Third, when analysing the crowding out hypothesis cross-sectionally in a cross-national context the question about other country characteristics (that may also influence a population's social capital) becomes particularly important. It could be, for instance, that lower social-capital levels in a country are not so much related to its stronger welfare stateness, but to a higher level of wealth or affluence (as is suggested, for example, by Yankelovich, 1994; Kuhnle and Alestalo, 2000), to a lower degree of religiosity among its population (Greeley, 1997; Smidt, 2003), and/or to a higher degree of (income) inequality (Kawachi et al., 1997; Knack and Keefer, 1997; O'Connell, 2003). When analysing the relation between welfare-state characteristics and social capital in a European context, one should control for such variables, the more so since they tend to co-vary with welfare-state characteristics, especially on a North–South axis. For instance, high welfare

**Table 1** Average welfare effort, wealth, income inequality and religious composition of European countries by regime type

	<i>Welfare effort<sup>a</sup></i>	<i>Wealth<sup>b</sup></i>	<i>Income inequality</i>	<i>Protestant %</i>	<i>Catholic %</i>	<i>Other %</i>	<i>No religion %</i>
Scandinavian	31.7	106.7	3.3	80	1	3	16
Continental	26.6	107.4	3.9	13	46	4	37
Liberal	21.9	99.5	5.0	26	49	9	12
Southern	20.8	79.0	5.6	1	65	21 <sup>c</sup>	14
Central and Eastern European	19.5	43.3	4.6	8	43	11	39

*Notes:*

<sup>a</sup> For EU member countries: annual total public expenditure as % of GDP, averaged over 1990–8 (Source: OECD Social Expenditure Database 2001); for Central and Eastern European countries: total social expenditure as % of GDP, averaged over 1996 and 1998 (Source: GVG, 2002).

<sup>b</sup> GDP per capita: EU15 index = 100 in PPS (Purchasing Power Standards), average over 1994–9 (Source: Eurostat website, 12-09-2003).

<sup>c</sup> Mainly Greek 'Orthodox'.

spending in the Scandinavian countries goes hand in hand with a relatively higher level of wealth (GDP), a relatively smaller income inequality and a large majority of Protestants in the population. Low welfare spending in the Mediterranean countries goes together with a lower level of wealth, a larger income inequality and, with the exception of Greece, a Catholic majority (see Table 1).

Although the other European countries are more heterogeneous on these factors, it is nevertheless necessary to control for them. In doing so, one not only tests for alternative explanations of cross-national differences in levels of social capital, but one also gets information on the relative importance of welfare-state variables, compared to other features of national societies.

Fourth, controlling for confounding factors has its limits in the case of analyses at the aggregate level of countries, where the question is to what degree differences in national levels of social capital are related to a country's welfare stateness. This is because usually the number of country cases is too small for any substantial statistical elaboration of the relations found. But possibilities are greater when analysing the crowding out hypothesis at the individual level, where the question is whether (and if so, to what degree) individual people's social capital is related to characteristics of the welfare state in which they live. As in the case of the aggregate level analyses, we would like to assess the relative importance of such characteristics, compared to the other country characteristics we have just discussed, and compared to a set of personal qualities of people. In doing so, we will, additionally, get an idea of the various factors that determine why some people have higher or lower social capital than other people.

We should note explicitly, however, that it is not our analytical aim to explain differences in people's social capital in terms of the mechanisms of contextual influences, people's personal motivations, underlying attitudes and beliefs and so forth. This would go far beyond the scope of the article given the eight different

indicators of social capital we analyse here. There is a growing body of literature on such explanations, for example with regard to active participation in voluntary organizations (Wilson, 2000; Bekkers, 2001; Dekker and Halman, 2003), or regarding trust (e.g. Uslaner, 2002; Delhey and Newton, 2003). We should also mention that we will not analyse the interrelations which may exist between the various aspects of people's social capital. Such interrelations do exist (although they appear to be not that strong) and they are the explicit subject of study (e.g. Stolle and Rochon, 1999), particularly regarding the relation between active participation in voluntary organizations (volunteering) and trust (Dekker and Uslaner, 2001), or political engagement (Almond and Verba, 1989; Dekker et al., 2003).

Here we concentrate on the crowding out hypothesis, and try to assess the relative importance of welfare-state characteristics for people's social capital. The personal qualities we include in our analysis are the demographic variables of gender and age, class indicators (educational level, household income, whether one is unemployed or not), and cultural variables (religious denomination and frequency of church attendance, and political stance on a left-right scale).

We intend to answer these four questions in this article by empirically relating welfare-state characteristics and control variables to various aspects of social capital. We will analyse the crowding out hypothesis at the aggregate and the individual level.

## Data and methods

### *Data*

Our data source is the European Values Study (EVS) survey, which provides unique data from nationally representative samples of almost all European societies. The EVS questionnaire contains standardized cross-national measures of people's attitudes and beliefs in a broad range of important societal domains. Unfortu-



nately, previous waves of EVS (1981, 1990) only tap a few dimensions of social capital, whereas the most recent 1999/2000 wave contains questions pertaining to almost all dimensions we need. Therefore we use data from this third wave. The survey was fielded in 33 countries throughout Europe [www.european-values.nl]. We confine our analysis to those countries we have adequate data for at the time of analysis: France, the United Kingdom, Germany, Austria, Italy, Spain, Portugal, Greece, the Netherlands, Belgium, Denmark, Sweden, Finland, Ireland, Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Bulgaria, and Slovenia. This means that at the aggregate level we have 23 units of analysis. The country samples consisted of at least 1,000 and at most 2,000 respondents each. Our pooled data-set contains 28,894 cases.

#### *Dependent variables: a measurement model of social capital*

We distinguish between the three main dimensions of social capital, as they appear in most of the literature: networks, trust and norms. The EVS data allow for several indicators for each dimension.

#### *Social networks*

The network dimension can be measured by five scales, referring to (passive and active) participation in voluntary organizations, informal sociability with friends and family, and political engagement. Participation in voluntary organizations is measured by the survey question that asks people whether they are passive or active members of a series of 14 voluntary organizations in various societal domains.<sup>2</sup> According to Putnam (1995) it does not matter so much in which kind of voluntary organizations people are engaged. Following his suggestion we constructed two scales: *passive participation* and *active participation*. Active participation teaches people to cooperate. Passive participa-

tion is a sign of commitment to the community or civil society. We just totalized the number of voluntary organizations people say they are a passive or active member of. Both scales run from low participation to high participation. From the scale of passive participation we excluded the organizations called 'trade unions' and 'religious organizations' because in some Scandinavian countries trade-union and church membership are more a matter of necessity or administrative practice than a voluntary choice. For instance, in Sweden and Denmark union membership is a requirement of eligibility for most social-security benefits. And Swedes score extremely high on membership of 'religious organizations' because they are for the most part automatically administered as members of the Lutheran Church.<sup>3</sup> The EVS survey contains several questions that can be used for measuring everyday sociability. People are asked about the time they spend with friends, about how important they regard relations with friends and family, and about the degree to which they are concerned about the living conditions of family. We constructed two scales. One measures social capital related to one's relations with *friends*, and the other to relations with *family*. Both scales have a range from low to high. There are two questions in the EVS questionnaire that tap political engagement. One asks respondents to tell whether they discuss politics with friends, and another whether they follow politics in the media. We added up the answers to both questions to form the scale for *political engagement*, which runs from low to high.

#### *Social trust*

Regarding the trust dimension, we distinguish between interpersonal trust and trust in institutions. Interpersonal trust is measured by respondents' answers to the question: 'Generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?' Using this either/or question we can measure whether people are characterized by a high degree of

*interpersonal trust* or not. Institutional trust or confidence in institutions is the second dimension of trust. The EVS questionnaire contains a question pertaining to confidence in a great number of institutions. We selected the (welfare) state institutions of 'the police', 'the social security system', 'the health care system', 'parliament', 'the civil service' 'the justice system'. Institutional trust is measured as the Likert sum scale of answers to this question. This scale of *institutional trust* has an alpha reliability of .80 and ranges from low to high trust.

### *Social norms*

This dimension refers neither to people's relations with others nor to their trust in others, but to particular attitudinal or behavioural characteristics of people themselves. Central here is people's trustworthiness, which refers to their civic commitment and morality. It is measured by means of a Likert sum scale constructed on the basis of the survey questions: 'Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between . . . claiming state benefits you are not entitled to . . . cheating on tax if you have the chance . . . lying in your own interest . . . someone accepting a bribe in course of their duties'. The sum scale *trustworthiness* has an alpha reliability of .84 and ranges from weak to strong trustworthiness.

### *Independent variables*

We will use welfare regime type and welfare effort as indicators for welfare-state characteristics. Concerning Western European countries, *welfare regime type* is measured with a modified Esping-Andersen typology that includes the four ideal types of the social-democratic Scandinavian, the liberal Anglo-Saxon, the conservative-corporatist Continental and the budding Mediterranean welfare regimes (Arts and Gelissen, 2002). To this we add a group of former communist Eastern and

Central European countries. With regard to the ideal types, we must note that not all the European countries classified in the literature as close approximations of a particular ideal type are included in our data-set (e.g. Norway, Switzerland), and that some included cases are usually classified as hybrids (e.g. Italy, the Netherlands). Regarding the Eastern and Central European countries, we do not assume that as a group they form a specific welfare-regime type. Although they face similar challenges, differences in institutional design and in social structure are quite large. Nevertheless, compared to Western European countries they can presently be characterized as relatively centralistic, non-comprehensive or 'residual' welfare states, with mainly work-related social rights and relatively low levels of social spending (Standing, 1996; GVG, 2002; Kovacs, 2003; Lendvai, 2003).<sup>4</sup> *Welfare effort* is measured by a country's total social spending as a percentage of GDP. Social spending includes expenditure on old-age cash benefits, disability, sickness, occupational injury and disease benefits, unemployment cash benefits and active labour-market programmes, and health. To average out some of the difference in GDP development between countries, which has a direct effect on the welfare effort percentage, we took the arithmetic means of welfare effort over a certain period. For the Western European countries, this period ranges from 1990 to 1998, and data are from the OECD Social Expenditure Database 2001. For the Eastern and Central European countries, data are less available, which is why we had to confine ourselves to the averaging out of the figures for 1996 and 1998, which we obtained from GVG (2002). The OECD data and the GVG data have been calculated in different ways, which is why they are not directly comparable. However, they still reflect the fact that social spending is much less in the former communist countries of Central and Eastern Europe than it is in Western European countries. We measure a country's level of *wealth* by its 1994–9 average GDP relative to the yearly EU15 index in PPS (Purchasing Power

Standards) (source: Eurostat website, 12.09.2003). *Income inequality* is measured by the 1999 ratio between the total income of the top 20 percent income group and that of the bottom 20 percent income group (source: Eurostat website: 10.12.2003). *Religious composition* is measured by the percentage of respondents reporting to be Protestant, to be Catholic, 'other' (Buddhist, Hindu, Jew, Muslim or Orthodox), or 'none'.

In our individual level analysis we analyse the effects of a set of country-level structural and cultural variables, and a set of personal structural and cultural variables. To the first set belong welfare effort and welfare regime type, controlled for a country's level of wealth, income inequality and religious composition. For the latter, the percentage of Protestants is used only, because including also the percentage of Catholics leads to multicollinearity in our regression analyses.<sup>5</sup> The set of personal characteristics contains the structural characteristics of

gender, age, household income, and educational level, as well as the cultural characteristics of religiousness and political left–right preference. *Gender* is a dummy variable (0 = male, 1 = female); *age* is measured in years passed since birth; *level of education* is measured by the highest level of education reached (8 categories); *household income* is measured by a self-rating in the deciles categories of a net household income scale; *political stance* is measured through self-placement on a 10-point left–right scale. Religiousness is indicated by *denomination* and frequency of *church attendance*.

## Results

### *Empirical multidimensionality of social capital*

To assess the empirical validity of our multidimensional measurement of social capital, we

**Table 2** Factoring results of social-capital items

	F1 <i>Trust in institutions</i>	F2 <i>Trust- worthiness</i>	F3 <i>Political engagement</i>	F4 <i>Friends</i>	F5 <i>Family</i>
Spend time with friends	.012	.119	-.020	.764	-.067
Importance friends acquaintances	.071	-.017	-.016	.782	.218
Importance family	.051	-.128	.023	.141	.712
Concerned with immediate family	-.007	.104	.045	-.094	.722
Can people be trusted	.133	-.068	.230	.201	-.281
Confidence, the police	.657	-.145	-.063	.100	.025
Confidence, parliament	.714	-.014	.140	.052	.033
Confidence, civil service	.750	-.090	.029	-.006	.032
Confidence, social-security system	.738	-.059	-.021	-.023	-.026
Confidence, health-care system	.695	-.044	-.058	.019	-.026
Confidence, justice system	.734	.011	-.001	.075	-.011
Discussing politics	-.048	.010	.816	.119	-.006
Follow politics in media	.035	-.031	.829	-.072	.063
Claim state benefits	-.021	.748	-.056	-.019	.017
Cheating on tax	-.099	.801	-.018	.026	-.017
Lying	-.073	.782	.015	.063	-.031
Accepting a bribe	-.092	.799	.027	.002	.025
Eigen value	3.4	2.3	1.5	1.3	1.2

Extraction method: principal component analysis. Rotation method: varimax with Kaiser normalization.

Total explained variance: 57%.

conducted a principal component, varimax rotated factor analysis on the set of all survey questions used in the various scales. The result is a number of factors that nicely reflect the separate scales (Table 2).<sup>6</sup>

Interpersonal trust does not form a factor since it is a one-item variable. Additional factor analyses for separate groups of countries, where countries were grouped according to welfare-state regime type, gave the same results in all cases. Our conclusion is that our measurement model is empirically valid and robust, and that indeed the various single items that are associated with social capital cluster into the indicator scales as specified in the existing literature.

The clear separation of factors after varimax rotation suggests that the scales constructed from the sets of factor-related items will be weakly correlated, if at all. This is confirmed by additional analyses which show that in our data-set the correlations between the various social-capital scales are between .012 and .199. All signs are positive, which means that there is a tendency for people who have more capital on one aspect also to have more on another. But the relations are so weak that the OECD's suggestion that one single aspect, notably trust, may be an acceptable proxy for the entire social capital of people (OECD, 2001: 45) has to be rejected.

### *A description of country scores*

Before proceeding to tests of the crowding out hypothesis, Table 3 presents the individual countries' scores on the various scales of social capital, which gives an idea of the general level of social capital in, and its variation over, European countries.

On average, European citizens' trustworthiness<sup>7</sup> is on a high level (with a 34.6 average on a 4–40 scale), while their trust in institutions and in other people is moderate (with mid-scale scores on average). European citizens are passive and active members of on average .7 and .5 organizations respectively. Their contacts with and feelings towards family are

strong (2.4 average on a 1–3 scale), and are clearly stronger than those towards friends (2.1 average on a 1–3 scale). Political engagement is moderately strong (on average a bit above mid-scale). Generally, very little is known yet about the kind of factors which can help to understand why the social-capital levels of countries differ. Especially with regard to volunteering, or active participation in voluntary organizations, cross-national studies have looked into the possible effects of differences in culture, national history, religious background, or economic situation. The main conclusion of such studies is, however, that volunteer rates cannot be consistently explained by any of these variables (e.g. Salamon and Anheier, 1998; Hodgkinson, 2003).

However, what strikes one most is the remarkably small variation in social capital over the European countries as a whole. The coefficient of variation (standard deviation as percentage of the mean) of these scales is very low (15 percent or less), except for passive and active participation. But in these two cases the scores of all countries are within a range which covers only 20 percent and 30 percent of the full scale range, respectively. That is, there is variation, but within a relatively small range of the scale. All in all, the populations of the various European countries do not differ much in their trustworthiness, in the degree to which they have trust in institutions and in other people, participate passively or actively in voluntary organizations, and have contacts with and positive feelings towards friends and family. Neither do they differ much in their political engagement. Of course, some countries occupy rather extreme positions on some of the scales. For instance, trustworthiness is particularly low in Greece; with Lithuanians the Greeks also have particularly low trust in institutions. Interpersonal trust is clearly highest in the Scandinavian countries. The Dutch population has a remarkable high level of passive membership of voluntary organizations.<sup>8</sup> The Germans score exceptionally highly on 'friends'. Czech, Danish and Finnish people score very low on 'family', as opposed to

**Table 3** Countries' scores on social-capital indicators

	<i>Trust-worthiness</i> (4–40) <sup>a</sup>	<i>Trust in institutions</i> (6–24)	<i>Interpersonal trust</i> (1–2)	<i>Passive participation</i> (0–6)	<i>Active participation</i> (0–3)	<i>Friends</i> (1–3)	<i>Family</i> (1–3)	<i>Political engagement</i> (2–8)
Denmark	37.5	16.7	1.7	1.1	0.6	2.2	1.6	6.3
Sweden	35.1	15.9	1.7	1.6	1.0	2.5	2.7	6.5
Finland	35.1	16.5	1.6	1.0	0.6	2.2	1.6	5.4
Germany	34.5	14.9	1.4	0.5	0.2	2.9	2.7	6.5
France	31.8	15.1	1.2	0.5	0.4	2.2	2.5	5.8
Austria	34.9	16.5	1.3	1.0	0.4	2.1	2.2	6.1
Netherlands	35.1	15.6	1.6	2.4	0.8	2.3	2.5	6.0
Belgium	32.1	15.1	1.3	1.2	0.6	2.1	2.6	5.5
United Kingdom	34.8	14.8	1.3	0.4	0.7	2.4	2.3	4.7
Ireland	36.0	15.9	1.3	0.8	0.5	2.4	2.5	5.0
Italy	35.9	13.9	1.3	0.6	0.4	2.0	2.3	5.6
Spain	34.5	15.1	1.4	0.4	0.3	2.1	2.5	5.1
Portugal	35.3	14.5	1.1	0.3	0.2	2.0	2.7	5.2
Greece	29.7	12.1	1.2	1.0	0.8	2.2	2.7	6.1
Estonia	32.8	14.1	1.2	0.3	0.3	1.9	2.4	5.9
Latvia	35.7	14.4	1.2	0.2	0.3	1.7	2.3	6.3
Lithuania	32.2	12.1	1.3	0.2	0.2	1.8	2.6	6.6
Poland	36.0	14.6	1.2	0.2	0.2	1.7	2.6	6.1
Czech Republic	35.2	13.1	1.2	0.8	0.5	1.9	1.5	6.4
Slovakia	32.9	13.7	1.2	0.7	0.8	1.9	2.5	6.1
Hungary	35.2	13.7	1.2	0.2	0.2	1.8	2.8	5.6
Bulgaria	36.7	12.8	1.3	0.3	0.3	2.0	2.7	5.9
Slovenia	34.6	14.4	1.2	0.6	0.5	2.1	2.4	5.6
Overall average	34.4	14.6	1.3	0.7	0.5	2.1	2.4	5.9
Coefficient of variation (%)	4	8	11	50	74	10	15	9
Range of scores as % of scale	21	24	30	30	20	40	40	23

Note: <sup>a</sup> Scale ranges.

Hungarians, Portuguese and Greek people. But again, on our measurement scales the extreme country scores are not that far from the overall means.

#### *Aggregate level: crowding out and regime type*

If the crowding out hypothesis would hold for all facets of social capital, one should expect as a pattern that social capital would be clearly lower in the comprehensive Scandinavian and Continental welfare states. Social capital should be higher in the more residual, or less

developed liberal and Southern welfare states, and maybe even higher in the welfare states of Eastern and Central Europe. This, however, is not what Table 4 shows.

On the contrary, national levels of trust-worthiness, passive participation in voluntary associations and spending time with and feelings towards family do not differ significantly among the regime types studied. Furthermore, in cases where social capital levels do differ, it is mostly in a direction opposite to what the crowding out hypothesis would predict. Trust in institutions and in other people is not lower, but higher in Scandinavian welfare states, and, especially, not higher but lower in Southern,

**Table 4** Mean social capital by regime type

	<i>Trust-worthiness</i> (4–40) <sup>a</sup>	<i>Trust in institutions</i> (6–24)	<i>Interpersonal trust</i> (1–2)	<i>Passive participation</i> (0–6)	<i>Active participation</i> (0–3)	<i>Friends</i> (1–3)	<i>Family</i> (1–3)	<i>Political engagement</i> (2–8)
Scandinavian	35.8	16.3	1.6	1.2	0.7	2.3	1.9	6.0
Continental	33.8	15.4	1.4	1.1	0.5	2.1	2.5	6.0
Liberal	33.9	15.4	1.3	0.6	0.6	2.4	2.4	4.9
Southern	34.6	13.9	1.3	0.6	0.4	2.1	2.5	5.5
Central-East								
European	34.6	13.7	1.2	0.4	0.3	1.9	2.3	6.1
p (N = 23)	.489	.001	.000	.119	.038	.000	.257	.016

Note: <sup>a</sup> Scale Ranges.

Eastern and Central European welfare states. The same is true for levels of active participation. Regarding spending time with and feelings towards friends there are significant differences, with both Anglo-Saxon and Scandinavian welfare states taking the lead. In the case of political engagement it is especially the liberal and Southern welfare states that have a low average score, with highest levels occurring in Central and Eastern European welfare states. In addition, we can report that a series of cluster analyses (not presented here) showed that European countries do not cluster around separate indicators of social capital in a way that would reflect regime-type membership.

Our conclusion can simply be that, at the aggregate level of welfare-state regime types, there is no evidence that supports the crowding out hypothesis. On the contrary, if anything, our findings suggest that there is a tendency for social capital levels to be somewhat higher in more developed welfare states, especially regarding trust and active participation. This conclusion begs the question of the precise causal relationship between welfare statism and social capital. The crowding out hypothesis typically assumes a uni-directional, inverse relationship. It is possible, however, that high levels of social spending are sustained by, for example, trust in institutions or that particular welfare-state regimes could develop in countries with relatively high levels of social capital. Unfortunately, however, our cross-sectional data do not allow analysis of causal directions.

### *Aggregate level: crowding out and welfare effort*

According to the crowding out hypothesis welfare effort will be negatively correlated with social capital. Table 5 shows that this is not the case among European welfare states. On the contrary, it shows that countries which have higher public social spending also have higher national levels of trust in institutions, trust in other people, active and passive participation, and their citizens tend to have more contacts with and stronger feelings towards friends. National levels of trustworthiness, relations with family and political engagement do not correlate with welfare effort.

Because in Europe a country's wealth (GDP), its income inequality and its religious composition also tend to co-vary with its welfare effort, we have controlled for these characteristics and found that it is especially GDP and the percentage of Protestants living in a country that play a role. As Table 5 shows, the correlations between social capital and welfare effort become less strong if controlled for both factors. However, none of the statistically significant relationships turns negative. Therefore, we again conclude that there is no evidence at all in favour of the crowding out hypothesis; not even when a country's wealth, income inequality and religious composition are controlled for.

**Table 5** Correlations between social capital scales and welfare effort, controlled for differences in GDP, income inequality and religious denomination (aggregate level, N = 23)

	<i>Welfare effort</i>	<i>Welfare effort controlling for GDP</i>	<i>Welfare effort controlling for income inequality</i>	<i>Welfare effort controlling for Protestantism</i>	<i>Welfare effort controlling for Catholicism</i>
Trustworthiness	.050	-.078	-.246	-.153	.006
Trust in institutions	.677 <sup>c</sup>	.251	.541 <sup>b</sup>	.538	.668 <sup>b</sup>
Interpersonal trust	.625 <sup>c</sup>	.237	.440 <sup>a</sup>	.389	.638 <sup>c</sup>
Passive participation	.617 <sup>c</sup>	.262	.553 <sup>b</sup>	.557 <sup>a</sup>	.639 <sup>c</sup>
Active participation	.557 <sup>c</sup>	.306	.593 <sup>c</sup>	.424	.544 <sup>b</sup>
Relations with friends	.608 <sup>c</sup>	-.051	.578 <sup>c</sup>	.469	.596 <sup>c</sup>
Relations with family	-.108	.125	-.151	.220	-.060
Political engagement	-.057	.213	-.227	-.091	-.082

Notes:

<sup>a</sup>  $p < .1$ .

<sup>b</sup>  $p < .05$ .

<sup>c</sup>  $p < .01$ .

### *Individual level: crowding out and other factors*

#### *Crowding out*

Apart from differences between countries, we are interested in differences between individuals. Which factors determine whether some individuals have higher social capital than others?

One factor in which we are interested first is whether people's social capital depends on the type and size of the welfare state in which they live. The crowding out hypothesis would answer this question affirmatively, and posits a negative relationship between people's social capital and their country's total social spending. And it also posits that, *ceteris paribus*, social capital will be lower among people who live in the more developed and generous Scandinavian and Continental welfare states, while it will be higher among those living in the Anglo-Saxon, Southern, Eastern and Central European welfare states. The results of our tests of these hypotheses are shown in Table 6, where we controlled for a number of other country and personal characteristics which were expected to be also related with people's social capital.

Table 6 shows that people's social capital is related to the type of welfare state they live in, as well as to its degree of social spending. However, there is only little, and mixed, support for the crowding out hypothesis. The clearest case in which there is evidence for crowding out regards people's trustworthiness. Trustworthiness, or the degree to which people do not justify benefit and tax fraud, and bribing and lying, is lower in the Scandinavian and Continental welfare states of Europe, while it is higher in the less developed and comprehensive Anglo-Saxon and Southern welfare states. In addition, people's trustworthiness is also lower in countries that spend relatively more on welfare. In other words, in the case of trustworthiness, both welfare regime and welfare effort coefficients point to a welfare-state crowding out effect.

However, regarding all other social-capital scales the evidence is either mixed, or, as in most cases, the evidence rejects the crowding out hypothesis altogether. We find mixed evidence regarding political engagement, interpersonal trust and the degree to which people have contacts and are concerned with family members. Political engagement tends to be lower when welfare effort is higher, and in the

**Table 6** Regressions of personal and contextual variables on social-capital scales ( $p < .001$ )

	<i>Trust-worthiness</i>	<i>Trust in institutions</i>	<i>Inter-personal trust</i>	<i>Passive participation</i>	<i>Active participation</i>	<i>Friends</i>	<i>Family</i>	<i>Political engagement</i>
Welfare effort	-.119	.035	-.082	.113	.186	.021	.208	-.121
Welfare regime								
<i>Continental</i>	ns	-.149	-.139	-.264	-.188	-.151	.237	.127
<i>Anglo-Saxon</i>	.100	-.086	-.095	-.190	-.049	ns	.083	-.142
<i>Southern</i>	.213	-.305	-.100	-.337	-.202	-.129	.093	ns
<i>Central-East</i> ( <i>ref. = Scand.</i> )	.204	-.373	-.236	-.129	.085	-.278	.236	.137
% Protestants	.152	ns	.093	-.171	-.059	-.072	-.099	.149
Income								
inequality	-.172	ns	-.093	.097	.148	-.049	.141	ns
GDP	.130	ns	.074	.335	.257	.047	X <sup>a</sup>	.060
Gender								
( <i>ref. cat. = male</i> )	.068	ns	-.028	-.026	-.057	ns	.044	-.143
Age	.208	.044	.020	.024	ns	-.223	.020	.216
Educational								
level	ns	-.043	.151	.201	.157	.072	.041	.252
Household								
income	ns	.017	.066	.100	.075	ns	.063	.067
Unemployed	-.045	-.024	-.018	-.031	-.029	-.021	ns	-.024
Religion								
<i>Catholic</i>	ns	ns	-.046	-.063	-.044	-.042	ns	.045
<i>Protestant</i>	ns	ns	ns	ns	ns	ns	.029	ns
<i>Other</i> ( <i>ref. cat. = none</i> )	-.067	-.068	-.032	.044	.074	.022	.104	ns
Church								
attendance	.104	.127	.085	.112	.182	.032	.094	.056
Political stance	ns	ns	-.060	-.025	-.017	ns	-.044	-.024
Adjusted R <sup>2b</sup>	.109	.099	.108	.145	.098	.126	.091	.158
Adjusted R <sup>2c</sup>	.036	.072	.071	.070	.028	.060	.060	.044

*Notes:*

<sup>a</sup>X in case of the family scale the multivariate regression encountered multi-collinearity problems due to the high correlation between GDP and welfare effort (.779) in combination with the fact that the regime-type means of the scale differ sharply between the Scandinavian type and the other types. This makes it impossible to disentangle whether the specific score of the Scandinavian countries is more due to their high GDP or to their high welfare effort or to their distinct regime type. Given our central research question about the crowding out effect of welfare-stateness we omitted GDP from the analysis. Other studies have found a negative relationship between economic development and a large importance attached to family ties (see e.g. Beugelsdijk and Smulders, 2003).

<sup>b</sup>Model including country and personal characteristics

<sup>c</sup>Model including country characteristics only.



Scandinavian welfare states it is lower compared to the Continental and post-communist welfare states in Europe, which all fits the crowding out hypothesis. But political engagement is higher in Scandinavia compared to the Anglo-Saxon welfare states and at the same level as in the Southern European countries, which contradicts the hypothesis. Interpersonal trust is lower among people living in countries that spend more on welfare, as predicted by the crowding out hypothesis, but holding constant for other factors it is highest in the Scandinavian welfare states, compared to the other regime types, which contradicts the hypothesis. The degree to which people have contacts with and are concerned with family members is lowest in the Scandinavian welfare states, as one would expect on grounds of the crowding out hypothesis. But, welfare effort is positively correlated with the family scale, which means that, holding constant for other factors (including regime type), people tend to spend more time with family members, and are more concerned with them, when the country they live in spends more on welfare.<sup>9</sup>

Rather than mixed evidence, there is clear evidence that rejects the crowding out hypothesis in the case of people's trust in institutions, their passive and active membership of voluntary associations, and the degree to which they spend time with friends and regard such contacts as important. People who live in countries that spend relatively more on welfare have higher (not lower) trust in institutions, they are passive and active members of more (not fewer) voluntary associations (also found by Salamon and Sokolowski, 2003 in a 24-country study), and they spend more (not less) time with friends and find these contacts more important. In addition, holding constant for other factors, these kinds of social capital are higher among people in the most comprehensive and generous regime type of the Scandinavian welfare states, compared to people living in other welfare regimes. This also contradicts the crowding out hypothesis. However, it has to be noted that there is no clear pattern of difference among these other

regime types, with the exception that trust in institutions is particularly low in the Southern and post-communist welfare states of Europe, while people living in the latter also have particularly low trust in other people. Generally, then, people's institutional trust, their participation in voluntary organizations and their contacts with friends, are positively related to a country's relative welfare spending, and it makes a difference whether they live in a Scandinavian welfare state, or not. If they do, their social capital on these scales is higher.

In short, it matters for people's social capital in which type and size of welfare state they live. The effects of regime type and welfare effort are different for the various social-capital aspects. However, there is only evidence for a crowding out effect in the case of people's trustworthiness. In other cases, there is at best mixed evidence, but mostly our findings contradict the crowding out hypothesis altogether.

#### *Other country characteristics*

In addition to the regime type their country belongs to, and its degree of social spending, it makes a difference for people's social capital whether they live in a richer or poorer country, in countries with a smaller or larger income inequality, or in a country with a higher or lower proportion of Protestants. Table 6 shows that, with the exception of trust in institutions, all other types of social capital are higher among people who live in richer countries. Especially, in the case of passive and active participation in voluntary organizations, the effect of a country's GDP is relatively large compared to that of welfare spending and regime type. The relation between a country's economic state of affairs and social capital has become a much discussed issue. Empirical studies, as in our case, usually find a significant positive correlation (e.g. Knack and Keefer, 1997). However, there is still discussion about the correct causal direction. Some claim that higher social capital stimulates economic growth (Fukuyama, 1995; Putnam, 2000), while others argue that participation in networks and trust-

ing other people require certain levels of material and immaterial (e.g. leisure time) resources, which are more available in economically more advanced countries (Kuhnle and Alestalo, 2000; Halman, 2003; Inglehart, 2003). The effects of income inequality and the proportion of Protestants are not uni-directional. Regarding income inequality, Table 6 shows that in less equal countries people especially tend to have lower interpersonal trust (also found by Uslaner, 2002), but more actively participate in voluntary organizations and are more family-oriented. As for Protestantism, because in the Scandinavian countries the proportion is very high (at around 80 percent) and does not vary much, and because regime type, welfare spending, income inequality and GDP are controlled for, the coefficients in Table 6 mainly refer to the effect the proportion of Protestants has in the other European countries. In these countries this proportion is much lower, compared to the Scandinavian countries, but varies rather strongly (from near to nil in Greece to 52 percent in the UK). Table 6 shows that people living in countries with a higher percentage of Protestants are on average more trustworthy, they are politically more engaged, and have more trust in other people. However, fewer of them are members of voluntary organizations, they spend less time with friends, and are less concerned with family. In other words, they are socially less active, but have a stronger civic and political orientation.

#### *Personal characteristics*

Among the various forms of social capital, active participation in voluntary organizations is the one that is most researched. From this research it is known that class variables, such as income and educational level, which reflect people's social resources, are positively related with volunteering (Hodgkinson and Weitzman, 1996; Wilson and Musick, 1998). This also counts for some cultural characteristics, notably for people's religious practice. Volunteering tends to be higher among those who are members of church organizations and who

attend church more frequently (Greeley, 1997; Dekker and De Hart, 2001; Halman, 2003; Smidt, 2003). In addition, analyses of Eurobarometer and World Values Survey data have shown that also interpersonal trust is a form of social capital which is positively related with income and education (Newton, 1999; Delhey and Newton, 2003). In line with these previous findings, Table 6 shows that there is a strong consistency in the effects class-related characteristics have on the various aspects of social capital. People with a higher occupational level have more social capital generally, especially political engagement and passive and active participation, with the exception only of trust in institutions, which is somewhat lower among them. People from higher-income households generally have more social capital, except regarding trustworthiness and 'friends' capital, in which they do not differ from others. Being unemployed, which might also be seen as an indicator of (a lack of) social resources, is related with less social capital of all forms. The only exception is that unemployed people do not differ from others in the degree to which they value family relations. As regards people's religious practice, Table 6 shows consistent findings too. Social capital of all forms is higher among those who attend church more frequently. Less consistent is the effect of religious denomination. There are differences between Protestants, Catholics and people from other religions (Jews, Muslims, Hindus), but differences are specific for the various social-capital scales. A consistency that does exist is that, generally, the social capital of Protestants does not differ from those who say that they do not belong to a religion.

Regarding age, Table 6 shows that older people have more social capital, especially regarding trustworthiness and political engagement, with the exception only of spending time with friends, which they do much less. It is not known, and we cannot say from our cross-sectional data, whether age-effects are the result of differences in generation, cohort or life stage. Regarding volunteering, data from the United States seem to suggest that there are

generation or cohort effects, since volunteering most sharply increases among the older generations (Putnam, 2000). However, in Europe this trend is not evident (Halman, 2003).

The effect of gender clearly varies. Women are more trustworthy than men, and they have more family-based social capital, that is, they find family relations more important and are more concerned about their family. However, women are less politically engaged than men, they trust other people a little bit less, and they participate, actively or passively, less in voluntary organizations than men (see also Dekker and De Hart, 2001). These findings refute claims (e.g. by Lin, 2000) that, generally, women would have less social capital than men, and seem to confirm that women tend to participate more in informal networks, while men participate more in formal networks (Moore, 1990).

Finally, Table 6 shows that being politically left or right is related to various aspects of social capital, such as political engagement, trust in other people, participation and family relations. Left-wing people tend to have more of these forms of social capital than do right-wing people. Strikingly, the relation between people's social capital and democratic attitudes has been given quite some attention (Billiet and Cambree, 1999; Newton, 1999; Halman, 2003), but the relation with political ideology is strongly under-researched. One study shows that, in Minnesota, liberal people appeared to have more social capital, defined in terms of social trust, civic participation, organized social involvement, and informal social interaction, compared to conservative people (Stark, 2003). Our findings are in line with Stark's, in as far as our European-type 'left-right' scale corresponds to an American 'liberal-conservative' scale. Why left-wing or liberal people would have higher levels of social capital is difficult to say for the moment. Stark suggests that liberals organize more in certain groups as trade unions. In our view there might be a more basic explanation, referring to left-wing people possessing more of the attitudes that are closer to a socialist perspec-

tive of other-directedness, mutual responsibility and collectivistic orientation, compared to right-wing people whose attitudes might be closer to conservative thinking about the primacy of individual interests and freedom.

## Discussion and conclusions

A recurrent critique on the welfare state is that it crowds out private obligations, resulting in voluntary, familial, communal and other interpersonal ties tending to weaken, people losing their sense of collective and communal responsibilities and morality, and eventually having less trust in their fellow citizens and in social institutions. In other words, the welfare state crowds out social capital. Although the research literature on social capital is vast and still growing, the empirical evidence on the crowding out hypothesis (i.e. on the relationship between social capital on the one hand and welfare spending and welfare comprehensiveness on the other hand) remains under-explored. Findings are sometimes contradictory, and there is variation in the measurement of social capital. Ideally, exploring and testing the hypothesis would require cross-national, longitudinal data on the various aspects of the multifaceted concept of social capital and on welfare-state development. Regrettably, such data are not available.

In this article we explored the crowding out hypothesis on the basis of data from the European Values Survey wave 1999/2000 for 23 European countries. These regard cross-sectional data, which do not allow us to be conclusive about the causal direction of the relationships between welfare policy and social capital we found. However, compared to the (few) other (mostly cross-sectional) comparative studies on the hypothesis, our study contains more recent data, for a larger number of countries; instead of focusing on a single dimension of social capital, we use an eight-scale measurement model of social capital, in order to capture its three basic dimensions of networks, trust and norms; we explore the

relationship between welfare (regime type, social spending) and social capital at both country and individual level, and we control for confounding factors that may be related to social capital.

After a factor analysis-based empirical validation of our measurement model of social capital, and having found that between European countries the variation in national levels of social capital is relatively small, we explored the crowding out hypothesis.

At the aggregate country level we found no evidence at all in favour of the hypothesis. Between regime types, levels of some forms of social capital do not or only slightly differ. For example, the conclusion of Scheepers et al. (2002) that social contacts of elderly people with family and friends are on average substantially higher in Mediterranean welfare states compared to Scandinavian ones does not hold if looking at not only elderly people but at all the adults of European welfare states, while differences in other forms are in a direction opposite to what the crowding out hypothesis would predict. If anything, our findings at the aggregate level refute the crowding out hypothesis and corroborate Rothstein's claim that various forms of social capital are on the contrary relatively high in universal, Scandinavian welfare states (Rothstein, 2001). In addition, welfare effort, a country's social spending as a percentage of GDP, is either positively related with social-capital scales, or not at all, even when controlled for countries' wealth, income inequality and religious composition.

At the individual level we found that it does matter for people's social capital in which type of welfare state they live and how comprehensive welfare arrangements are. But again, there is no straightforward confirmation of the crowding out hypothesis. The effects of regime type and welfare effort are different for the various social-capital aspects. There is only evidence for a crowding out effect in the case of people's trustworthiness, which tends to be lower in countries that spend more on welfare, as well as in Scandinavian and Continental welfare states, compared to the other types.

Our measure of trustworthiness partly focuses on the degree to which people justify tax and benefit fraud. Apparently, people living in 'heavy' welfare states are morally relatively 'lax' on these issues. With regard to other forms of social capital, there is at best mixed evidence (where welfare regime and welfare effort have opposite effects regarding crowding out processes), but mostly our findings contradict the crowding out hypothesis altogether (where both the influence of regime type and of welfare effort contradict the hypothesis).

As expected in a European context, we found that other country characteristics play a role in people's social capital too. With the exception of trust in institutions, all other types of social capital are higher among people who live in richer countries. This is especially the case with regard to people's active and passive membership of voluntary organizations. One could see this as supporting the theory that volunteering depends on the resources people can avail themselves of (see e.g. Salamon and Sokolowski, 2003). The influence of a country's income inequality and religious composition depend on the form of social capital at issue. The detrimental effect of comprehensive welfare (both regime and effort) on trustworthiness could mean that a possible erosion of norms of civic cooperation is of greater concern than the alleged decline in associational life emphasized by Putnam, or the supposed decrease in social contacts underlined by Costa and Kahn (cf. Knack and Keefer, 1997).

Next to country characteristics, people's social capital depends on their personal traits. Generally, social capital of various forms is class and resource-related, i.e. it is higher among people with higher incomes, with more education, and among those who are not unemployed. Social capital is also culturally determined, i.e. related to value systems, because it tends to be higher among people who attend church more frequently, and who have a more left-wing political ideology. As for gender, there is some evidence in our data that supports the idea that women tend to have more informal types of social capital, com-

pared to men. And finally, older people tend to have more social capital than younger people.

More generally, the explanatory power of our sets of variables, in terms of proportions of variance explained, is not impressive. In this, our findings do not differ from those of others (e.g. Dekker and Halman, 2003). Methodological problems related to survey data may play a role here, but we would also suggest that the determinants of the various forms of social capital, as well as the underlying causal mechanisms, are not well known yet and need further exploration. This, however, was not our main aim. What we have shown is that national and individual levels of social capital do depend on welfare regime type and welfare spending, but mostly in a direction contradictory to what the crowding out hypothesis would suggest. Both features of welfare state-ness have a relatively important effect, when compared to other country characteristics, but their effects differ for the various forms of social capital. In combination with the low inter-correlations between the measurement scales of social capital, this implies that any debate on the relation between welfare policy and social capital has to specify the particular form of social capital it addresses.

Our findings also suggest that detailed study of the hows and whys of the positive influence of welfare policy on at least some aspects of social capital would be a more fruitful future endeavour than trying to prove the crowding out hypothesis to be right. First steps in this direction have already been made; for instance, by Rothstein, where on the basis of Swedish evidence he advances the hypothesis that people's experiences with universal social programmes tend to stimulate their trust in institutions, while personal experiences with selective programmes tend to have opposite effects (Rothstein, 1998; 2003). Our data do support this hypothesis.

In addition, future comparative studies on the relation between welfare and social capital should control for other country characteristics that may have an influence on social capital. As our findings for a selection of European

countries show, likely candidates are a country's state of economic affairs or its wealth, its degree of (income) inequality, and its religious composition.

#### Notes

- 1 Examples of other issues are: whether, as the IMF and Worldbank seem to assume, (traditional) social capital can be an alternative for welfare provision in societies where the state's financial means fall short (Akdogan, 2002; Biezeveld, 2002); whether the 'hollowing out' of the Western welfare state (transfer of responsibilities from state level to local and international bodies) opens up opportunities or forms a threat for social capital (Roberts and Devine, 2003).
- 2 Including: welfare service for elderly, handicapped or deprived people; religious or church organizations; education, arts, music or cultural activities; trade unions; political parties or groups; local community-action on issues like poverty, employment, housing, racial equality; third-world development or human rights; conservation, the environment, ecology, animal rights; professional associations; youth work; sports or recreation; women's groups; peace movement; health; other groups.
- 3 64% of Swedes and 52% of Danes are members of a trade union, compared to 14% on average in Europe. 70% of Swedes claim to be a member of a religious organization, compared to 14% in Europe (data from EVS 1999/2000).
- 4 Standing (1996: 227) characterized the communist welfare state legacies in Central and Eastern Europe as 'serviced heavy, transfer light'. According to Kovacs (2003), services have eroded under the 'muddling through' adaptation policies after the political turn, while transfers are still at a low level.
- 5 There is a  $-.87$  correlation between countries' degrees of Protestantism and Catholicism.
- 6 Because there is a strong correlation between people's active and passive participation in each single type of voluntary association put forward to EVS respondents, the participation items are excluded from the factor analyses. Inclusion proved to lead to a large number of separate factors, each reflecting one specific pair of active and passive organization membership.
- 7 We use the term 'trustworthiness' in the same way it is employed in Knack and Keefer (1997). Their scale of trustworthiness is made up of the same survey items as ours, which measure the degree to which people justify deviant behaviour (such as cheating on taxes, paying bribes and the like). An alternative term for trustworthiness here would be 'civic morality'.

- 8 Additional analyses showed that there is no particular single type of voluntary association that the Dutch, or the Swedes (who are second highest on 'passive participation'), are a member of. The Dutch, and to a lesser extent also the Swedes, have higher membership rates for organizations as diverse as those concerned with welfare, culture, the third world, environment, professional organizations and sports and recreation. These typically high participation rates among the Dutch and Swedish populations are also reported by Dekker et al. (2003). They put them in perspective by pointing out that individuals' participation may differ between countries depending on the presence of organizations of which one could be a member. We do not agree with their suggestion that, therefore, actual participation rates indicating social capital should be corrected for such differences, because the existence of organizations in itself is also indicative of a society's level of social capital.
- 9 This is in accordance with the findings of Wall et al. (2001) for Portugal. They argue that the fact that public policy in the Mediterranean type of welfare regime insists on family responsibilities for caring does not mean that primary social networks in fact fulfil this social protection role.

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