

Leaders and Losers:

A Comparative Study of Social Capital and Sustainability Trends in Bulgaria and Sweden

Introduction:

The issue of sustainable development is the defining issue of our times. Multiple estimates from international organizations predict that the world population will reach 10 billion by mid century, while the resources of the earth will remain the same, or decline significantly. These worrying trends raise all sorts of questions of sustainability.

None of these questions is more salient than how do we shift successfully to a completely sustainable lifestyle, both on the individual and national levels. How do one country and one population become sustainable? Can we speed up the process? Why do some countries seem to fare better than others? What is different? How can we ensure sustainability flourishes everywhere?

This paper is a comparative study between two countries, both members of the European Union, with similar demographics, but very different geographical features. It will aim to answer some of these questions through what can be gleaned from the comparison of Sweden and Bulgaria. It will also argue that there is a strong link between social capital and sustainability and that ultimately sustainability relies on a sturdy foundation of positive social capital developments. Another goal of this paper is to endeavor to explain the pronounced differences in sustainable development by looking at the social capital of Bulgaria and Sweden.

Sweden is considered one of the leaders, both within the EU and the world, in sustainable development practices espousing long-term systems thinking in every policy

decision. Furthermore, its population has a very high standard of living without sacrificing sustainable development goals. Simultaneously, Sweden consistently scores in the top 10 of the Human Development Index and the Happy Planet Index.

In stark contrast, Bulgaria has a very poor environmental track record and consistently places in the lowest ranks of both economic development and sustainability. It is also one of the lowest ranked countries in the EU based on the HDI and the lowest based on the HPI.

Arguments have been made that social capital is directly correlated to economic development, through such diverse measures as tendency for cooperation, lowered transaction costs, firm size, and efficiency (Fukuyama 1996, Putnam 1993), to sustainability, through innovation (Danchev 2005), and to civil society, through voluntary membership organizations (Fukuyama 1996, Newton 2001)

Social capital can be linked directly to economic performance at very different levels –at the level of nation states (Fukuyama 1996), at the regional level (Maskell et al. 1998) or between and within communities or organizations (Grootaert 1999).

Social capital is also related to the effectiveness of formal institutions in facilitating collective action (Jankauskas and Seputiene 2007) and civil society through collective action (World Bank on Social Capital).

Hypothesis:

This paper will examine the levels of social capital, innovation and organization, and collate them with geography, environmental and economic indicators and

sustainability indicators in an effort to explain the wide discrepancy between their relative performances in sustainable development.

The operating assumption of this analysis is that lower levels of social capital in Bulgaria correspond to a decreased impetus for organization and consequently result in lower organization at all levels, decreased innovation and economic efficiency, all of which translate into waste and the observed failure to cope with sustainable development challenges.

On the other hand, the exact opposite state of affairs is assumed to be operational in Sweden. Namely, high social capital corresponds to an increased impetus for organization and results in increased innovation and economic efficiency, low waste and high sustainability.

Furthermore, there is an underlying assumption that Social Capital is the result of a feedback loop that self-actuates based on the prevalent sociocultural characteristic of society.

Methodology:

The author is in the process of examining subjective responses from representative population samples. However, as of time of writing only rudimentary data was available without statistical significance. Therefore, the authors will examine proxy measures such as the European and World Values Studies, the World Bank's Development Indicators, in addition to the UN's Human Development Index and the Happy Planet Index to examine social capital.

In order to aid understanding, the data collected from the various sources have been collated with data from the EU 27 and the OECD where available.*

It is the hope of the authors that when complete results from the sociological studies conducted become available, that data will be used to augment and enhance the findings of this paper.

Results and Analysis:

The relationship between social capital and sustainable development is very intricate and complex. It is hard to pinpoint exactly how social capital transforms into sustainable development successes, however we can see that high social capital correlates strongly with high economic development and productivity.

Before we delve into the trends and patterns made visible by the data, we should provide some background information on Bulgaria and Sweden to make the case for the comparison and enhance understanding of the data farther below.

General Theoretical Background on Bulgaria, Sweden and Social Capital:

Diamond's *Guns, Germs and Steel* and Fukuyama's *Trust* both posit novel arguments on an age old question – why are some people poor (economically challenged), while others rich (economically developed). Diamond's work focuses on the external factors that limit societal development such as geography and availability of resources, especially the potential for agriculture and settled living. Fukuyama, on the other hand focuses on the cultural factors, especially non-familial trust, that shape

economic transactions between people. The two arguments are complementary and together provide much theoretical grounding to observable phenomena.

What is more, together, the two arguments illuminate seeming contradictions. For example, the situation in the Nordic Countries, where societies have extremely limited resources,¹ but have nevertheless managed to create economically and socially prosperous societies with some of the highest Human Development Index numbers in Europe. These societies benefit from common historical and linguistic ties that create very participatory societies. In fact, the Nordic Council, a union of sorts between various Nordic countries, predates the EU, and was in fact the first customs union on the continent in modern times.

Sweden, a prominent member of the EU and the Nordic Council, has a harsh environment with scarce resource availability that has traditionally limited its population. Despite its rather large size, it contains only about 9 million people. Even under these circumstances, Sweden has recorded a tremendous social and economic progress over the last 50 years, tripling its inflation adjusted Gross Domestic Income.²

Almost exactly opposite the continent and almost exactly opposite Sweden's progress lies Bulgaria. Smaller than Sweden, but with better climate, longer growing season, much more fertile land, relatively high mineral and other resources and a population of 7 million, Bulgaria boasts none of the progress achieved by Sweden. Since the beginning of the 20th century the country has been embroiled in various conflicts

¹ Refer to the data in Appendix A, especially Figures 3, 4, 5, 7, 8, 10, 13 and 17. Also, country profiles by the CIA located at <<https://www.cia.gov/library/publications/the-world-factbook/geos/bu.html>> and <<https://www.cia.gov/library/publications/the-world-factbook/geos/sw.html>>

² World Development Indicators. World Bank Group.

with neighbors and within the context of the world wars. It's cooperation with the USSR was model on the state level, but on the individual level an ever more pronounced cognitive dissonance between what was reported officially and what was observed on a daily basis made for a society increasingly disillusioned with the country and other people. The proliferation of distrust over the last 20 years of the communist regime and the further erosion of trust after reforms have created one of the only societies in Europe where the trust in other individuals and institutions has been steadily decreasing.³ For the last 30 years, for which data is available, economic growth has been stagnant and the inflation adjusted GDI has stayed stable at the same level.⁴

Both countries now members of the European Union and ostensibly under the same directives and incentives continue the paths etched in their past. Certainly, Diamond's geographical argument does not hold sway in this particular comparison. However, Fukuyama's argument founded on trust holds much purchase and seems very persuasive in explaining the fortunes of both countries.

These trends are much more readily explained by the recent work of Acemoglu and Robinson *Why Nations Fail*. In it they argue that there is something called institutional drift that arises out of sheer circumstance and chance and provides strong systematic inertia for the circumstances to prevail. For countries with what they term extractive institutions, this drift has created nothing but economic and social misery and led to significant collapse. This type of institutions take away from the vast majority both economic and political opportunities and rewards and concentrate them into the

³ Glenny, Misha, narr. *Misha Glenny investigates global crime n.* TED, 2009. Web.
<http://www.ted.com/talks/misha_glenny_investigates_global_crime_networks.html>.

⁴ World Development Indicators. World Bank Group.

hands of a small elite. However, the opposite is true for inclusive institutions, which also operate on the same principles but in the opposite direction. They distribute economic and political opportunities and rewards widely and create welfare and social stability. When the concept of institutional drift is taken into account, it illuminates the circumstances of Sweden and Bulgaria in a new light. It appears that strong inclusive institutions are present in Sweden that allow it to transcend its limited geographical circumstances and continue to register strong gains in social capital, economic growth and the various human development indices. In contrast, the situation in Bulgaria appears to show that at least some type of extractive institution is at play.

In *Trust*, Fukuyama's argument comes as a guideline to answer some of the open questions of his earlier work. While history has not come to an end, his argument is rather that historicism and its constituent philosophies no longer can or do hold purchase over successful societies. He rejects the Hegelian tradition culminating in Marxist and Nietzschean thought as founded on distrust and observes that given the strong impetus for trust that accompanies economic and social progress, the future belongs to trust-building philosophies that will strengthen societies and thus proliferate.

Societies with strong familial ties, argues Fukuyama, usually have low-trust societies where individuals outside the family cores are seen with suspicion and distrust. This creates high transaction costs for the conduct of economic activity between strangers and impedes efficiency and impetus for organization into larger and more efficient economic units. Socially, this impacts the development of civil society by creating societies that do not favor participation and association. In contrast, high-trust

societies exhibit high trust in individuals outside the family and can organize into very efficient and large economic units, as well as into civil society groups, and thus proliferate common interests and benefit society. Fukuyama examines several types of societies that provide models for trust, from highly homogenous societies to highly heterogenous societies that all exhibit a different blend and degree of trust.

Highly heterogenous societies like the US that benefit from high trust have unique sociocultural profiles that allow very different people to associate with and trust each other, to their great mutual benefit. On the other hand, highly homogenous societies like Japan also benefit from non-familial trust because of characteristics unique to their culture. France and Korea, as well as China and Italy, provide the opposite example of highly heterogenous versus highly homogenous societies that have low trust that is again, according to Fukuyama, owed to their particular cultural values.

This line of reasoning can be applied to Sweden and Bulgaria to illuminate the wide disparity between their economic and social standings. Sweden can be classified as a somewhat homogenous high trust society, since its main ethnic groups are Scandinavian (81% Swedes, 5% Finns) where strong communal ties exist between nations, and a fraction (13%) of foreign ethnic diversity. Bulgaria is somewhat similar since roughly the same percentage of ethnic Bulgarians live in Bulgaria (84.8%) as ethnic Swedes in Sweden, but the other ethnic groups are comprised of ethnically diverse groups with traditional residence in Bulgaria (8.8% Turks, 4.9% Roma and 1.5% others), but relatively low integration and acceptance between them and the prevalent

population. This creates strong tensions as evidenced by the recent surge in political support of ultra-nationalist parties.

The ethnic make up of both countries exemplify to some extent the pluralist movements that gripped Europe in the latter half of the 20th century as put forth by Parekh in *Rethinking Multiculturalism*. Parekh's point on the tensions between liberal and non-liberal traditions is particularly salient in Sweden's case, while Bulgaria's ethnically diverse population was begotten through the centuries of foreign occupation by the Ottoman Empire, rather than targeted migration, as was the case with Sweden.

These cultural makeup differences account for part of the huge gap between social capital observed in the two countries. Absent the unique cultural characteristics that allow association as posited by Fukuyama, and with historical and traditional tensions amplified by grievous social policies in the last 40 years, Bulgaria is faced with a very low-trust society where distrust is rampant.

This complex mix of little political will for comprehensive social policy reforms, half-hearted efforts to deal with organized crime, ethnic tensions and widespread desperation with the situation among the populace create a self-perpetuating feedback loop that contributes to the observed decline in social capital.⁵ As the literature suggests and is immediately apparent by the indicators presented below, low-social capital frequently coincides with and is related to economic and social degradation.

Sweden, in stark contrast, benefits from progressive and comprehensive social policies, enjoys high trust among its population even in the face of targeted ethnically

⁵ "The reports on progress in Bulgaria and Romania." *European Commission Mechanism for Cooperation and Verification for Bulgaria and Romania*. European Union, n.d. Web. 25 July 2011.
<http://ec.europa.eu/dgs/secretariat_general/cvm/progress_reports_en.htm>.

diverse immigration, and has strong political will for necessary reforms. Not surprisingly, its economic and social programs have been met with success.

Indicators:

The Happy Planet Index (HPI) is a composite measure of the “ecological efficiency with which human well-being is delivered around the world.”⁶ It basically measures the efficiency with which consuming natural resources (actually energy in the form of CO₂) are transformed into “long and happy lives.” In real terms, indicators such as life expectancy, health, satisfaction and CO₂ consumption per capita are figured into a complex equation that results in the index measure. A higher HPI means consuming relatively little energy and producing relatively high life expectancy and satisfaction. In contrast, a low HPI means much energy consumption and little in the way of life expectancy and satisfaction. The global HPI results show that high consumption does not reliably lead to higher life expectancy and satisfaction. As such, it is an informative measure about sustainable development as it underscores the argument for sustainability.

Sweden has an HPI of 63.3, the highest in continental Europe, while Bulgaria has a score of 29.7, the lowest in all of Europe.⁷ Since this is fundamentally a measure of efficiency, it can be tied to social capital as high social capital translates into higher efficiency. Furthermore, the HPI is a measure of sustainability, since it indirectly

⁶ "About the Happy Planet Index." *The Happy Planet Index*. New Economics Foundation, n.d. Web. 9 May 2011. <<http://www.happyplanetindex.org/learn/index.html>>.

⁷ "European HPI." *The Happy Planet Index*. New Economics Foundation, n.d. Web. 9 May 2011. <<http://www.happyplanetindex.org/explore/europe.html>>.

* Both Bulgaria and Sweden are members of the EU 27 and the OECD.

indicates a society produces healthier, “happier” people with longer lifespans. This means that social sustainability is higher in countries with higher HPI scores.

This measure is particularly well suited to act as a proxy for social capital, since it is generally well accepted in the literature that social capital is a complex phenomenon that is comprised of many components. Composite indices like the HPI have the best chance at detecting social capital.

Another useful source of information on sustainable development success in the EU is a comprehensive database on sustainable development policies maintained by the European supranational statistical authority – EUROSTAT. The sustainable development database has myriad indicators that allow us to make judgments on the sustainability trends in Sweden and Bulgaria.

One of the measures worth looking at is the dispersion of regional GDP per inhabitant, which is a complex measure of inequality that looks at the distance between mean GDP and regional GDP per inhabitant expressed as a percentage of GDP. A greater number on this scale indicates greater inequality. The data available for Sweden and Bulgaria spans between 1995 and 2007 and shows a very wide discrepancy between the two. Sweden has maintained a more or less constant value at 15% +/-3%, with latest figures showing a slight decline at 14.4%. In stark contrast, Bulgaria has had a steep climb from 17.5% in 1995 to 41.9% in 2007, with a median figure of 30% +/-15%. European Union data for the current 27 countries is available from 1999 and the trend has been a gradual decline from a high of 35.4% in 1999 to 32.7% in 2007. This indicates that while Sweden has been a leader in equality, and the EU has been making gradual

improvements as a block, Bulgaria has been failing in social sustainability by making gross increases in inequality. This is further corroborated by the GINI coefficients of both countries – 23.0 for Sweden in 2005 and 33.5 for Bulgaria in 2008.⁸

Another tool for measuring social sustainability is the measure of social capital expressed as trust in fellow members of the community and in the various political and social institutions. While data for these measures is hard to come by and the World Bank has only recently finalized its comprehensive measuring mechanisms, the European Values Survey has been doing some rudimentary research on trust for the last 20 years, but with selective coverage and some changes in method.

The data from the last three iterations of the EVS has measured the trust in fellow members of society by means of asking respondents to evaluate their feelings about other people with one of two responses: “most people can be trusted” and “can’t be too careful about other people.”⁹ Between 1990 and 1999, Sweden and Bulgaria were both polled three times and the results have been fairly consistent. Sweden had a majority of respondents answering the question positively with 66.1% in 1990, 59.7% in 1996 and 66.3% in 1999. In contrast, Bulgaria had only a minority respond positively with 30.4% in 1990, 28.6% in 1997, and 26.9% in 1999. What is immediately apparent is the steady downward trend in individual trust for Bulgaria. Furthermore, it is worth noting that in 1997, when the second iteration was conducted, Bulgaria was experiencing hyperinflation. Even so, the individual trust continued to decline 2 years later, when the economy had recovered and was experiencing growth.

⁸ CIA. World Factbook.

⁹ European Values Survey. Leibniz Institute.

The decline for Bulgaria continued to decline in the latest iteration of the EVS, for which data is not yet widely available, conducted in 2008. According to Georgi Fotev, chief statistician involved in the survey in Bulgaria, “over the last decade, there is an observed further deepening of the crisis of interpersonal and social trust.”¹⁰ He goes on to note that “the marked tendency threatens the normal functioning of the institutions and the society as a whole.” He likens the situation as a tear in the social fabric of the Bulgarian society. He concludes his remarks on individual trust by saying that “the absence of trust is an indicator for a crisis in the development of democratic processes in a given society.”

The situation in Sweden, on the other hand, continues to consistently reflect a strong individual trust in the society. In fact, some studies have shown a significant correlation between high social capital, civic engagement and health benefits in the Swedish population, concluding that Swedish citizens benefit medically from their high social capital in addition to all traditionally established ways.^{11,12}

The EVS also probes institutional trust by asking a series of questions on the trust individuals exhibit in various institutions such as the government, parties or the police. High trust in institutions reflects a sense of security and comfort with a given government and its activities. It is also related to economic efficiency and social progress.

¹⁰ Fotev, Georgi. “European Values Survey 4th wave: Building of Citizen Self-awareness for our European Responsibility.” *Bulgarian Sociological Association*. 2008. (Translated from original Bulgarian: През последното десетилетие у нас се наблюдава по-нататъшно задълбочаване на кризата на междуличностното и социално доверие. Очерталата се тенденция застрашава нормалното функциониране на институциите и на обществото ни като цяло. Образно казано, социалната тъкан на нашето общество е разкъсана. Липсата на доверие е показател за криза в развитието на демократичните процеси в дадено общество.)

¹¹ Islam, M. Kamrul. "Social capital externalities and mortality in Sweden." *Economics and Human Biology* 6.1 Mar. (2008): 19-42. Print.

¹² Mohseni, Mohabbat, and Martin Lindström. "Social capital, political trust and self-rated-health: A population-based study in southern Sweden." *Scandinavian Journal of Public Health* 36.1 Jan. (2008): 28-34. Print.

In a seminal study on European social capital, Van Oorschot et al. cite European social capital data for the EU27. Sweden's scores on various trust metrics are consistently high, while Bulgaria's are low. For institutional trust, Sweden scores 15.9 on a scale of 6 to 24, while Bulgaria records a mere 12.8, with a range of data points between 12.1 and 16.7. The situation is the same for generalized trust, where Sweden scores 1.7 and Bulgaria 1.3 on a scale of between 1 and 2 and a data range of 1.1 through 1.7. For complex measures of association based on participation Sweden consistently ranks in the top 3 spots, while Bulgaria is consistently in the bottom 5.

Conclusion:

The overwhelming evidence shows a clear disruption in social capital in Bulgaria and an ever-strengthening social capital in Sweden. This discrepancy has been observed for the past 20 years and coincides with the Sweden's ascendancy economically, socially and in terms of sustainable development. Similarly, the dismal social capital in Bulgaria has coincided with a remarkable decline in almost all aspects. These trends further cement in importance of social trust in social and economic sustainability.

Based on these findings it will be wise for the European Union to exert greater pressure on Bulgaria and other transitioning countries to dedicate the necessary resources to curb the current free fall of social capital and initiate policies to engineer a resurgence of trust in society. These measures will be critical to the economic and social progress necessary for transitioning countries, and Bulgaria in particular, in order to improve the cohesiveness of the European Union by helping lagging members catch up to levels of social capital and social and economic progress of the union's leaders.

Appendix A: Data Charts

All data in the following charts has been sourced from the World Bank's World Development Indicators repository.

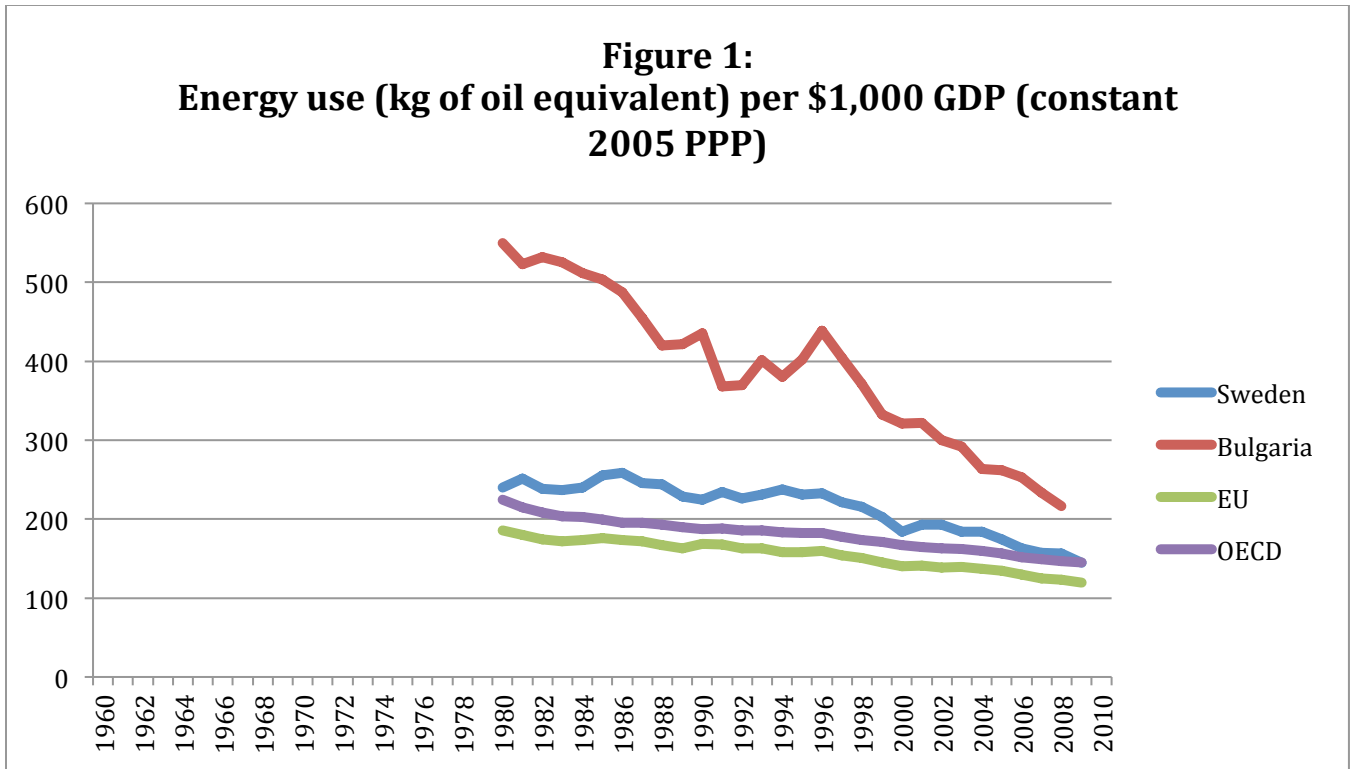


Figure 2:
Energy use (kg of oil equivalent per capita)

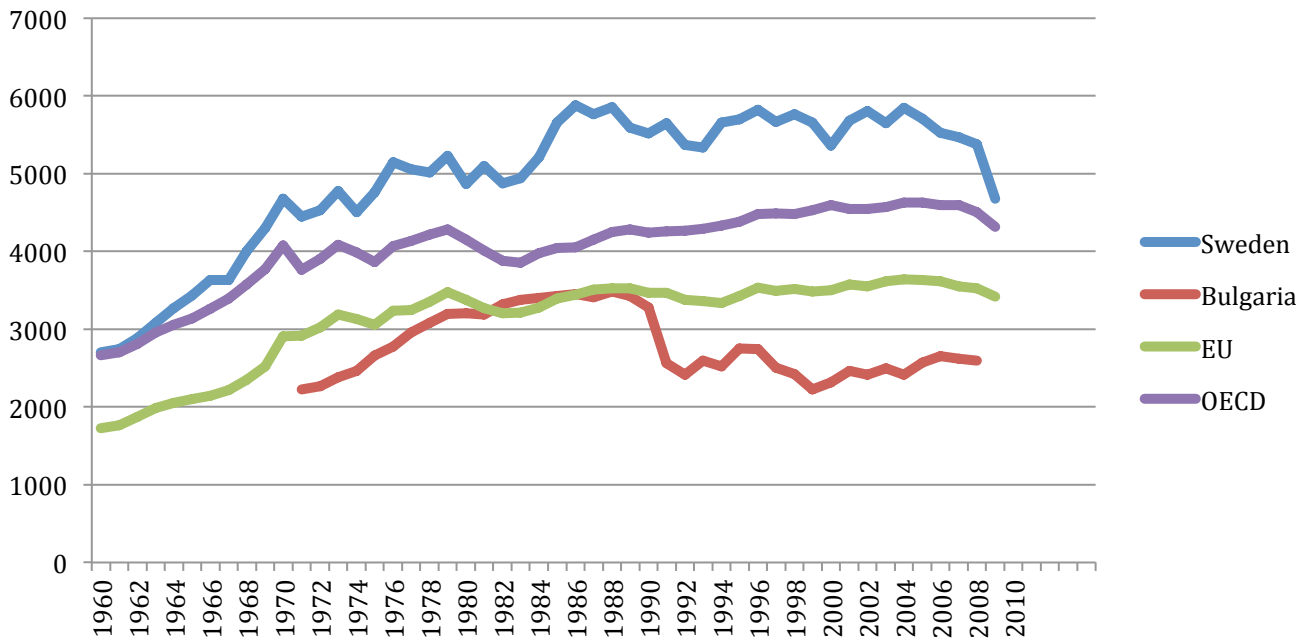


Figure 3:
Fossil fuel energy consumption (% of total)

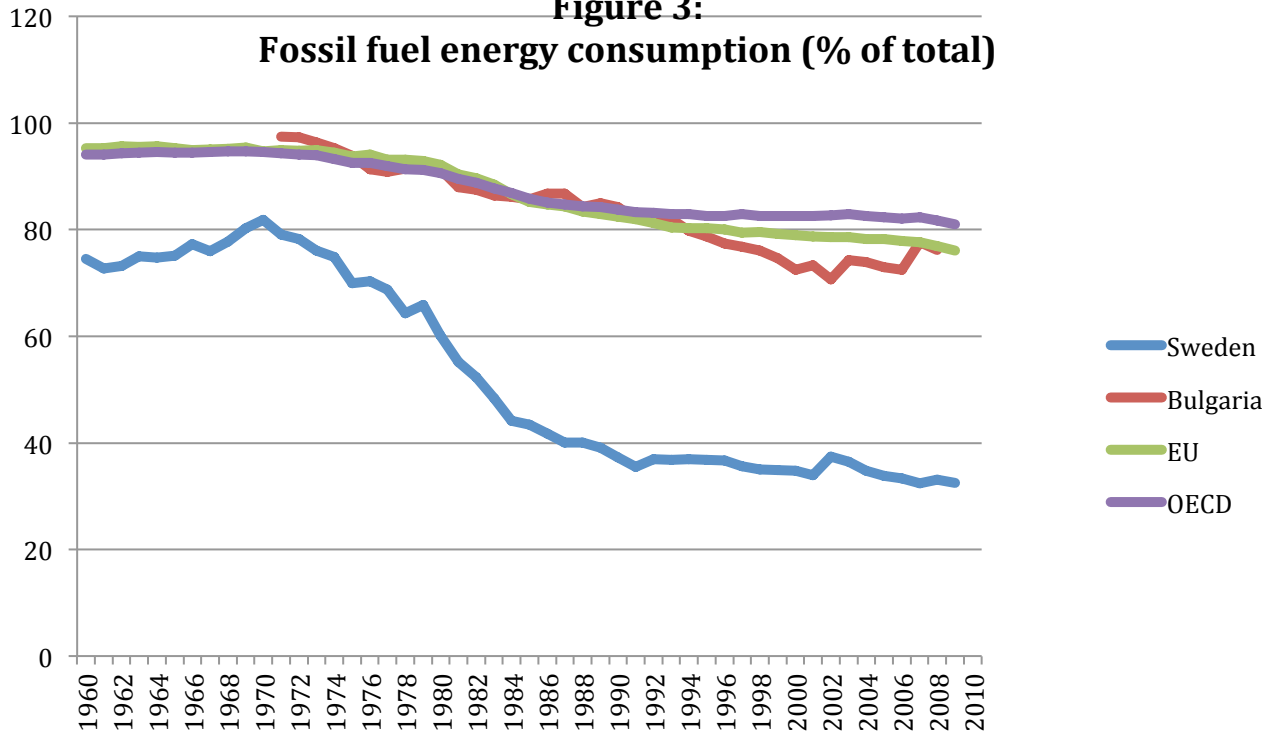


Figure 4:
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)

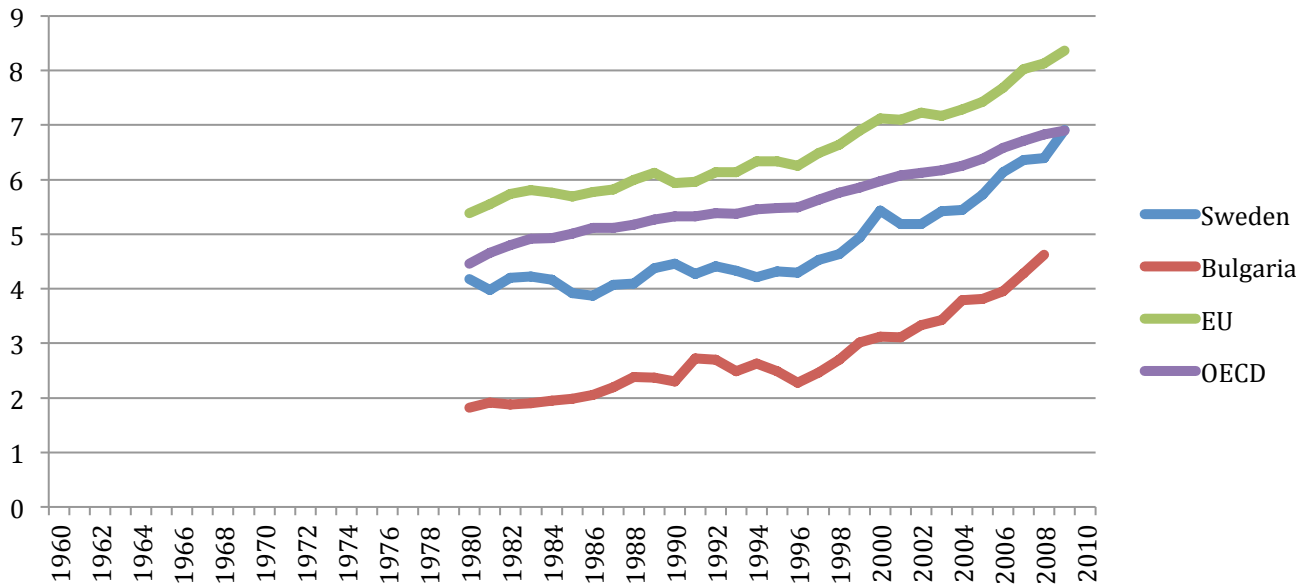


Figure 5:
GDP per unit of energy use (PPP \$ per kg of oil equivalent)

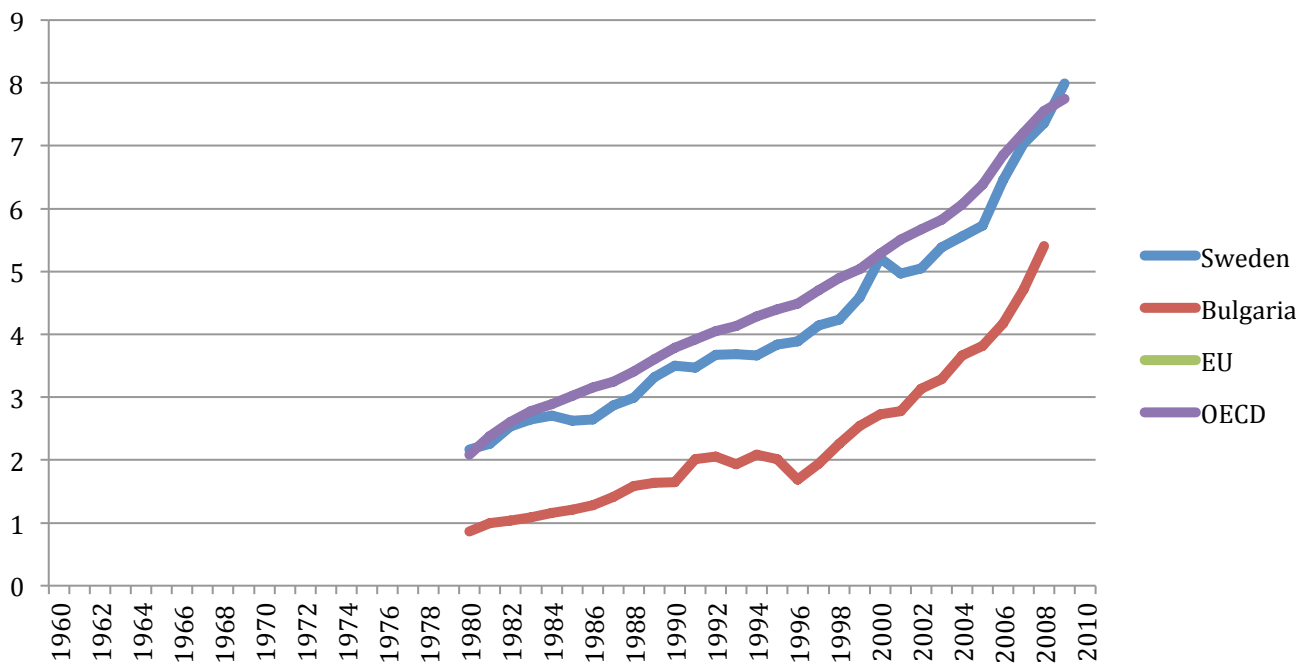


Figure 6:
Alternative and nuclear energy (% of total energy use)

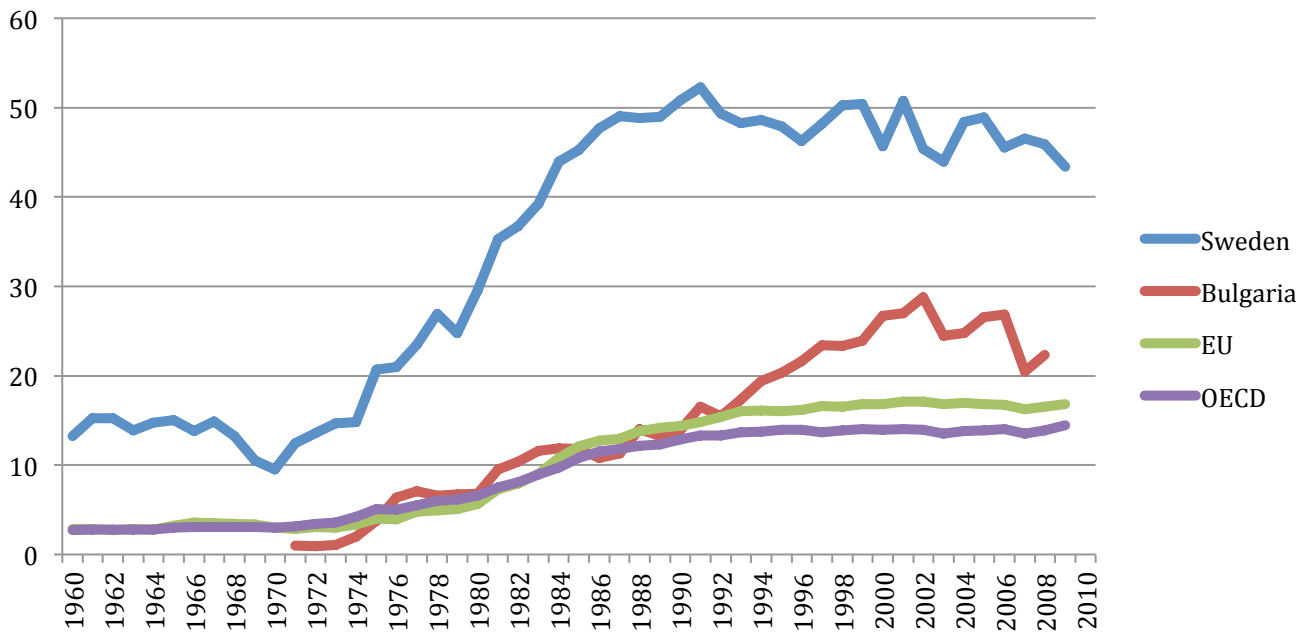


Figure 7:
CO2 emissions (kg per 2000 US\$ of GDP)

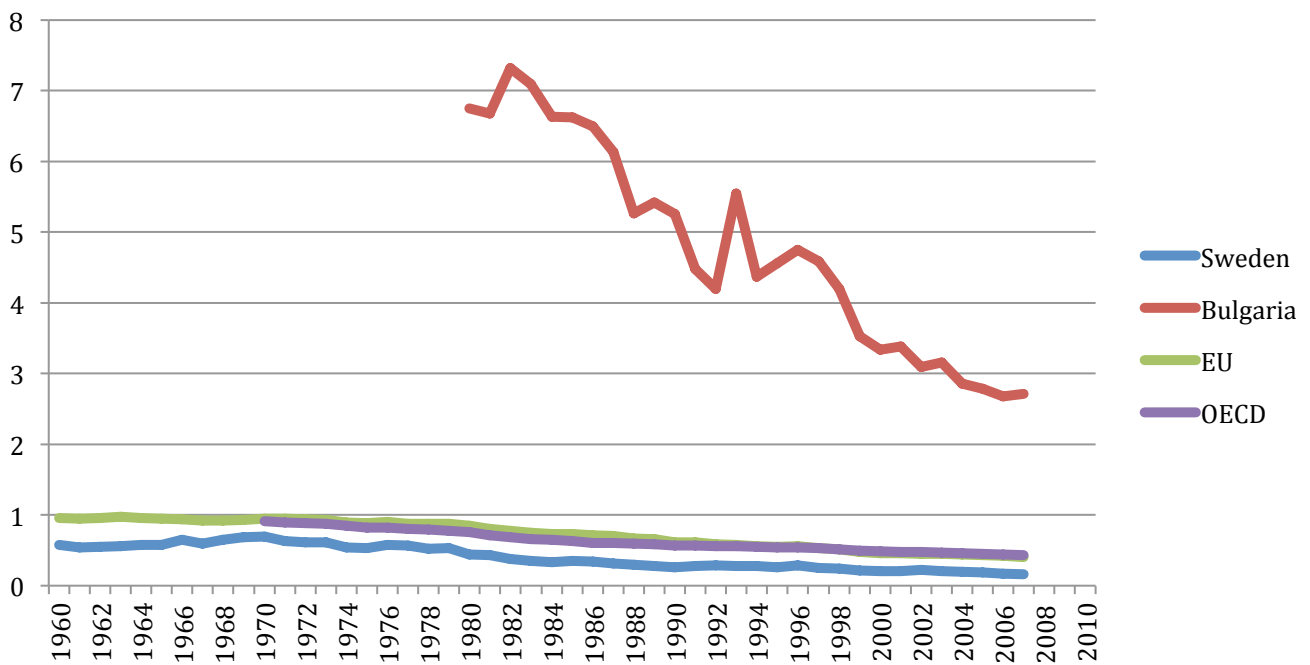


Figure 8:
CO2 emissions (kg per 2005 PPP \$ of GDP)

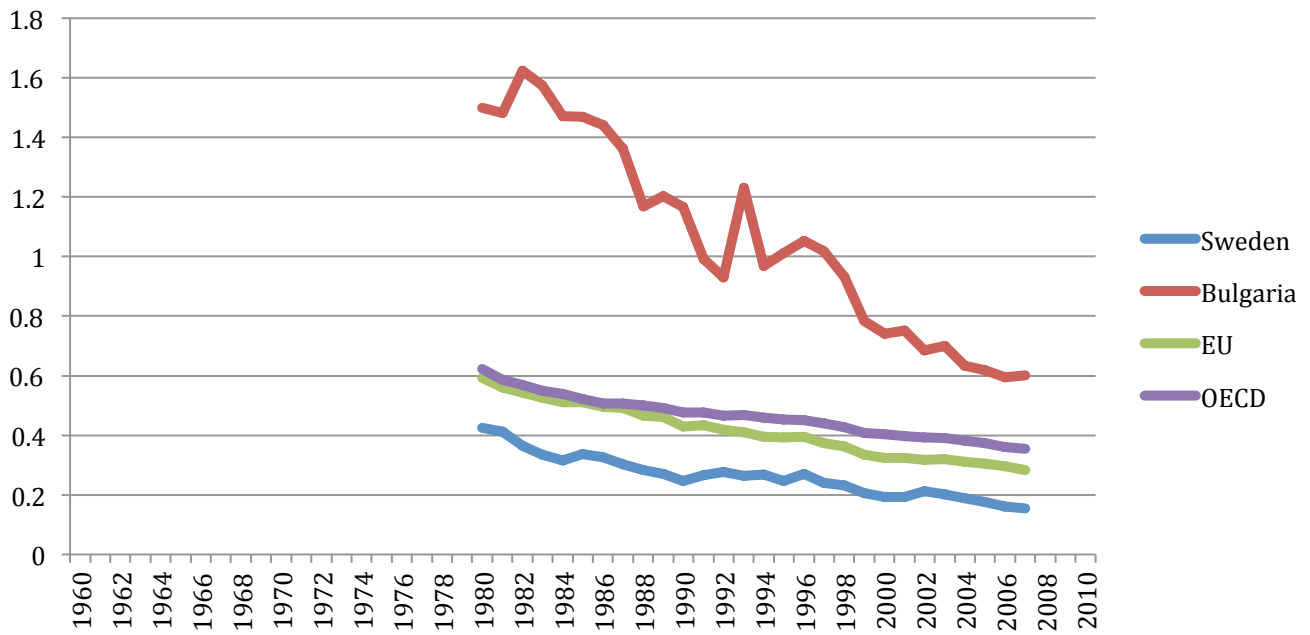


Figure 9:
CO2 emissions (metric tons per capita)

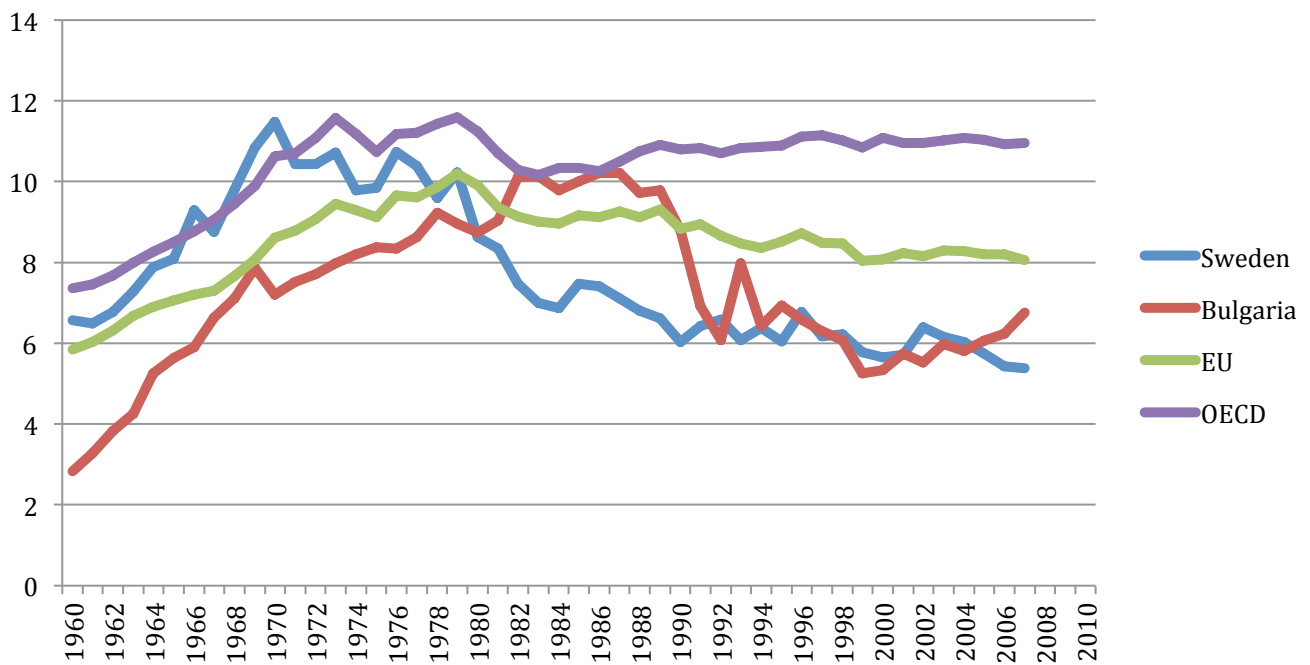


Figure 10:
Combustible renewables and waste (% of total energy)

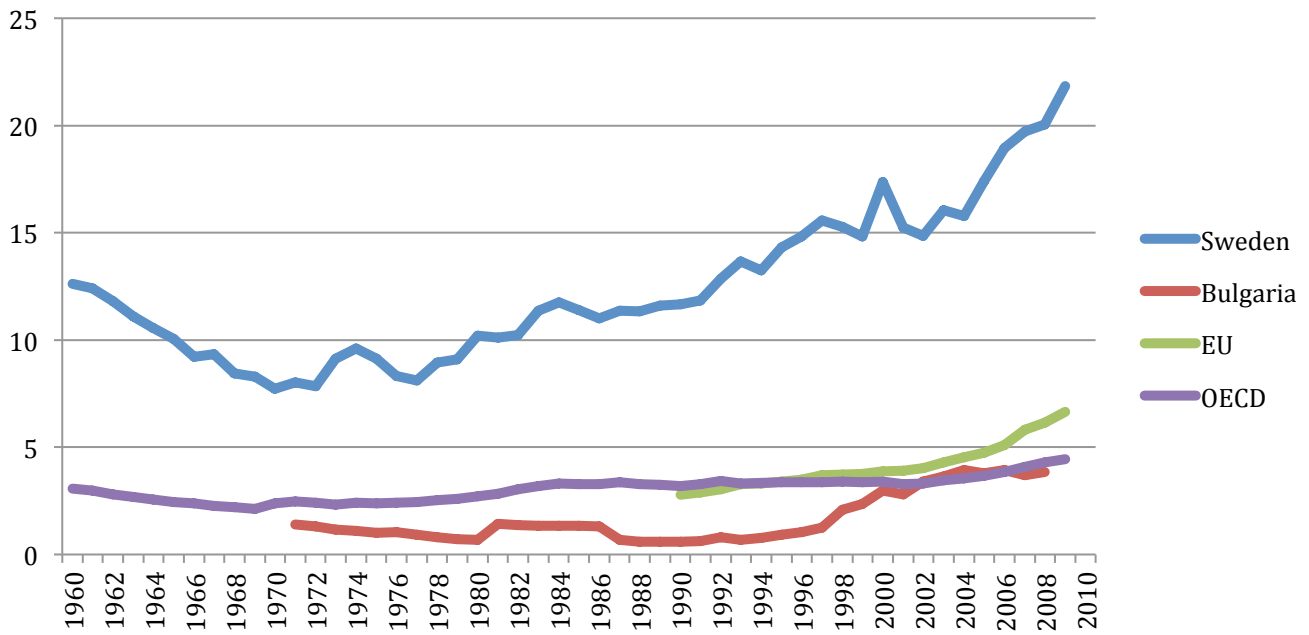


Figure 11:
Electric power consumption (kWh per capita)

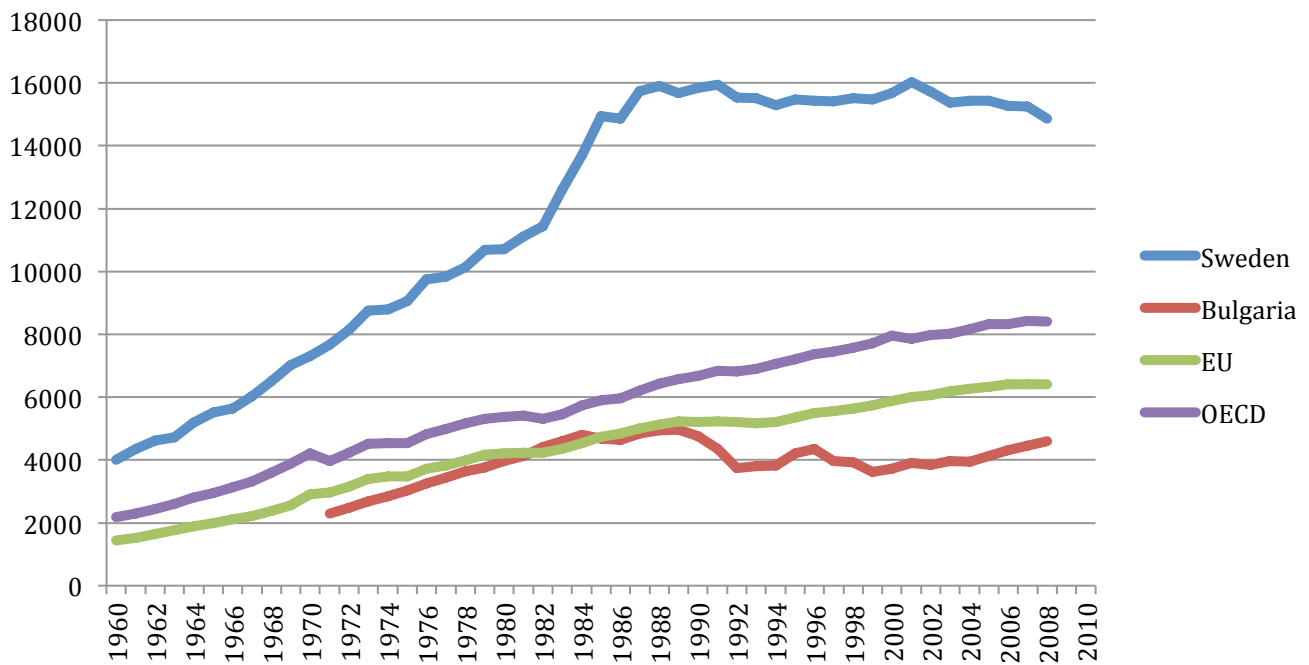


Figure 12:
Electricity production from hydroelectric sources (% of total)

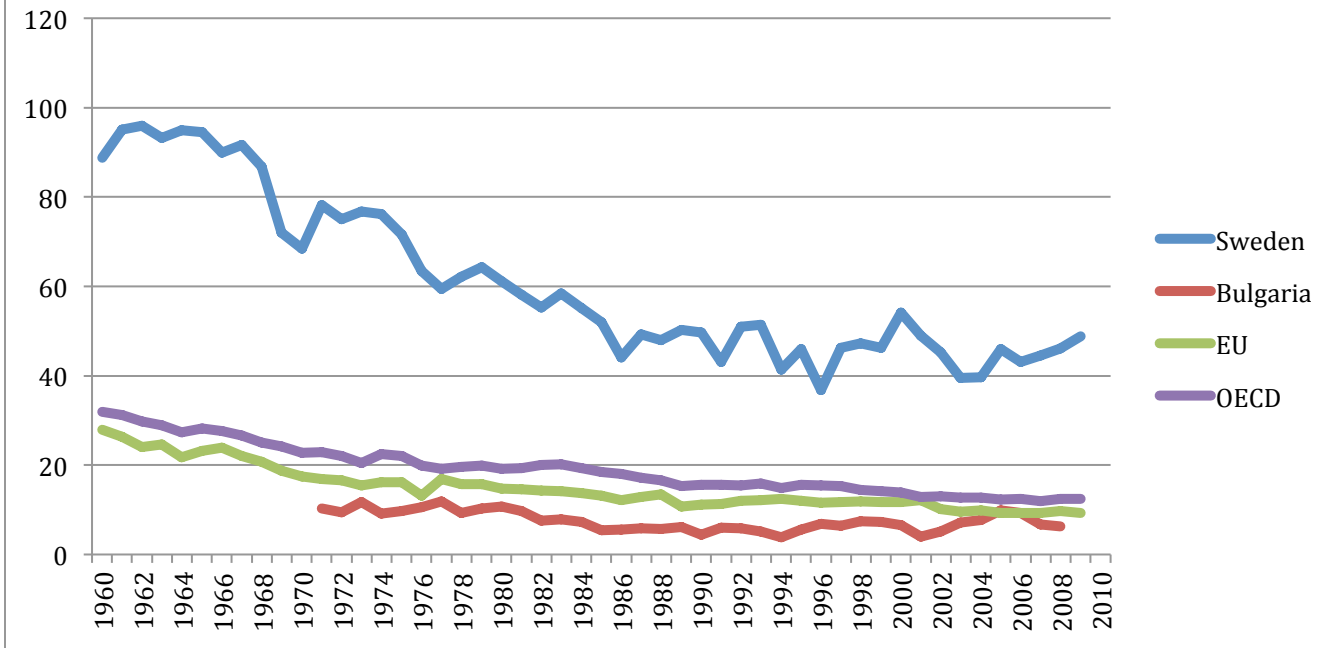


Figure 13:
Electricity production from natural gas sources (% of total)

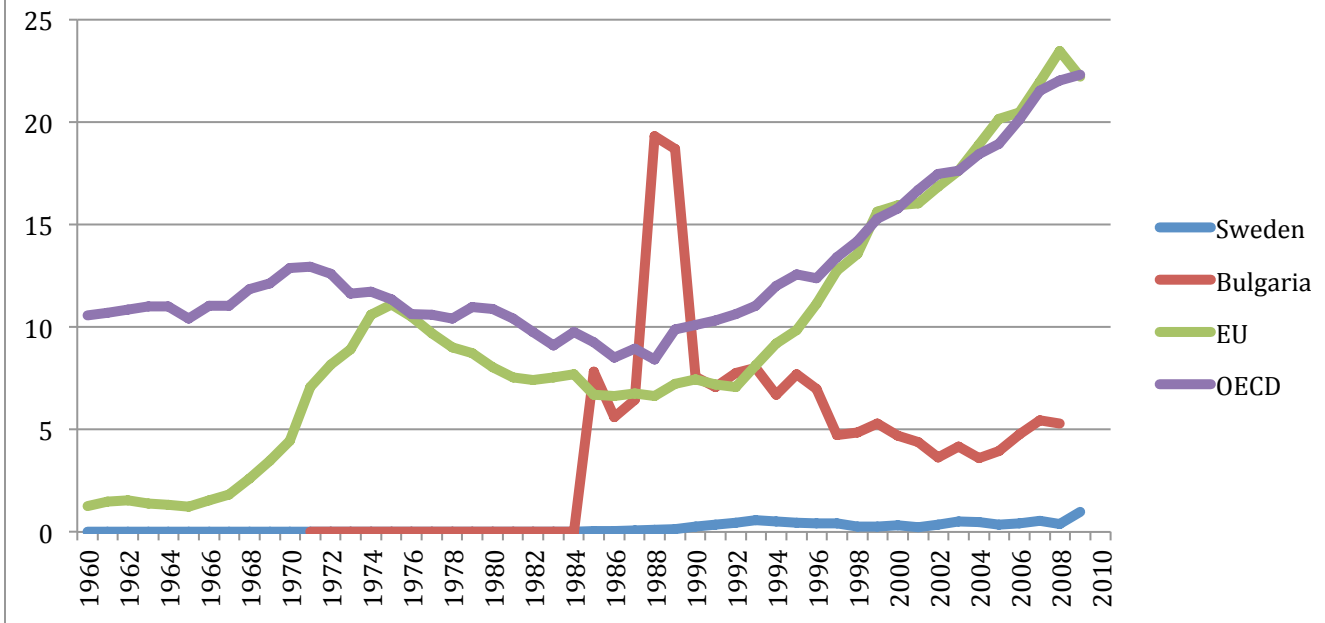


Figure 14:
Electricity production from nuclear sources (% of total)

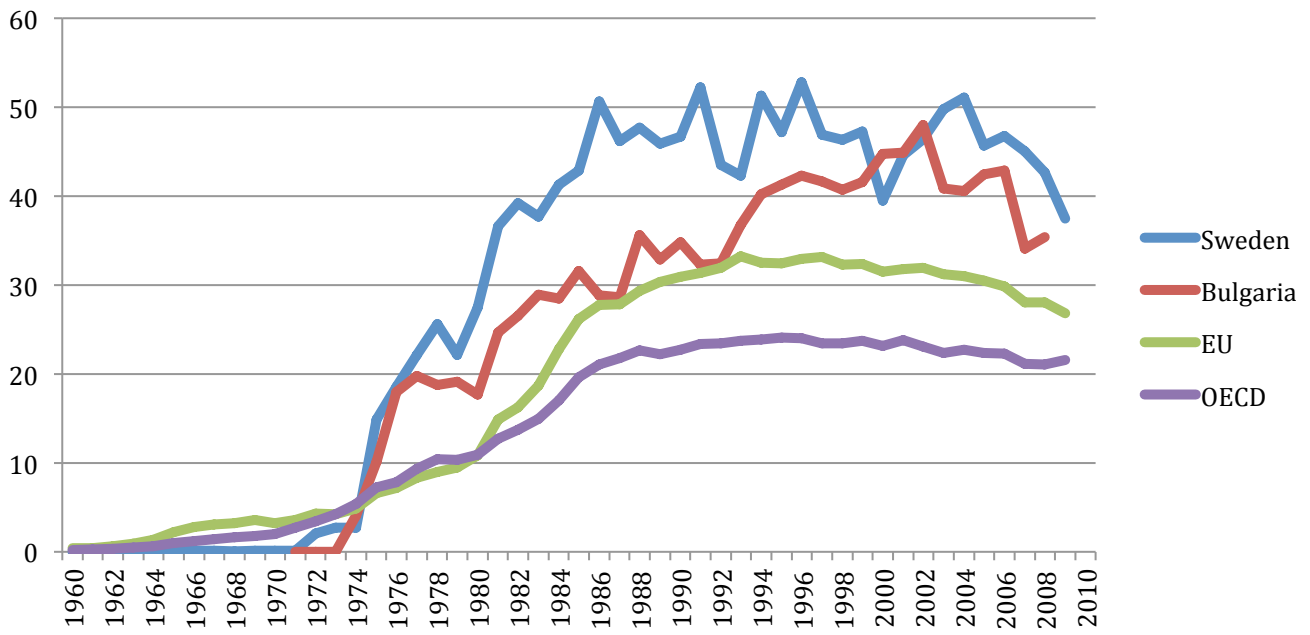


Figure 15:
Electricity production from oil sources (% of total)

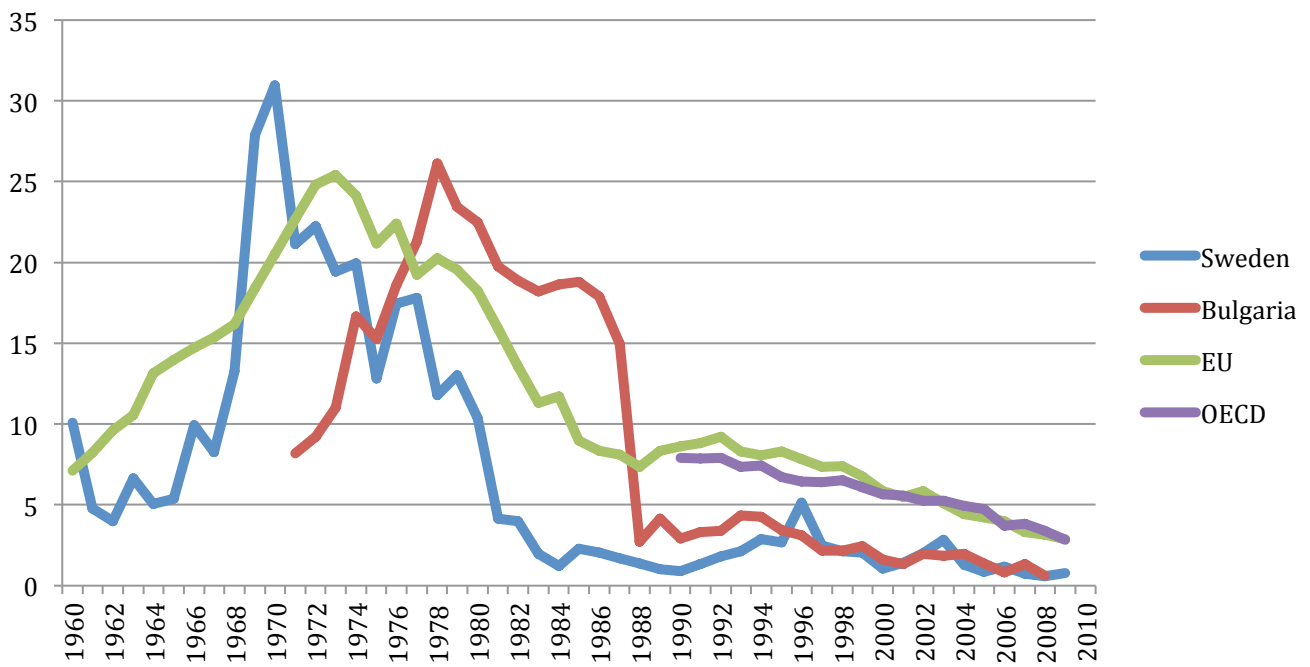


Figure 16:
Energy imports, net (% of energy use)

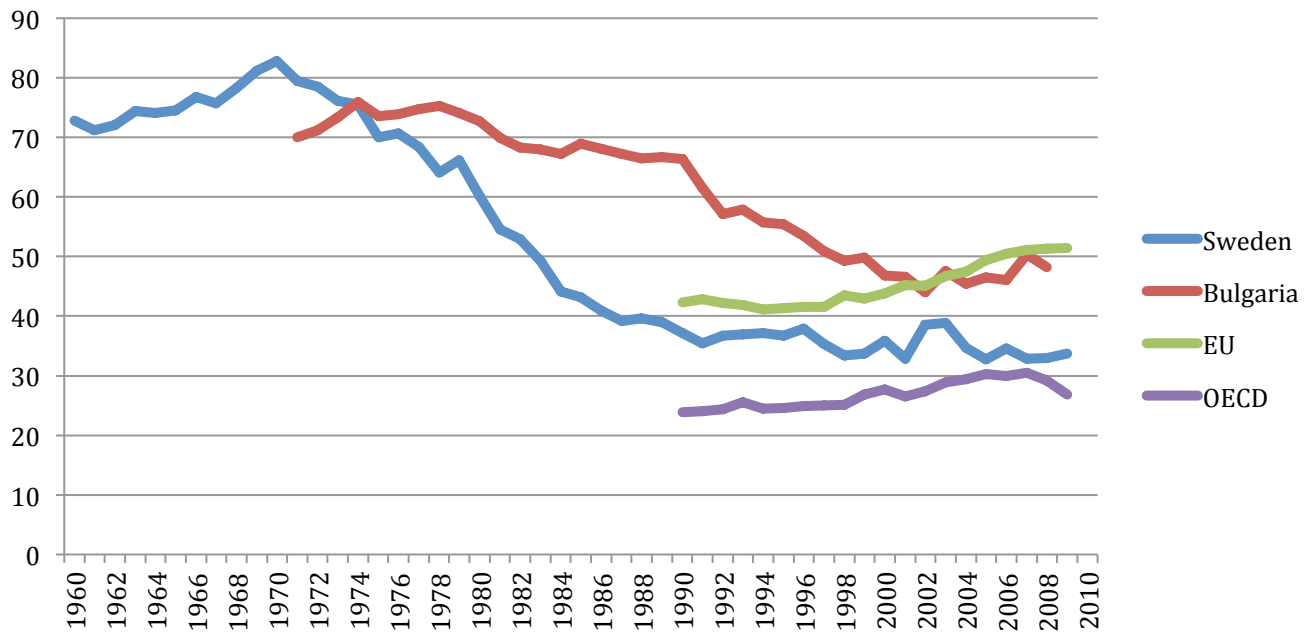
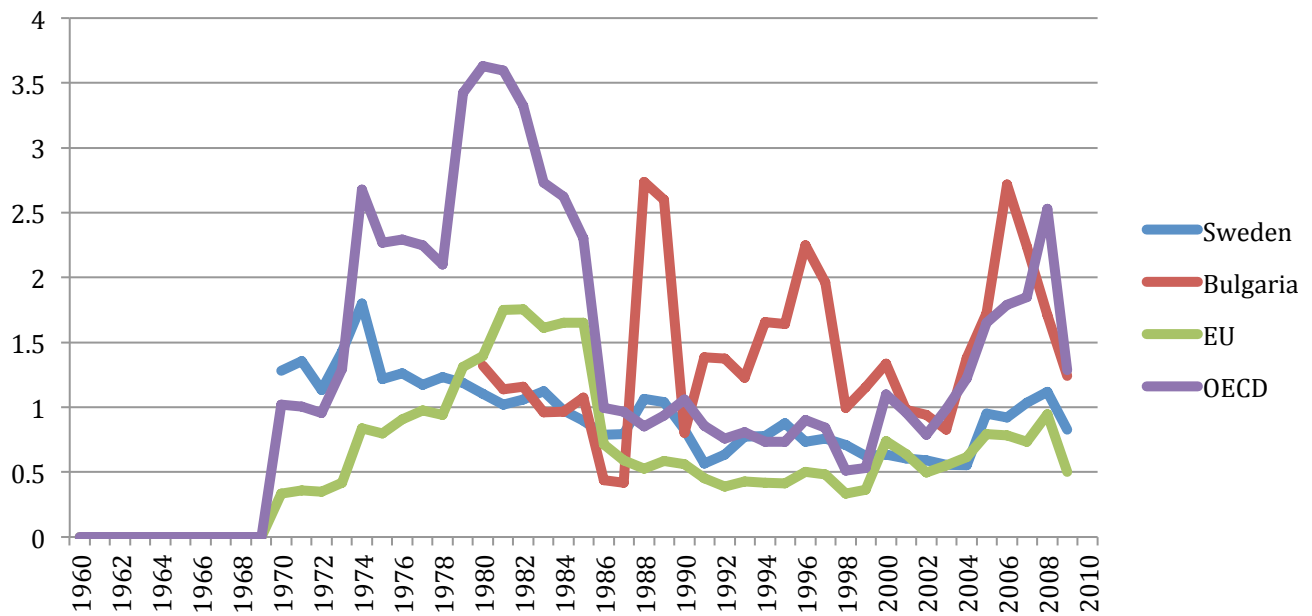
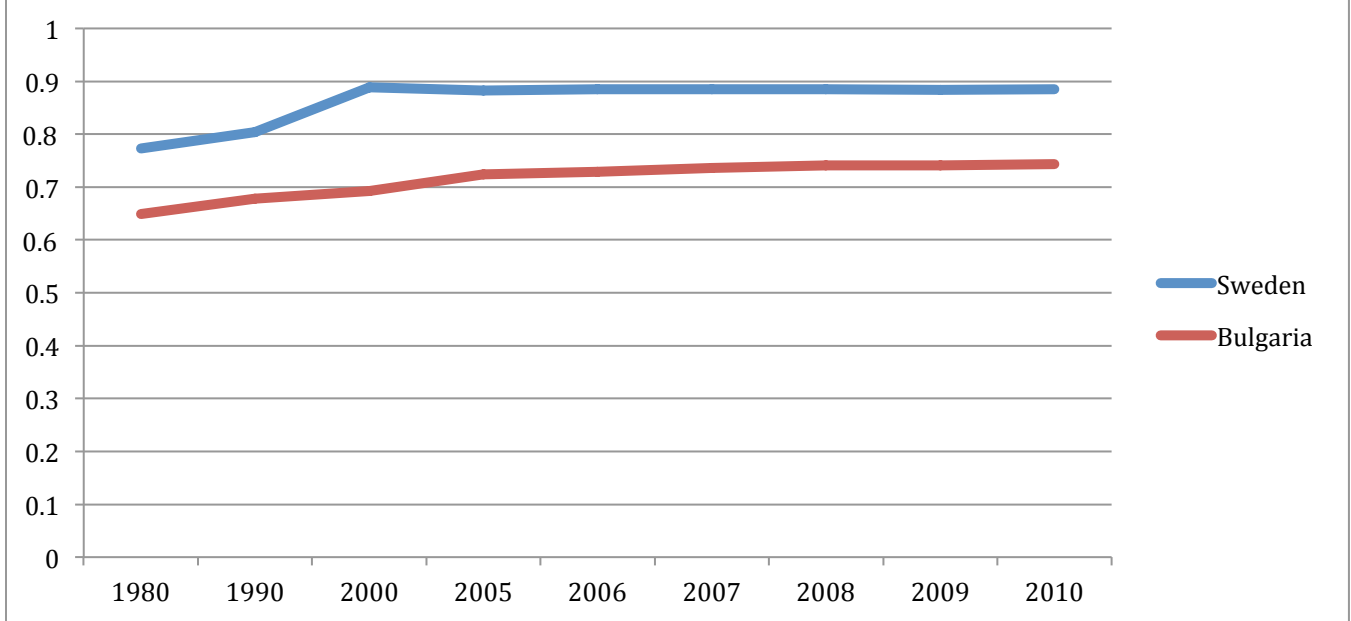


Figure 17:
Total natural resources rents (% of GDP)



**Figure 18:
Human Development Index: Sweden and
Bulgaria**



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