

CIES e-Working Paper N.º 138/2012

**Social Capital and the Financial Crisis:
The Case of Iceland**

Katarzyna Growiec
Sjöfn Vilhelmsdóttir
David Cairns

CIES e-Working Papers (ISSN 1647-0893)

Av. das Forças Armadas, Edifício ISCTE, 1649-026 LISBOA, PORTUGAL, cies@iscte.pt

Katarzyna Growiec is an assistant professor at Warsaw School of Social Science and Humanities, Warsaw Centre for Research on Prejudice, Warsaw University. Previously, she was a doctoral student at the Graduate School for Social Research, Polish Academy of Sciences, Warsaw, before which she worked and studied at Warsaw University and the University of Maastricht. She has also been a visiting scholar at the Centre for Research and Studies in Sociology (CIES-IUL) in Portugal and at the University of Iceland. Her main research interests include social capital and youth, with recent publications including articles in *European Societies* and the *Journal of Youth Studies*.

Sjöfn Vilhelmsdóttir is a PhD student in political science at the University of Iceland, Reykjavik, and the managing director of Unifem, the United Nations women's fund, in Iceland. Her main research areas include social capital, civic participation, local government and public administration.

David Cairns is a senior researcher at the Centre for Research and Studies in Sociology (CIES-IUL), funded by the *Ciência 2008* programme of the Portuguese Foundation for Science and Technology (FCT). Previously, he was a senior research associate at the Institute of Social Sciences, University of Lisbon (ICS-UL) and worked and studied at the National University of Ireland in Galway, Queen's University Belfast and the University of Ulster. His main research interests are in the areas of youth, migration and the economic crisis, on which he has published articles in journals including *International Migration*, the *Journal of the Royal Anthropological Institute*, the *Journal of Youth Studies*, the *British Journal of Sociology of Education* and the journal *Young*.

Abstract

The aim of this working paper is to examine social capital in Iceland, as measured in terms of social ties, social trust, political activity and civic engagement, from a comparative perspective before and after the financial crisis of 2008. It uses data from four successive waves of the European Values Study (EVS). Following a contextualisation of this research theme, our results show that Icelanders appear to be as satisfied with their lives after the onset of the crisis as they were prior to the economic collapse. The strength of their family ties has been progressively increasing during the 26 year period covered by the data, with gradual growth in the importance awarded to family relationships, which indicates that Icelanders are now more reliant on their parents than in the past. Ties with non-family members are also adjudged to have become more important, though only after the financial crisis. Furthermore, Icelanders are more active civically and politically: for example, they are more likely to belong to a political party, social welfare organisation or local community initiative, which implies that such activities have become of greater importance since 2008. In addition, while there may have been an increase in levels of social trust among people, there is more dissatisfaction with how democracy works. In conclusion, we can see that social capital has almost certainly become more important in Iceland since the economic crisis but, given that we have been able to identify underlying trends showing that this is at least in part a long-term development, this heightened importance may not just be a consequence of the crisis but rather part of a more gradual societal change.

Keywords: Iceland, Financial Crisis, Social Capital e European Values Survey

Introduction

What happens to a country after a major economic trauma such as the current financial crisis: does its social fabric start to fall apart at the seams or, on the contrary, are people more likely to come together to cope with the shared experience of adversity? Are people now more reliant on their families and acquaintances as a means of overcoming their economic difficulties than before the crisis, and do they engage more in civic actions and with political life, or lose faith in democracy? These questions derive from an important contemporary sociological issue: they are the starting point for an investigation into the social impact of the financial crisis. In this case, it concentrates on the example of Iceland.

Our theoretical approach uses the concept of social capital, focusing on a statistical analysis of measures of social ties, social trust, political action and civic engagement. This approach not only provides an empirical means of exploring the impact of the crisis but also helps situate our work within a broader sociological context, given the prominence of social capital within sociology, and indeed across the social sciences, and the high level of interest in the global financial crisis. The Icelandic financial crisis, which began in 2008, provides a valuable case study for the exploration of this dynamic theme, particularly considering the availability of data from both before and after this point in time. Our methodological approach is therefore a longitudinal one, examining changes in levels of social capital before and after the economic collapse, using data gathered from representative samples of Icelanders over a period of 26 years as part of the European Values Study (EVS).

Theoretical Background and Methodological Approach

While often assumed, erroneously, to be a recent concept, social capital is in fact a very old idea. The most widely cited social capital theorist, the American Robert Putnam, acknowledges in the most widely cited social capital text, *Bowling Alone* (2000), that the concept, if not the exact term itself, predates modern social science. It featured for instance in Alexis de Toqueville's analyses in the first half of the nineteenth century and has continuities with much classical sociological thought, most obviously Tönnies, Durkheim, Simmel, Weber and, perhaps at a greater stretch, Marx.¹

¹ Putnam (2000) notes that the exact term 'social capital' was used in the work of L.J. Hanifan (1916) in the context of educational research. In Europe, Bourdieu's first usage of the term can be found in his *Outline of a Theory of Practice* (1977), originally published in France in 1972.

Leaving historical perspectives aside for now, social capital as it is understood and studied today owes a considerable debt to three writers in particular: the French sociologist Pierre Bourdieu, the American educationalist James Coleman and, as already mentioned, R. D. Putnam. While their theories and methods vary considerably, their work shares a focus on the role of social relationships, hierarchies and networks within a society; this ranges from the importance of family, peers and acquaintances in social cohesion to the efficacy of civic engagement and political activism. There is also an assumption in much work on social capital that social resources represent a desirable private good and a public asset, the development of which is to be encouraged and the loss of which to be averted/decried – although there are critiques that point towards a relationship between certain forms/sites of social capital and social inequality, particularly in respect to gender and ethnicity (Portes & Landolt, 1996; see also Arneil, 2006). Much of Bourdieu's work in the 1970s on social capital was concerned with the class structure of contemporary France and the relationships with other resources such as cultural capital. On the other hand, Coleman (1988) stressed the importance of mutual trust, obligation and reciprocity within networks, most prominently in inter-generational relationships between parents and their children, though also at community level. Meanwhile for Putnam (1993, 2000), it was civic engagement, especially associational life, that helped create social capital, which he believed to be in decline in the United States, with a negative effect on society, the economy and governance.

Although there is no agreed definition of social capital, its central tenet can be summed up in a few words: in a society, relationships matter. This view stands in sharp contrast to the political orthodoxy in many Western societies at the present time, particularly those affected by the global financial crisis, according to which economic relationships matter (most) and, thus, the social costs of severe cuts in public spending or sudden rises in taxation are to be downplayed. The popularity of this 'economy first' paradigm, often associated with neo-liberal ideology, helps explain the current political class's preoccupation with managing a country or a region as if it were a corporation, with decisions made according to their implications for the balance sheet as opposed to their communal efficacy. While such policies may have a socially destructive potential, it is also possible that non-monetary resources are not only resilient to economic change but can also assume a greater importance at times of economic crisis. Therefore, an important consideration for our analysis will not only be the changing levels of social capital during the crisis in terms of the actual strength of relationships but also the greater or lesser role of social capital in and after the financial crisis, as demonstrated in civic engagement and political activism. A blunt way of putting this would

be to ask if social capital can act as a means of repairing the damage created by the greed, selfishness, short-sightedness or outright stupidity of politicians, bankers, financial speculators etc. in Iceland.

Hence, in terms of our methodological approach, what we wish to examine are the breadth and depth of people's social relations, as well as their shared values and norms; all these things, and other intangible assets, are understood as a society's stock of social capital resources. Moreover, the larger and more diversified people's social networks, the greater their access to and potential return from their social capital (see Lin 2008). The most common measurements used in the network-based approach to social capital focus on the properties of people's social networks (Finsveen and van Ooschot, 2008; see also van Deth, 2008; 2003). Studies are usually based on questionnaire surveys, with social networks measured in terms of their size and/or intensity. Indicators for network size include membership of voluntary organisations; the number of close friends; the number of neighbours with whom people have regular interactions; and the number of relatives with whom they have meaningful contact. Indicators for the intensity of networks include frequency of contact with family members, friends, colleagues from work and education, and neighbours, as well as the level of activity and involvement in organisations.² Putnam's broad approach to social capital, which employs trustworthiness and civic engagement as key components of social capital, has been popular, especially within the fields of political science and economics: membership of voluntary associations, as an indicator for civic engagement, and social trust, as an indicator for trustworthiness, are among the most frequently used empirical measures in studies (Fidrmuc and Gërxhani, 2008). Analysis using these indicators usually relies on survey or polling data, with the former asking respondents about their membership of voluntary associations and the latter involving questions on social trust (see van Deth, 2003; 2008).³ Given their broad applicability and relevance to our particular research questions, we will also be using these measures in our analysis.

With reference to the financial-crisis context of our study/work, in-depth sociological research on and statistical analysis of the impact of the crisis are still in their infancy, with much work no doubt being prepared for publication. Our own recent studies have looked at certain economic crisis related issues in Ireland and Portugal with regard to groups such as

² The measurements for the network-based approach can also include questions on the network members' characteristics in order to measure the extent of the network's social diversity (Leonard, 2004; Growiec & Growiec, 2010).

³ The most commonly used survey question on social trust is derived from the standard World Values Survey (WVS): "Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?"

students (see Cairns, 2011; Cairns et al., 2012), including the specific role of social capital in mediating youth transitions (Cairns and Growiec, 2011; Cairns et al., forthcoming). However, we have not as yet looked at social capital on a broader societal level. Given the need to assess social capital resource levels before and after the financial crisis of 2008, we have decided to adopt a longitudinal view, using the most appropriate sources of data, in our case the European Values Study (EVS).

Social Capital before and after the Financial Crisis in Iceland

Since the global financial crash of autumn 2008, an event triggered/signalled by the collapse of Lehman Brothers in the US, a growing number of Western nations have been seriously affected by the crisis. But even in such company, Iceland is a country with its own contextual particularities. In contrast to Greece, Portugal and Spain, in the year prior to the crisis Iceland was actually one of the world's wealthiest countries (Carey, 2009). This meant that its subsequent financial failure was quite spectacular: within days of the onset of the crisis, 85% of the Icelandic banking sector had collapsed (Matthiasson, 2008) and the economy had lost huge amounts of money in attempts to prop up its banks (Johannesson, Huijbens, 2010). The banking crisis quickly turned into a deep recession, leading to budget cuts, a decline in per capita GDP, inflation and rising unemployment (Matthiasson, 2008; Carey 2009).⁴

In the analysis that follows, we use four measurements to explore social capital before and after the onset of the financial crisis. Firstly, following a network-based approach, we measure *social ties* using three indicators: 1) the importance of friends and acquaintances in a person's life, 2) the importance of family in a person's life, and 3) his or her expectations of significant others (in our study, parents). Secondly, following Putnam's (1993, 2000) approach to social capital, we measure *social trust* using the indicator of trust in people in general (often referred to as trust in strangers). Thirdly, following Rothstein and Stolle (2008), we measure *political trust*, using satisfaction with democracy as an indicator. Finally, again following Putnam (1993, 2000), we measure civic engagement using several indicators: 1) the importance of politics in a person's life, 2) membership of/belonging to political parties and groups, 3) membership of/belonging to social welfare organisations, and 4) participation

⁴ The change in GDP per capita in Iceland between 1984 and 2011 is presented in Figure 1. This chart also tells us that the 2010 wave of the European Values Study was conducted at the point of the lowest GDP per capita in Iceland since 2003. In 2011 GDP per capita started to grow again (see also OECD 2011), with tourism and metallurgy becoming the main means of rescuing the economy (Johannesson, Huijbens, 2010).

in/belonging to local community action. The specific research questions explored in this paper are therefore organised as follows:

- 1) Has the level of subjective well-being among Icelanders decreased since the onset of the financial crisis in 2008? To answer this question, we examine trends over the last 26 years. Based on evidence from prior studies (see, for example, Newton, 2001), our assumption is that, despite an abrupt change in the economic situation, mean levels of happiness will remain stable and high.
- 2) Have social ties within families and with non-family members such as friends and acquaintances changed during the past 26 years? Special attention is given to a possible strengthening of both family and non-family ties as a way of coping with the financial crisis (see Alesina and Guiliano, 2010). We expect to observe an increase among both family members and non-family members as a reaction to economic uncertainty.
- 3) Did social trust change between 1984 and 2010? We suspect that social trust decreased significantly after the financial crisis.
- 4) Did civic engagement change between 1984 and 2010 with regard to being active in local communities, social welfare organisations and political parties? And what about general satisfaction with the way democracy in Iceland works (Matthiasson, 2008)? We suspect that, since the financial crisis, civic engagement has significantly increased in importance and that trust in democracy may have decreased.

As noted at the outset, we are mostly using data from the European Values Study (EVS). It was collected from representative samples in Iceland dating, specifically, from 1984, 1990, 1999 and 2010 – the four years in which data was gathered; some data from Eurostat and the European Social Survey (ESS) was also used where appropriate.⁵ For each wave, means were

⁵ EVS is an international social survey carried out on representative samples in various countries. In the first wave, data from 16 countries was collected. In the second wave, 29 European countries participated, in the third, 33 countries, and in the fourth, 47 countries. Iceland took part in all four waves. In 1984 (the first wave), the Icelandic representative sample consisted of 927 cases (51% male, 49% female, mean age 37.78; SE=0.53). In 1990 (the second wave), the Icelandic representative sample consisted of 702 cases (50.6% male, 49.4% female, mean age 39.9; SE=0.59). In 1999 (the third wave), the Icelandic representative sample consisted of 968 cases (49.9% male, 51.1% female, mean age 42.07, SE=0.51). In 2010 (the fourth wave), the Icelandic representative sample consisted of 808 cases (49.4% male, 50.6% female, mean age 45.02, SE=0.59). The 2010 EVS data was

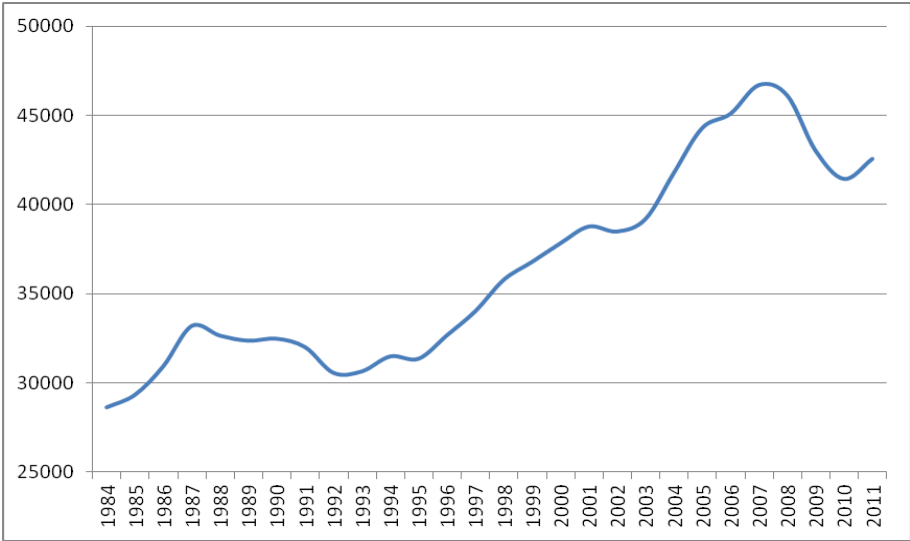
computed for happiness, social ties, social trust and civic engagement. We then used a Student's t-test to show the statistical significance of the difference in means between the groups analysed.

Results

Subjective well-being and GDP in Iceland

To move on to our discussion of the results, statistical analysis of large datasets has often linked a country's economic performance with the well-being of its populace. For example, it has previously been argued that people are generally happier in wealthier countries (Inglehart & Baker, 2000), with a correlation between GDP per capita and life satisfaction of between $0.58^{***} < r < 0.66^{***}$ (Diener, Diener, Diener, 1995).⁶ But what happens when a developed country suddenly loses much of its per capita GDP? This has certainly been the case in Iceland (Figure 1).

Figure 1. GDP per capita in fixed prices in Euros. Iceland 1984-2011.



Source: Eurostat. Own computations

collected between 15 July 2009 and 15 March 2010 by programme director Fridrik Jónsson and the Social Science Research Institute.

⁶ Inglehart and Klingemann (2000) also analysed data from 65 countries and found a correlation coefficient between GDP per capita and life satisfaction of $r=0.70^{***}$. However we also know that life satisfaction relates more strongly to GDP per capita in developing countries than developed nations and after a country attains a certain level of prosperity, additional increases in GDP per capita do not raise happiness levels further (see Diener, Oishi, 2000). In 1995, this happiness attainment level was 10,000 USD (GDP per capita balanced by purchasing power parity) (Boski, 2009: 274). If a national economy exceeds this level, a further increase in GDP per capita matters much less for mean life satisfaction than in countries below this level.

As we can see, in 2010 per capita GDP was almost 10 per cent lower than in 2007. This leads us to ask if such an abrupt change had an impact on areas such as subjective well-being.

Table 1. Subjective well-being (percentages in columns)

Year of the study		1984	1990	1999	2010
How satisfied are you with your life	Dissatisfied	0.5	-	0.4	0.7
	2	0.3	0.1	0.2	0.1
	3	0.3	1.1	1.1	0.7
	4	1.2	1.4	2.2	2.0
	5	5.7	6.6	4.0	3.1
	6	6.2	5.9	5.1	4.7
	7	14.9	13.7	12.5	12
	8	29.8	32.9	32.6	33.3
	9	20.1	17	25.1	27.1
	Satisfied	21	21.3	16.8	15.3
Number of cases		926	700	966	803
Mean		8.1	8.1	8.05	8.04
Standard deviation		1.62	1.6	1.59	1.64

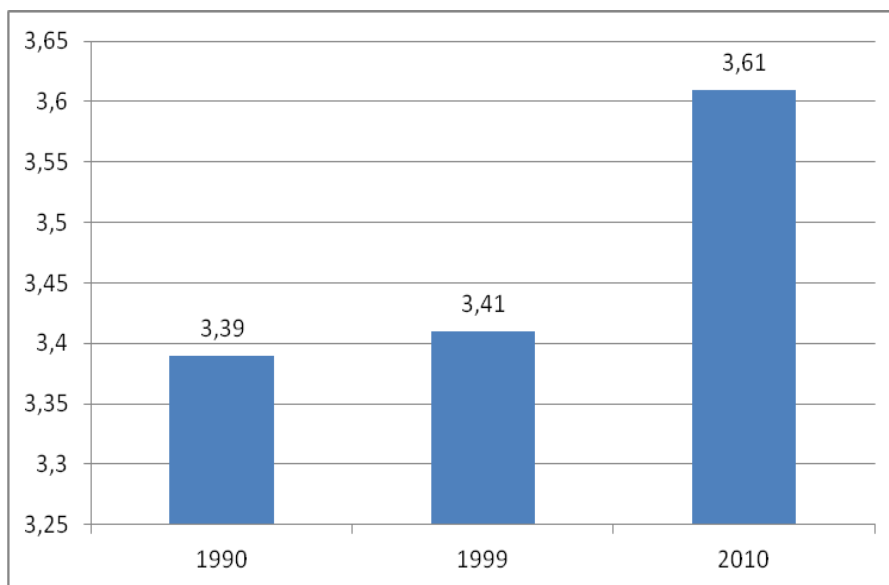
Icelandic society is known for being very happy, or at least highly satisfied with life, as confirmed by the four waves of EVS data (Table 1). In 2010, we can see that this remained as high as it was before the onset of the financial crisis: there was in fact no significant change in subjective well-being between 1984 and 2010. This suggests, in response to our first research question, that the level of subjective well-being among Icelanders has remained stable, and high, even under financial duress. It may therefore be the case that after having attained a high level of economic development and very high and stable levels of well-being, a society is more able to withstand temporary external shocks.

Social ties before and after the financial crisis

It is still to be determined/still remains to be seen what might have helped Icelanders remain satisfied despite their reduced economic circumstances. This leads us to consider measures of social ties, social trust and civic engagement over a period of 26 years. As part of the ESV survey, respondents were asked the question: “How important in your life are friends and acquaintances?” (answers: very important, recoded as 4; quite important, recoded as 3; not important, recoded as 2; not at all important, recoded as 1). The data from 1990, 1999 and 2010 was analysed to learn how these social ties have changed in Iceland during this time. According to Figure 2, Icelanders think that friends and acquaintances are more important in

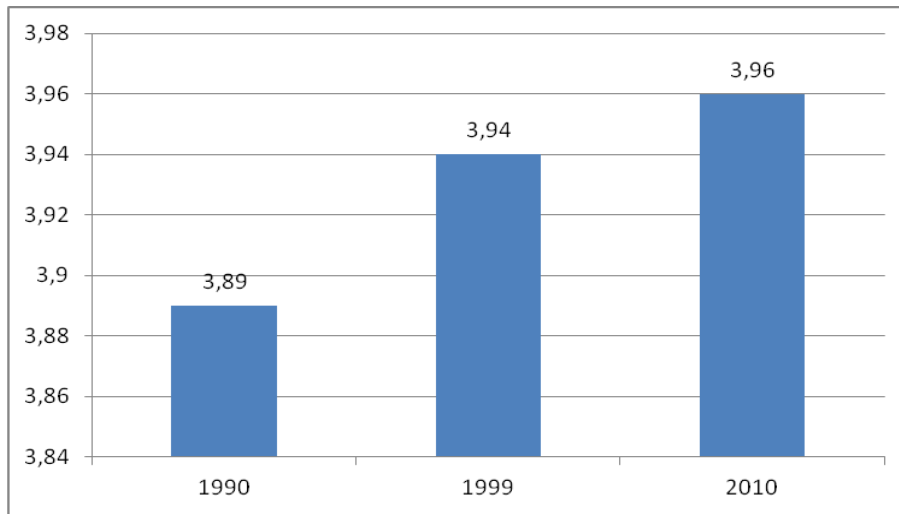
their lives than they used to be. The mean answer to the question on the importance of friends and acquaintances in the year 2010 was $M=3.61$, $SD=0.53$, while in 1999 the figures were $M=3.41$, $SD=0.61$. This demonstrates that a statistically significant change has taken place ($t=7.282$, $df=1764.7$, $p=0.000$) and – answering part of our second research question – that after the onset of the financial crisis Icelanders appear to be more socially-oriented than before. It is also worth saying here that there was no significant difference between the first two years included here, 1990 and 1999, as opposed to between 1990 and 2010 or indeed 1999 and 2010.

Figure 2. Mean answer to the question “How important in your life are friends and acquaintances?”



Considering the second part of this question, the ESV respondents were asked in 1990, 1999 and 2010: “How important in your life is family” (answers: very important, recoded as 4; quite important, recoded as 3; not important, recoded as 2; not at all important, recoded as 1). What we can see from the data is that there has been a steady increase in the importance of family since 1990, as illustrated by Figure 3.

Figure 3. Mean answers to the question: “How important in your life is family”, 1990, 1999 and 2010



In 1990, the mean answer to this question was $M=3.89$, $SD=0.37$, while in 1999 it was $M=3.94$, $SD=0.26$. The increase in the importance of family between 1990 and 1999 was statistically significant ($t=2.713$; $df=1190.69$; $p=0.007$). In 2010, the mean was $M=3.96$; $SD=0.26$, which, when compared to the 1999 data, once again gives us a statistically significant increase ($t=1.94$; $df=1766.72$; $p=0.05$). Therefore, we can deduce that over both these decades, there was a significant increase in the importance of family for Icelanders.

This assertion is further supported by the responses to the question: “Which of the following statements best describes your views about parents’ responsibilities to their children? A. Parents’ duty is to do their best for their children even at the expense of their own well-being. B. Parents have a life of their own and should not be asked to sacrifice their own well-being for the sake of their children, or neither”. Respondents were asked to declare which of these two statements they feel closest to, or if neither was applicable. The data shows that between 1984 and 2010, several statistical differences were present (Figure 4).

Figure 4. Percentages of answers to the question “Which of the following statements best describes your views about parents’ responsibilities to their children?” in 1984, 1990, 1999 and 2010

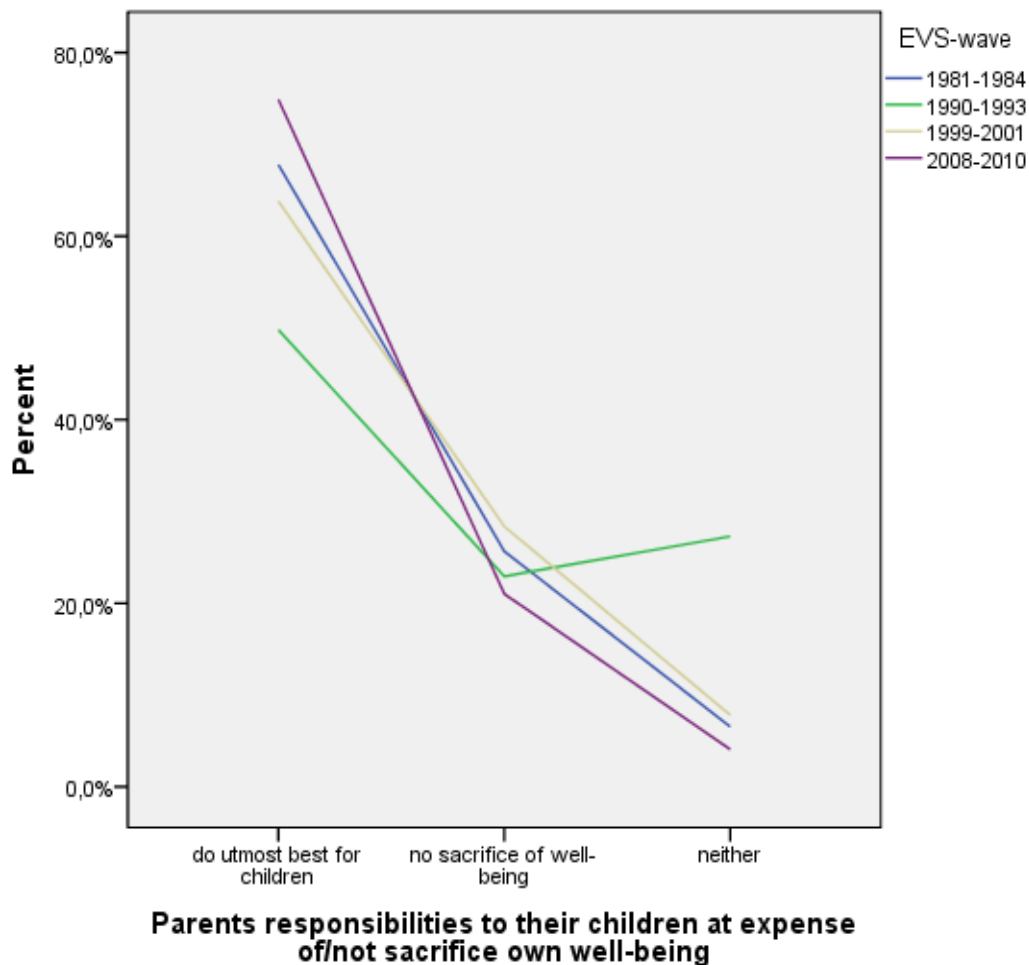


Figure. should do best for children Parents’ responsibilities to their children at/not at expense of own well-being

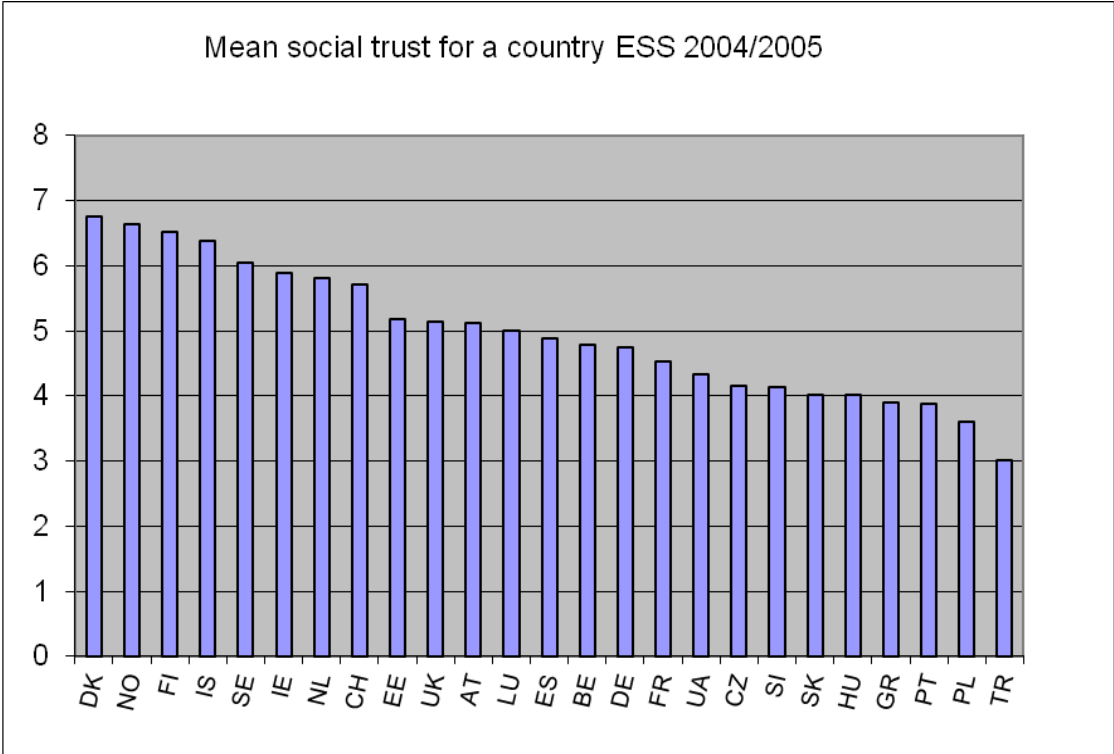
As we can see, the trend is not entirely linear: in 1984, 68 per cent of Icelanders agreed that it was the parents’ duty to do their best for their children even at the expense of their own well-being (coded here as 1, all other answers coded as 0), while in 1990 only 50 per cent said so. This gives us a statistically significant drop in the perception of parental duty ($F=99.76$; $t=-7.341$; $df=1425.9$; $p=0.000$). However, when we compare scores from 1990 and 1999, we can observe an increase in the perception of parenthood as representing unlimited help and support for children ($F=56.8$; $t=5.68$; $df=1448.9$; $p=0.000$), with 64 per cent saying in 1999 that it is the parents’ duty to do their best for their children. The same tendency was found when we compared 1999 and 2010 as, in 2010, 75 per cent agreed. This translates into an increase in agreement with the idea of parenthood involving unlimited help and support for

the children ($F=101.82$; $t=5.03$; $df=1708.34$; $p=0.000$), showing a general shift towards viewing parenthood as more demanding and duty-oriented. Given these responses, it is reasonable to assume that our second research question, as with the first, can be answered in the affirmative: there was a strengthening of both family and non-family social ties during the 26 year period covered by the EVS.

Social trust and satisfaction with democracy

Moving onto our third research question, we aim to discover if levels of social trust changed in Iceland after the financial crisis, before considering the general satisfaction with democracy. Looking back at the period prior to the crisis, we can observe from the European Social Survey (ESS) data from 2004/2005 that Icelandic society was among the most trustful in Europe.

Figure 5. Mean social trust for a country

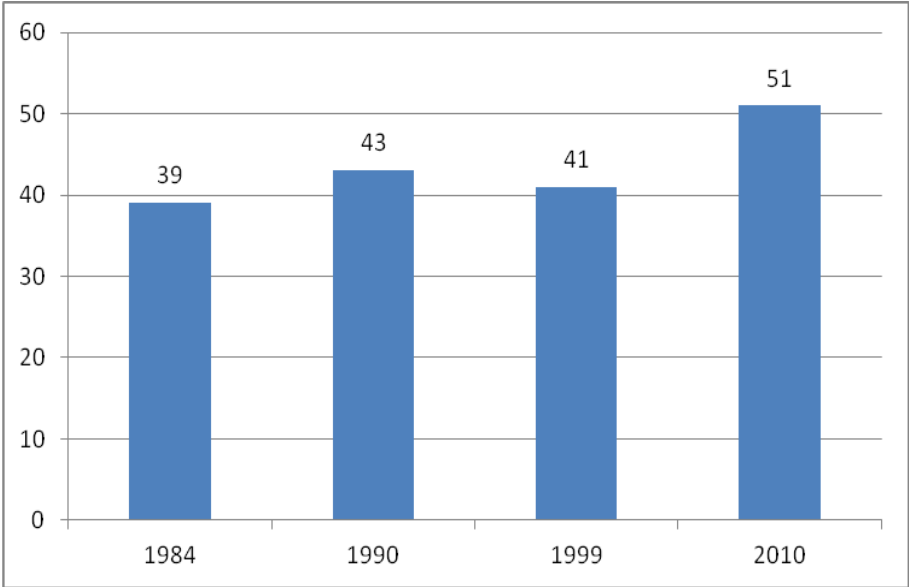


Source: European Social Survey 2004/2005 (mean for the whole sample was 6.37, $SD=2.29$)

Figure 5 demonstrates that, in response to the question: “Would you say that most people can be trusted, or that you can’t be too careful in dealing with people?”, on a scale of 0 to 10, only Denmark, Norway and Finland were shown to be more trustful. Returning to our analysis of European Values Study data, a similar question on trust was also asked in 1984,

1990, 1999 and 2010: “Generally speaking, would you say that most people can be trusted or that you can’t be too careful in dealing with people?” (answers: most people can be trusted (coded here as 1), you can’t be too careful (coded here as 0)). We found that between 1999 and 2010, trust increased significantly ($F=23.82$; $t=4.28$; $df=1645.7$; $p=0.000$) but that the other changes in trust between 1984, 1990 and 1999 were not statistically significant (Figure 6).

Figure 6. Percentage of those who answered “most people can be trusted” to the question “Generally speaking, would you say that most people can be trusted or that you can’t be too careful in dealing with people?” in 1984, 1990, 1999 and 2010



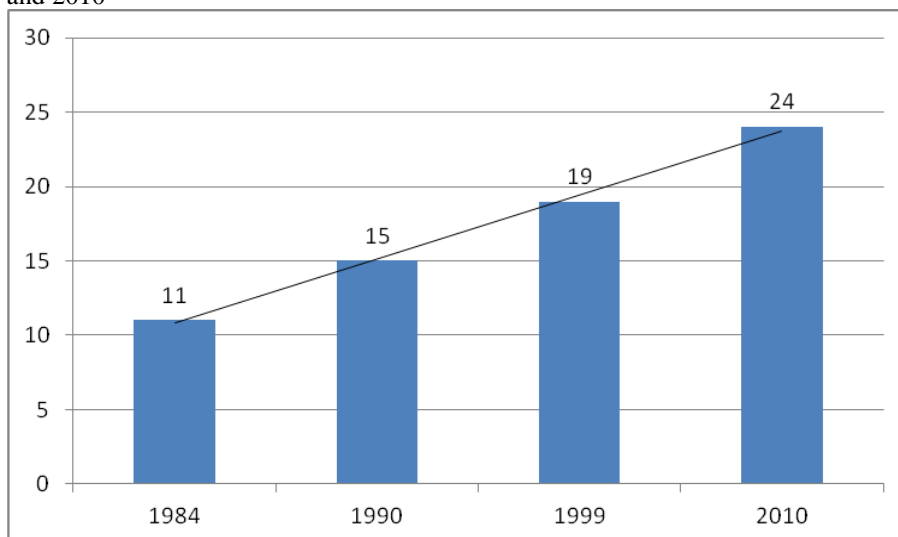
This is a paradoxical result, since it means that, despite a worsening of the financial situation in Iceland and, accordingly, in many Icelandic households, people now trust each other more than before the crisis. However, when we add this result to the previous outcomes stating that Icelanders are more sociable since the onset of the financial crisis than before, we can interpret this outcome as representing a possible way of coping with the stress caused by the crisis, and possibly an efficient way since it helps them maintain their satisfaction with their lives.

Politics and civic engagement

For our fourth and final area of exploration, we look at the broader area of politics and civic engagement. With regard to the former, one way of measuring trust in a political system is to identify the satisfaction with the functioning of democracy. In 1999 and 2010, EVS respondents were asked the question: “On the whole, are you very satisfied, rather satisfied,

not very satisfied or not at all satisfied with the way democracy is developing in our country?” (answers: very satisfied, recoded as 4; rather satisfied, recoded as 3; not very satisfied, recoded as 2; not at all satisfied, recoded as 1). The analysis of results showed that Icelanders in 2010 feel much less satisfied with how their democracy works compared to 1999 ($t=8.63$; $df=1542.7$; $p=0.000$). In 1990, 1999 and 2010, the ESV also included the question, “How important in your life is politics” (answers: very important, recoded as 4; quite important, recoded as 3; not important, recoded as 2; not at all important, recoded as 1). There was a general increase in the importance of politics in Icelanders’ lives, at least with respect to the view that politics is “very important”, and a decrease in the frequency of those thinking it “not at all important”. More specifically, between 1990 and 1999 there was a statistically significant increase in the importance of politics in Icelanders’ lives ($t=7.84$; $df=1689.5$; $p=0.000$); and again between 1999 and 2010 ($t=4.597$; $df=1420.58$; $p=0.000$).

Figure 7. Percentage of those who belong to political parties or groups. Comparison between 1984, 1990, 1999 and 2010

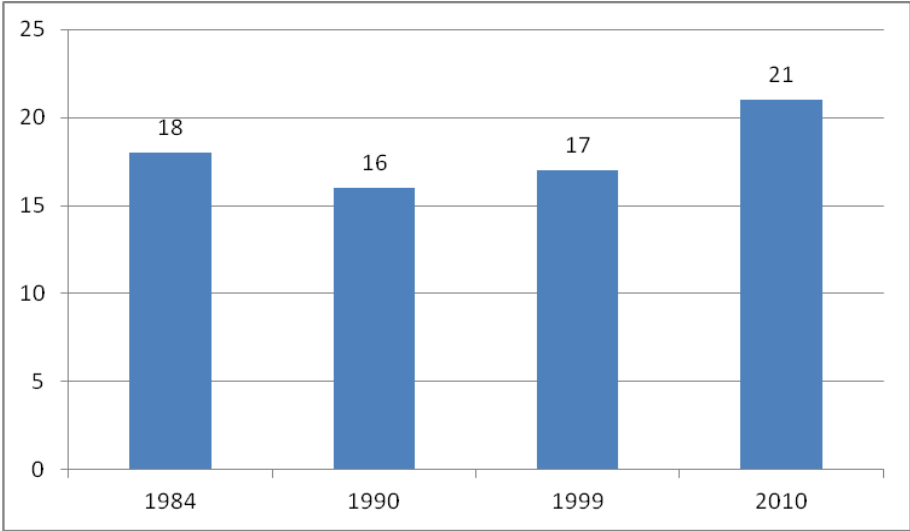


This trend was also reflected in participation in organisations, e.g. social welfare, political parties and groups, or local community action. Looking at political parties and groups, EVS respondents were asked in 1984, 1990, 1999 and 2010 if they belonged to political parties or groups (Figure 7). Between 1984 and 2010, there was a systematic increase in participation levels among them. The increase between 1984 and 1990 was statistically significant ($t=2.21$; $df=1404.99$; $p=0.027$), as were the rise between 1990 and 1999 ($t=2.13$; $df=1583.1$; $p=0.04$) and the increase in the number of those belonging to political parties or

groups between 1999 and 2010 ($t=2.79$; $df=1653.51$; $p=0.006$). This means that during the last 26 years, Icelanders have become much more politically active.

Looking at local community activism, the EVS measured the membership of initiatives on issues like poverty, employment, housing and racial equality in 1990, 1999 and 2010. The data indicates that between 1999 and 2010 there was a statistically significant increase ($t=3.46$; $df=1357.28$; $p=0.001$): in 2010, six per cent of Icelanders were involved in local community action whereas in 1999 and 1990, the equivalent figure was only two per cent. This means that after the financial crisis, Icelanders became more engaged with their local communities than they were before. A question on the respondents' membership of social welfare organisations for the elderly or disabled was also included in 1984, 1990, 1999 and 2010. What we can see from the data is a statistically significant increase between 1999 and 2010 ($t=1.96$; $df=1616.75$; $p=0.000$): 21 per cent of Icelanders were involved in social welfare organisations in 2010 compared to 17 per cent in 1999. The overall change between 1984 and 2010 is shown in Figure 8.

Figure 8. Percentage of those belonging to social welfare organisations for the elderly or disabled in 1984, 1990, 1999 and 2010



These outcomes show that since the financial crisis, Icelanders have been more involved in social welfare organisations than they were before. So, not only has politics become more important to them but they have also become more active from a civic perspective. With respect to the former, there has been a systematic increase in political party membership over the last 26 years, while in relation to the latter an increase in the activity level is only observable after the onset of the financial crisis.

Discussion and conclusion

The results discussed above help us to gain a better understanding of social capital and its relationship with the financial crisis in Iceland. Looking at the four questions asked, we can see that each hypothesis has proven to be correct/has, more or less persuasively/compellingly, proven to be correct. We can therefore conclude that there is evidence for the idea that levels of social capital have changed since the crisis, arguably for the better. But, although we can demonstrate significant differences before and after the crisis, is it reasonable to conclude that the observed changes are related to the financial crisis itself?

In conducting an analysis that used data generated over a 26 year period, we can distinguish between a social change that occurred immediately after the crisis and longer-term processes. For example, our analyses indicate that there has been a gradual increase in the levels of social capital, measured as social ties with friends and family members alike, since the onset of the financial crisis (see Figures 2 and 3). Examination of the former shows that there is a probable financial-crisis effect, with a significant difference between pre- and post-crisis results, though not between the pre-crisis waves. With respect to the latter, there has been a steady increase over time. This means that this change in the importance of family ties is less likely to be due to the financial crisis and more likely to be part of a long-term phenomenon in Icelandic society. It is, however, outside the reference framework of our financial crisis research to fully examine/understand what this underlying historical dynamic might be.

We can also see that, generally speaking, Icelanders are now more active socially: more people belong to social welfare organisations, local community initiatives and political groups – a trend that is more pronounced after the crisis – and, paradoxically, there is evidence of more trust between people (Figure 6). This change is notable when we compare data from 1999 and 2010 as, in 2010, social trust was in fact at its highest level since the first EVS wave in 1984. This result signals a specific effect that may ?in fact be a means of coping with uncertainty and preserving a high level of subjective well-being. There is a drop, however, in the levels of satisfaction with the way democracy works in Iceland, with a statistically significant decrease between 1999 and 2010. What the 2010 data is expressing here may be evidence of what Newton (2001) refers to as “an evaluation” of the political world: Icelanders think that the political system and politicians are performing poorly in dealing with current economic, political and social problems. Obviously, many of the

problems the political system in Iceland has been dealing with recently can be traced back to the collapse of 2008. But, interestingly, Icelanders are now more interested in politics and have a feeling that politics is of greater importance in their lives, i.e. the crisis has made them more active politically (see Figure 7).

In summary, we can argue that, on the basis of our analysis of ESV data from a pre- and post-crisis perspective, social capital has almost certainly become more important in Iceland in a variety of ways, from a strengthening of or greater reliance upon social relationships to heightened civic and political engagement. While this change may not necessarily be a consequence of the crisis but rather, in some cases, part of a more gradual societal change, we have at least been able to present a reasonably positive, even optimistic, view of Iceland, and an analysis of how a society copes with a major economic trauma: through greater recourse to non-monetary resources. Whether or not this is also the case in the other crisis-hit countries of Europe remains to be seen/examined, but this initial discovery indicates that it is/presents us with an interesting line of enquiry to follow up in those regions.

References

- Alesina, A., Giuliano, P. (2010). The power of the family, *Journal of Economic Growth*, 15(2), 93-125.
- Arneil, B. (2006). *Diverse Communities: The Problem with Social Capital*, Cambridge: University Press.
- Boski, P. (2009). *Kulturowe ramy zachowań społecznych*. Warszawa: Wydawnictwo Naukowe PWN, Academica Wydawnictwo SWPS.
- Bourdieu, P. (1977). *Outline of a Theory of Practice*. Cambridge: University Press.
- Bourdieu, P. (1986). "The forms of capital." In J. E. Richardson (ed.) *Handbook of Theory for Research in the Sociology of Education*. Westport, CT: Greenwood Press.
- Cairns, D. (2011). "Youth, Precarity and the Future: Undergraduate housing transitions in Portugal during the economic crisis." *Sociologia, Problemas e Práticas*, 66, 9-26.
- Cairns, D., Growiec, K. and Smyth, J. (forthcoming). "Leaving Northern Ireland: The youth mobility field, habitus and recession among undergraduates in Belfast." *British Journal of Sociology of Education*.
- Cairns, D., Growiec, K. and Smyth, J. (2012). "Spatial Reflexivity and Undergraduate Transitions in the Republic of Ireland after the Celtic Tiger." *Journal of Youth Studies*.

- Cairns, D. & Growiec, K. (2011). "Learning Insularity: Social Learning, Social Capital and Staying at Home among European Youth." In Z. Beckerman and T. Geisen (eds) *Migration, Minorities, and Learning – Understanding Cultural and Social Differences in Education*, pp. 729-742, New York: Springer.
- Carey, D. (2009). "Iceland: The Financial and Economic Crisis." Economics Department Working Paper No. 275, OECD. Accessed 26 April at: <http://www.oecd.org/officialdocuments/displaydocumentpdf/?cote=eco/wkp%282009%2966&doclanguage=en>
- Coleman, J. S. (1988). "Social Capital in the Creation of Human Capital." *American Journal of Sociology*, Vol. 94, pp. S95-S120.
- Diener, E., Diener, M. B., Diener, C. (1995). "Factors predicting the subjective well-being of nations." *Journal of Personality and Social Psychology*, 69(5), 851-864.
- Diener, E., Oishi, S. (2000). "Money and happiness: Income and subjective well-being across nations." In E. Diener, E. M. Suh (eds.), *Culture and subjective well-being* (pp. 185-218). Cambridge: Massachusetts Institute of Technology.
- Fidrmuc J. & Gërkhani K. (2008). "Mind the gap! Social capital, East and West." *Journal of Comparative Economics*, Vol. 36, 264-286.
- Finsveen, E. & van Oorschot, W. (2008). "Access to Resources in Networks: A Theoretical and Empirical Critique of Networks as a Proxy for Social Capital." *Acta Sociologica*, Vol. 51, 293-307.
- Growiec, J. & Growiec, K., (2010). "Social Capital, Well-Being, and Earnings. The Theory and Evidence from Poland." *European Societies*, 12(2): 231-255.
- Inglehart, R. & Baker, W. E. (2000). "Modernization, Cultural Change, and the Persistence of Traditional Values." *American Sociological Review*, Vol. 65(1), 19-51.
- Inglehart, R., Klingemann, H. D. (2000). Genes, culture, democracy and happiness. In?: E. Diener, E. M. Suh (Eds.). *Culture and subjective well-being* , pp. 165-183, Cambridge: MIT Press.
- Johannesson, G. T., Huijbens, E. H., (2010). "Tourism in times of crisis: exploring the discourse of tourism development in Iceland." *Current Issues in Tourism*, 13: 5, 419-434.
- Leonard, M., (2004). "Bonding and Bridging Social Capital: Reflections from Belfast." *Sociology*, 38: 927-944.
- Lin, N. (2008). "A Network Theory of Social Capital." In Castielione, van Deth & Wolleb (eds.), *The Handbook of Social Capital*. Oxford: Oxford University Press.

- Matthiasson, T. (2008). "Spinning out of control, Iceland in crisis." *Nordic Journal of Political Economy*, Vol. 34, 1-19.
- Newton, K. (2001). "Trust, Social Capital, Civil Society, and Democracy." *International Political Science Review*, 22 (2), 201-214.
- OECD (2011). *OECD Economic Surveys Iceland June 2011: Overview*. Accessed 26 April 2012 at: <http://www.oecd.org/dataoecd/51/52/48208267.pdf>
- Portes, A. & Landolt, P. (1996). "The Downside of Social Capital." *The American Prospect*, 26, 18-21.
- Putnam, R.D. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Putnam, R.D. (2000). *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Rothstein, B & Stolle, D. (2008). "Political Institutions and Generalised Trust." In Castielione, van Deth & Wolleb (eds.), *The Handbook of Social Capital*. Oxford: University Press.
- van Deth, J. (2003). "Measuring social capital: orthodoxies and continuing controversies." *The International Journal of Social Research Methodology: Theory and Practice*, 6(1), 79-92.
- van Deth, J. (2008). "Measuring Social Capital." In Castielione, van Deth & Wolleb (eds.), *The Handbook of Social Capital*. Oxford: Oxford University Press.