CREATING SOCIAL CAPITAL IN RUSSIA:
The Novgorod Model

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Executive Summary

Many studies indicate a high correlation between social capital, trust in government, and economic performance. This study finds a similar correlation in the Novgorod region of Russia, and suggests that the high level of social capital in the region is the result of local government actively promoting a cultural framework that sets Novgorod’s ancient heritage of mercantilism and democracy in opposition to Moscow’s heritage of political and economic centralization. Taking advantage of a consensus among the local elite regarding these liberal “Novgorod” values, the regional government has successfully tackled one of the most serious problems facing societies in transition—cultural discontinuity. Defining reforms as a return to the values of a more prosperous past has eased the anxieties that inevitably accompany abrupt changes.

The Novgorod region’s success shows that, even in the absence of a national consensus, local governments and elites can forge common values and priorities for their communities. The key to success is minimizing the disruption of old institutions where they continue to serve public needs, while simultaneously embracing new institutions and values but placing them firmly within the context of traditional cultural values.
Two Approaches to Social Capital

There are two main approaches to the role of social capital in economic and political development. One view, which I term "non-statist," holds that voluntary association among members of a polity produces habits of cooperation that lead to social trust, civic engagement and democratic stability. The state's role in generating social capital is viewed as trivial or even destructive, hence the level of social capital in a society can be directly correlated with the ability of groups to pursue agendas distinct from and opposed to those of the state (Putnam 1993a; Fukuyama 1995).

One reason frequently given for drawing such a sharp distinction between the state and civil society has been the experience of communist societies. As Tom Nichols puts it, "the hallmark of the Soviet system was the purposeful destruction of what is now understood as 'social capital'" (Nichols 1996, p. 631). This was accomplished by rupturing previous social bonds and replacing them with ideologically based new ones. Since non-statists believe that trust and social capital can only be generated outside of the government sphere, if it arises within or with the support of government, then, by definition, it cannot be social capital (Lehning 1998, p. 240).

Opponents of this view, whom I will call "statists," counter that it is historically inaccurate. In fact, the state usually plays a symbiotic role, either in promoting or destroying civil society, but never separate from it. According to Michael Walzer, "civil society requires political agency. And the state is an indispensable agent - even if the associational networks also, always, resist the organizing impulses of state bureaucrats." (Foley and Edwards 1998a, p. 9)

The example of many East-Asian and Nordic countries, with their dense networks of interaction between the state and civil society, illustrates to the proponents of the "statist" view of social capital formation how public/private interaction can encourage mutual interaction and trust (Paraskevopoulos 1998, p. 161; Kenworthy 1997, p. 647). The government should not merely remove obstacles to voluntary association, but help social actors recognize their mutual dependence and encourage the process of collective interest formation (Paraskevopoulos 1998, p. 162). By emphasizing the cumulative
character of social capital formation. Statists argue for a symbiotic view of relations between civil society
and the state.

This essay looks at the role that social capital plays in one of Russia's most economically
developed and politically stable regions – Novgorod. Because Novgorod has done so much better than its
neighbors at implementing economic and governmental reforms (Petro 1999; Ruble and Popson 1998), a
closer examination should reveal which approach, the statist or non-statist, more accurately explains the
unusually high level of social capital in the region, and perhaps suggest further insights into the factors
that encourage social capital formation in transition societies.

The key to measuring social capital is finding tangible measurements of trust. One of the first to
discern a linkage between trust and social capital was James S. Coleman, who argued that social capital
was very much like other forms of capital:

... social capital is productive, making possible the achievement of certain ends that
would not be attainable in its absence. Like physical capital and human capital, social capital is
not completely fungible, but is fungible with respect to certain activities.

Social capital . . . is created when the relations among persons change in ways that
facilitate action. . . . it is embodied in the relations among persons. Physical capital and human
capital facilitate productive activity, and social capital does so as well. For example, a group
whose members manifest trustworthiness and place extensive trust in one another will be able to
accomplish much more than a comparable group lacking that trustworthiness and trust" (Coleman
1990, pp. 302, 304).

Social capital should thus be expected to have tangible economic and political benefits. Trust is
especially good for economic activity because it enhances the flow of information essential for
entrepreneurial activity, making long-term investments in projects and fixed assets more attractive
(Wilson 1997, p. 745). Some even go so far as to say that such trust is “a precondition for economic
success” (Paraskevopoulos 1998, p. 159).

To these economic benefits Robert Putnam has added another – efficiency. Social capital
“improves the efficiency of society by facilitating coordinated action” (Widner and Mundt 1998, p. 2).
This sort of efficiency also generates trust, which can be measured in two ways: first, by looking at
norms of reciprocity sustained by socialization and sanction – trust in institutions; second, from dense
networks of civic engagement that result in "generalized trust." While Putnam does not specifically equate interpersonal trust with trust in government, others have argued that high levels of trust in government reflect a high level of social capital (Foley and Edwards 1998b, p. 133; Levi 1996, p. 46). In sum, the performance of both government and the economy should be expected to match the levels of social capital, and several studies seem to support this finding (Paraskevopoulos 1998; Stolle and Rochon 1998; Fox 1996; Putnam 1993a).

Another measure of social capital particularly favored by non-statists is associational activity. But while there is widespread agreement that dense networks of active local organizations indicate a high level of social capital, there is little consensus on how to measure density, or whether all types of social networks have an equal impact on the formation of social capital.

Putnam, perhaps the best known advocate of the non-statist position, argues that almost any kind of associational activity (bowling leagues, birding societies, choirs) generates generalized trust. He therefore puts great store in measuring aggregate associational activity, equating it with the very "flesh and bones" of civil society. His critics, however, question whether trust among members of one group automatically extends to members of other groups. They suggest that different types of associations create different types of social capital (Stolle and Rochon, 1998, pp. 57, 61).

Moreover, there can also be what Elinor Ostrom calls a "dark side" to social capital, when intense allegiance to one group undermines trust for other groups in society (Levi 1996, p. 52). When generalized trust extends only to immediate family and relations, "an excess of community occurs" that can thwart innovation (Woolcock 1998, p. 171; Levi 1996, p. 51). In his well known study of social patterns in southern Italy, Edward Banfield terms this type of negative or unproductive social capital "amoral familism" (Banfield 1958).

Some of the recent literature on the Russian economy provides a fascinating description of how negative social capital is formed. Clifford Gaddy and Barry Ickes argue that regional and national elites in post-Soviet Russia have a mutual interest in preserving "value destroying" Soviet era enterprises. In
order to preserve their own influence these elites make use of their “relational capital” – personal connections with government officials and oligarchs – to maintain their personal influence. In this destructive cycle, which they have dubbed “the virtual economy,” ownership of enterprises nominally changes hands but no real economic reform takes place (Gaddy and Ickes 1999, p. 80).

To summarize: while there is widespread agreement that economic prosperity, government efficiency, and associational activity reflect high levels of social capital, statists tend to see this as the result of reciprocity and sanctions that generate trust in social institutions (first and foremost, government), while non-statists view high levels of “generalized trust” as the result of spontaneous social interaction.

**Economic Success in Novgorod**

The Novgorod region is situated in northwestern Russia, approximately three hours southeast from St. Petersburg along the main highway to Moscow. The region has a population of approximately 740,000 and covers an area about the size of West Virginia. The largest city, Novgorod-the-Great, has about 230,000 inhabitants while the second largest, Borovichi, has about 61,000. The urban population constitutes about 71% of the region’s inhabitants, 96% of whom are ethnic Russians.

Despite its lack of natural resources, extensive military-industrial infrastructure, and large rural population, total foreign direct investment in the region has increased six-fold between 1994 and 1999. By the end of 1997, Novgorod had achieved the second highest level of per capita foreign investment in Russia, 94% of local industry had been privatized, and small businesses provided over 20% of local budget revenues.

This has come about through a massive reorganization of the economic structure of the region, aimed at replacing the declining industrial tax base with one that relies on personal income tax. This reorganization has paid for reforms (such as a regional stabilization fund and regional small business fund) from money saved on communal housing expenditures, and social and cultural initiatives, and has
managed to substantially reduce dependence on federal subsidies. In fact, during two of the last four years, the regional budget has actually shown a small surplus (Tyshkevich and Bryushkin 1998, pp.12, 15).

The impact of these economic reforms on people’s lives has been dramatic. Between 1995 and 1997 real incomes in the region grew 1.7 times (Ruble and Popson 1998, p. 441). They continued to rise 6.6% between January and April 1998, compared with same period in 1997. By contrast, incomes in Russia during this period fell by 7.2%, and in the northwest excluding Novgorod, they fell by nearly 8% (“Sotsialno-ekonomicheskoie polozhenie . . .” 1998, p. 106). The first seven months of 1998 also saw a 5.2% increase in industrial production in Novgorod compared with same period in 1997, while industrial production in Russia as a whole fell (Starostenkova 1998). Had the crisis of August 1998 not occurred, First Deputy Governor Skibar estimates that economic growth in the region for 1998 would have been around 9% (Kolotnecha 1999, p.3). At the same time, official unemployment rates remain significantly lower than the national average, even falling by nearly one-third during the first half of 1999 (“Soobshchenie” 1999b).

To be sure, Novgorod still faces many problems. While official unemployment is low, if one uses the methodology of the World Labor Organization to project hidden unemployment, regional unemployment stood at 9.4% in 1996, well above the Russian average of 8.7% (Tyshkevich and Bryuzgin 1998, p. 4). The ruble devaluation of August 1998 also hit the region hard. New foreign direct investments in the region have been scaled back more than forty percent in 1998 compared to 1997, which resulted in a 21 million ruble shortfall in the 1998 budget. Commercial lending within the region fell by nearly a quarter, and for the first time in years, pension payments were delayed 2-3 weeks in August and September 1998. The region’s flagship investor, Cadbury-Schweppes, suspended production for a month in September (Koval’ 1998).

Despite these setbacks, however, the region has managed to recover faster than many others. Industrial production during the first half of 1999 rose by 5.9% compared to the same period in 1998,
while investments in the region increased by more than 80% ("Soobshchenie" 1999a). By March 1999 the region's other major investor, the Danish chewing gum manufacturer Dirol, had returned to a level of profitability that allowed it to cut short its tax holiday from regional and local taxes. In August 1999 Dirol opened a second multi-million dollar facility in the region that will allow for both packaging and local manufacture of its products.

Overall, the local government seems to have been quite effective in managing a transition that has proved beyond the skills of the national government: making the local economy globally competitive without abandoning the social support network. In explaining why, local officials point to the fact that money in Novgorod went to the creation of jobs rather than into speculative investment. Just as important, they say, has been trust in local government. This trust, social capital theorists argue, is partly attributable to increased government efficiency.
Table 1

Annual Foreign Direct Investment in the Novgorod Region, 1993-1999*

Government Efficiency and Trust in Local Institutions in Novgorod

Despite some initial tensions, the regional administration has turned out to be very supportive of local self-government, if for no other reason than that it has increased efficiency by cutting costs. By the end of 1995, the regional Duma passed four basic laws regulating local self-government within the region. Five more laws were soon passed by the city Duma (Korsunov 1997, p. 10). To put this accomplishment in perspective, a year later only 25 of Russia’s 89 regions had passed 3-4 laws on local self-government, none as comprehensive as those in Novgorod (Trofimov 1997). Not surprisingly, Novgorod became the first region in Russia to successfully conduct elections for every level of government, ushering in a new era of political accountability.

If local self-government is to mean anything, however, adequate attention would have to be provided to developing an economic foundation for self-government. This in turn required the adoption of a revolutionary approach to budgeting in which financial decisions are made and executed not at the regional level, but in each city and district (Fabrichnyi 1996, p. 40).

Forming the budget at the district level revealed that nine of the region’s twenty-one districts could not cover their expenses with their current tax base. As a result, richer districts were asked to share their revenues. This put tremendous pressure on local administrators to become more effective managers. Thanks to these and other economies, the region has been able to reduce federal subsidies to the budget from 40% in 1993-94 to between 5 and 10% in 1996-1997 (Tyshkevich and Bryuzgin 1998, p. 14).

Eventually, the regional administration would like each district to be directly responsible for attracting investors, thus shoring up their own tax bases just as the region has done (Khoroshukhin and Shchegol 1998, p. 46). In effect, under the new system, richer regions transfer payments to poorer regions through a regional stabilization fund (Soldatova 1997, pp. 38-9).

In the city of Novgorod-the-Great, for example, all tax receipts collected within the city are transferred from Moscow directly to the city coffers, entirely bypassing the region. Despite the increased burden this has placed on the city budget, for Mayor Aleksandr Korsunov, the new system’s benefits far
outweigh its shortcomings; it has even led to improved social cohesion, since people are now more likely to turn to city rather than regional or federal officials for help (Korsunov 1997, pp. 10-11).

Korsunov seems to be right. In the past two years nearly 900 people have sought out their representative in the Novgorod City Duma seeking redress of grievances. City and regional officials now hold monthly "open house" meetings, which any citizen can sign up for. These are publicized in the local newspaper, Novgorod, which is distributed free to each family in the city. In addition, each year regional officials organize some two hundred meetings with local groups around the region to explain local policies and hear people's grievances (Fabrichnyi 1996, p. 40).

The impact of increased trust in government is perhaps most visible in the Obshchestvennaya Palata, or "Social Chamber," where representatives of registered social organizations can participate in the review of legislation pending before the Duma and offer their alternatives. The Social Chamber meets no less than once every 2 months and is chaired by either the head of the regional Duma or the governor.

The Social Chamber is actually an initiative of President Yeltsin's administration. Sometime in the summer of 1994, Yeltsin's advisors decided that such chambers would encourage dialogue between civic organizations and the local government, so they directed regional governors to set them up. In Novgorod, however, such an organization already existed. It had been formed about six months earlier under the auspices of the United Democratic Center to comment on existing legislation and recommend changes.

Spurred by the urgent need for legislation on local self-government, the Social Chamber unabashedly sought to influence the administration and oppose the monopoly of the pro-government party, Nash Dom Rossiya, on political life in the region. In these first six months, as local legislators grappled with the task of developing new legislation on local self-government, the Social Chamber met weekly to discuss the content of pending legislation and offer its advice (Alexandrov 1998).

After the administration formed its own Social Chamber, offering access to all political parties (even the Communists and the Liberal Democratic Party), the importance of the unofficial chamber
waned. Nevertheless, the group continues to meet sporadically, at the initiative of its members. Its opinions carry sufficient weight to entice a senior member of the administration (generally Deputy Governor Sergei Fabrichny) to find the time to attend.

Such co-optation has worked well for the administration in its dealings with civic associations. But unlike many other regions, the Novgorod administration actually seeks the input of these groups and has consistently sought to expand contacts with them. For example, the original decree from Moscow proposed setting up a Social Chamber attached to the governor’s office. The region’s young governor, Mikhail Prusak, however, decided that it should be attached not only to his office, but also to the regional Duma and the entire administration, thereby giving civic associations legal access to all levels of local government.

To encourage public involvement and debate, the local law establishing the Social Chamber stipulates that all decisions of the Chamber must be conveyed to the media, along with any minority opinions supported by no fewer than one-fifth of those present (“Ob obrazovanii” 1994). The administration has also encouraged trade union participation, which has formed the basis for subsequent legislation on “social partnership” between business, labor and government leadership.

Another example of this policy of inclusion is the proliferation of “social councils for…” (obshchetvennye sovety... pri gorodskoi oblastnoi administratsii) within the city and regional administrations. Any major initiative being considered by local government is generally put before such a council for evaluation and coordination. There were seventeen administrative committees in the Novgorod city administration in 1996, each handling 3-4 social councils, and each with a membership of roughly 15-20 members chosen from the city’s leading citizens. Thus, in this town of more than 200,000 inhabitants, roughly a thousand are involved in one or another aspect of public policy. Membership in such councils is an important facet of two-way contact between the government and key social groups (Alexandrov 1998).
The rapid introduction of local self-government seems to have had a direct impact on public trust in local government. Surveys of the region show that, even as confidence in national government is declining, confidence in local government is rising. When Governor Prusak campaigned for re-election in September 1999, he received over 91% of the vote, with slightly more than half of the eligible electorate voting.
Table 2

Trust in Public Institutions in the Novgorod Region*
(“Who do you pin your hopes on for an improvement in conditions?”)

* (“Analiticheskaya zapiska” 1998). The survey replicates the design and questions of a survey conducted in August-September 1995. One hundred participants were obtained from the city of Novgorod-the-Great, with the remainder distributed equally among the region’s 22 districts. In all, 1,164 participated in the 1998 survey. (“Monitoring” 1999). For the 1999 survey, commissioned by Sberbank of Novgorod, 2,586 participants responded from all 22 regions of Novgorod and the city of Novgorod-the-Great.
Associational Activity in Novgorod

With local self-government on the rise, it is not surprising to find civic associations in Novgorod thriving as well. At the end of 1998, there were some 521 officially registered civic organizations and many more that are active but not registered.

Before 1991 civic activism in Novgorod lagged significantly behind the rest of Russia. From 1987, when the first neformaly received Mikhail Gorbachev's blessing, to the end of 1991, the number of civic associations in Russia quadrupled. In Novgorod official statistics go back only as far as 1991, and there is no evidence of significant activity by neformaly before that time (Yarysh 1998, p. 42).

Since 1991, however, the rate of growth of civic organizations has slowed in Russia as a whole, but increased dramatically in the Novgorod region. A recent survey of civic associations in 35 regions of Russia shows that between 1991 and 1996 the total number of civic associations increased by 63% (Aleksyeva 1998). During the same period, the number of civic associations in Novgorod increased 16-fold. As a result, according to Goskomstat, Novgorod is now among the top quarter of all Russian regions in number of clubs and cultural associations per capita (Marsh 1998, pp.152-4).
Table 3

Registered Civic Organizations in the Novgorod Region

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special</td>
<td>29%</td>
</tr>
<tr>
<td>Charities</td>
<td>27%</td>
</tr>
<tr>
<td>Political</td>
<td>18%</td>
</tr>
<tr>
<td>Trade</td>
<td>15%</td>
</tr>
<tr>
<td>Cultural</td>
<td>5%</td>
</tr>
<tr>
<td>Veterans</td>
<td>6%</td>
</tr>
</tbody>
</table>

*(Zavidovsky 1998). Data gathered from "Perechen' obshchestvennykh ob'edinenii i politicheskikh partii," a computer generated list received from Mr. Zavidovsky on November 3, 1998.*
Civic associations in Novgorod fall into one of six broad categories, represented graphically in Table 3. About two-thirds are either charities, political groups or professional and trade associations, with the latter being the largest single category.

While it is hard to measure the impact that civic associations have on a society, Robert Putnam, who has studied the successes and failures of regions in Italy, has argued persuasively that “participation in civic organizations inculcates skills of cooperation as well as a sense of shared responsibility for collective endeavors. Moreover, when individuals belong to ‘cross-cutting’ groups with diverse goals and members, their attitudes will tend to moderate as a result of group interaction and cross-cutting pressures.” (Putnam 1993a, p. 89).

Comparing Italian regions to Novgorod reveals some interesting differences. For one thing, nearly three-quarters of all civic associations in Italy are sports clubs; all other groups have very low rates of participation. By contrast, in Novgorod sports associations form less than 10% of the total, while most civic associations are manifestly political or economic in nature. Removing sports clubs from the total reveals a “high” participation rate of one club for every 1050 inhabitants in Trentino/Alto-Adige and 2117 in Liguria at one extreme, and a very “low” participation rate of one club for every 13,100 inhabitants in Sardinia at the other extreme (Putnam 1993a, p. 92). Applying the same methodology to Novgorod results in a participation rate of one club for every 1643 inhabitants, which is quite high by Italian standards (Marsh 1998, pp.152-154).
**TABLE 4**

Major Types of Civic Associations in the Novgorod Region, 1991-1997

*Zavidovsky 1998*. Data gathered from “Perechen’ obshchestvennykh ob’edinenii i politicheskikh partii,” a computer generated list received from Mr. Zavidovsky on November 3, 1998.
This high level of participation is less surprising if one views civic associations as, first and foremost, a response to the government’s failure to cope with economic crisis. The point is also suggested by the steady growth of charitable organizations shown in Table 4.

The most innovative self-government initiative, however, has undoubtedly been territorial 'no obshchestvennoe samoupravlenie, or simply TOS. The TOS derive from the need to reduce government expenditures on housing by encouraging residents to assume maintenance responsibilities themselves. Reasoning that there are few areas more likely to elicit civic involvement than the condition of one’s neighborhood, the administration has encouraged the formation of what are, in effect, neighborhood associations, and given them the ability to raise funds, represent their interests before the city council, and even sue in local courts ("O vremennom . . ." 1997, pp.8-9). In the first stage, condominium or cooperative housing owners would set up a TOS to resolve issues affecting their neighborhoods. In the long run, however, the hope is that the TOS will form the basis for new cooperative arrangements throughout the city, and perhaps even the basis for new electoral districts (Korsunov 1997, p.11).

One example is the effort undertaken by the United Democratic Center, a group uniting seven local democratic parties, to organize TOS around school assemblies and parent-teacher organizations (Alexandrov 1998). After conducting initial surveys showing that nearly two-thirds of parents would be willing to participate in such an organization, and more than a third would be willing to contribute 1-2 hours a week to make it work, the Center focused on three schools in district #7 and began to organize parents in the region ("Dom" 1996).

By the end of 1998, five district TOS were in operation, including four with an average of 200 apartments, while the smaller, fifth one has only fifty apartments. Four have registered with the city administration, while the head of the fifth feels that since he was elected to serve the neighborhood, official registration is superfluous (Bessonov 1998).

The TOS illustrate the administration’s willingness to extend self-government to the most basic grass roots level. Still, some supporters fear that administration sponsorship discourages self-reliance.
Others fear that the TOS will become a mechanism for mobilizing the electorate in favor of government candidates. By far the greatest impediment to the development of the TOS, however, is that wages remain so low that few can afford to become property owners.

### Social Capital or Cultural Capital?

Novgorod shows every sign of having developed a high level of social capital upon which the government can draw to pursue much needed reforms. As startling as this assertion might seem, since we are talking about a poor region in a country reputed to have almost no democratic traditions, it is not without precedent. In the 1970s the northern Indian province of Kerala adopted policies strikingly similar to those of Novgorod. By discouraging factionalism and reaching out to social forces (organized labor in particular), the local government facilitated the acceptance of new social rules which it subsequently codified in the form of broad social agreements. A number of new social interlocutors formed with whom the government could then formulate and negotiate policy. These social agreements increased economic efficiency by preventing strikes and eased social tensions by providing a mechanism through which the state formally acknowledged its responsibility to care for the needs of the poor. Finally, the agreements established a formal procedure for the resolution of conflicts. In words highly reminiscent of Novgorod, Heller concludes that “The cycle of iterated negotiations between these groups has made the interdependence of interests more transparent, and outcomes less uncertain. Overall, this has increased the possibilities for class cooperation.” (Heller 1996, p. 1067).

The Novgorod region likewise yields new insights into the vicious cycle of negative social capital fostered by the so-called “virtual economy.” A key measure used to quantify the destructive effects of the virtual economy is the prevalence of barter and offsets in taxation rates. Anders Aslund has found that in 1996 regional governments received over 60% of local taxes in such money surrogates. For local and district governments that figure was 43%. (Aslund 1999, p. 100). For the Novgorod region the picture is very different: in 1996 money revenues constituted 74.9% of taxes, while money surrogates
constituted only 25.1%. Although the percentage of money revenues has fallen in recent years, it remains over 60% (Verkhodanov 1999). It would seem that significant foreign investment (i.e., companies that pay their taxes in real money), combined with real decentralization can actually reverse the “virtualization” of the economy.

The experience of Novgorod also tells us something about the role the state can play in fostering civil society, at least in post-communist societies. While some theorists see civil society as being in an adversarial relationship to the state, the very intrusiveness of the communist regime meant that social ties were always inextricably intertwined with state institutions.

If we assume that even the most repressive socialist regime had to leave some room for private social interaction, then perforce socialism must have had its own peculiar brand of social capital. This becomes apparent when we look at the decline of civic institutions in Eastern Europe since the collapse of communism. Contrary to the expectations of non-statists, for whom the state need only be constrained in order for civic associations to flourish, we find that associational activity has deteriorated pari passu with state institutions. That is because social support networks under the old regime, albeit inadequate, were considered fairly reliable in terms of meeting basic needs. This generated a low degree of trust in social institutions that was supplemented by personal support networks. Together, they provided “a template for network formation in a society characterized by social atomization and political segmentation” (Kolankiewicz 1996, p. 438). When the larger social order collapsed, many of these “parallel communities” found themselves crushed beneath the ruble.

Even in East Germany, where the transition from old state institutions to new ones has been quicker and less painful than elsewhere thanks to their absorption into pre-existing West German structures, there has been a fall in civic participation since reunification. A major reason, says Joyce Mushaben, has been the blanket rejection of all pre-existing Eastern associations as “undemocratic.” Ideological blinders led many in the West to dismiss the very possibility of a “civil society rooted in state-socialism.” Had a different approach been taken, she suggests, certain institutions that retained their
value in the eyes of the local populace could have been used “like antique bricks to enlarge an older
democratic house without disturbing the basic architectural style.” (Mushaben 1998, p. 2).

Such views, however, conflict with the efforts of non-statists to promote a certain type of social
capital as the appropriate focus of new development programs in the Third World. As Putnam puts it
(Putnam 1993b, p. 38):

proposals for strengthening market economies and democratic institutions center almost
exclusively on deficiencies in financial and human capital (thus calling for loans and technical
assistance). However, the deficiencies in social capital in these countries are at least as alarming. Where are the efforts to encourage “social capital formation?”

In response, organizations such as the World Bank have noticeably increased their assistance to non-
governmental organizations, and now measure their impact along side more traditional measures of

The new-found popularity of social capital has all but obscured the fact that no clear link has ever
been established between social capital and democracy. Whittington and Tarrow, for example, argue that
a well-functioning democracy depends less on social relations than on well established political
institutions and a good constitutional order (Foley and Edwards 1998a, p. 15). Rosenstone and Hanson
point out that differential mobilization of the populace often leads to very particularistic demands rather
than generic trust. (Levi 1996, p. 49). Hardin contends that associational mobilization by ethnic, racial,
religious or other ascriptive criteria only serves to undermine democracy (Levi 1996, p. 49), while Tarrow
suggests that the operational variable used by Putnam to measure social capital is not really democracy at
all, but policy performance, which can be high even in non-democratic societies. He cites the example of
regional administration in Italy under fascism, which worked pretty much the same then as it does today.

But the most serious oversight of many non-statists is their tendency to treat social capital as if it
were utterly devoid of any cultural content. As one critic has remarked, lumping social capital together
with all other forms of capital obscures the fact that norms of reciprocity and trust are more properly the
purview of culture (Foley and Edwards 1998b, p. 135). Indeed, some studies have found that participation in cultural and charitable organizations emerges as one of the strongest indicators of generalized trust (Stolle and Rochon 1998). This is due to the breadth of interests that the term “culture” encompasses and to the fact that, unlike other indicators, culture focuses on those values that forge a common identity. By establishing clear boundaries between what is “of the group” and what is not, culture sharpens the identity of the community.

Analysts have found that a high level of cultural and charitable activity often corresponds to a low level of interest in politics (Stolle and Rochon 1998, pp. 57, 61). In Central and Latin America, for example, civic organizations often see themselves as being in opposition to repressive state institutions, and also to the divisiveness and factionalism of party politics (Foley and Edwards 1998a, pp. 115, 15; Foley and Edwards 1998b, p. 125). The same seems to be true of East Germany and southern Italy. Particularly in the latter, according to Ramella, associational life is “in part political, but above all cultural, which is shaping new possibilities on the level of democratic growth and positive use of civic resources” (cited in Tarrow 1996, p. 392).

The rise of social capital in Novgorod follows very much the same pattern, with the highest level of civic participation among special interest groups, charities, and professional and trade organizations, and the highest rate of growth among charities. Especially noteworthy are the government sponsored “Christmas marathons.” Begun in 1993, this annual series of regionally televised festivals is supported by local companies to assist the needy. In 1998 over 600 local firms and more than 50,000 local citizens took part in it (Borisov, 1998).

What makes Novgorod unusual among Russian regions has been the local elites’ embrace of cultural traditions that stress self-government and openness to foreign investment. Conveniently, Novgorod’s reputation as “the cradle of Russian democracy” and “Russia’s European gateway” has been so widely mythologized by Russian historians that these two salient features of Novgorod history are quite familiar to the public.
Table 5
Elite Values in the Novgorod region, July 1999

Percentage of significant economic and political subgroups choosing the given answer in response to the question: “What was the best period in Russian history?”, compared with the average percentage responding similarly for the Novgorod region as a whole.

<table>
<thead>
<tr>
<th></th>
<th>Peter the Great</th>
<th>Stolypin</th>
<th>Novgorod Republic</th>
<th>Brezhnev</th>
<th>Khrushchev</th>
<th>Stalin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active</strong></td>
<td>20.4</td>
<td>17.9</td>
<td>-0.8</td>
<td>-8.4</td>
<td>3.3</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Higher Ed.</strong></td>
<td>5.8</td>
<td>9.4</td>
<td>1.3</td>
<td>-5.1</td>
<td>-0.5</td>
<td>-2</td>
</tr>
<tr>
<td><strong>Wealthiest 5%</strong></td>
<td>3.9</td>
<td>6.1</td>
<td>9.9</td>
<td>-23.4</td>
<td>-0.3</td>
<td>-4.4</td>
</tr>
<tr>
<td><strong>Urban</strong></td>
<td>3.6</td>
<td>3.6</td>
<td>3.7</td>
<td>-9.2</td>
<td>-0.8</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Under 25</strong></td>
<td>5.2</td>
<td>-5.7</td>
<td>5</td>
<td>-18.3</td>
<td>-6.4</td>
<td>-6.3</td>
</tr>
</tbody>
</table>

* ("Analiticheskaya zapiska" 1998). The survey replicates the design and questions of a survey conducted in August-September 1995. One hundred participants were obtained from the city of Novgorod-the-Great, with the remainder distributed equally among the region's 22 districts. In all 1,164 participated in the 1998 survey. ("Monitoring" 1999). For the 1999 survey, commissioned by Sberbank of Novgorod, 2,586 participants responded from all 22 regions of Novgorod.
A breakdown of 1999 survey results by elite political and economic subgroups (the most active electorate, those who completed higher education, those with per capita family incomes over 1500 rubles/month – 5.1% of the population –, and those under 25) reveals a striking consensus of positive associations with Peter the Great, reformist Tsarist Prime Minister Stolypin, and the Medieval Novgorod Republic.

The emergence of such a strong local consensus around these positive political myths has been aided by the coincidence of several factors. First, the collapse of the official communist party ideology and the constraints that it imposed on the discussion of local history. Second, the blanket restoration of old street names (an initiative promulgated by the Novgorod City Soviet in 1991), the restoration of churches, including the politically and historically significant Cathedral of St. Sophia in 1993, and the revival and official recognition granted to local holidays and festivals, all encouraged public discussion of alternatives to the Soviet past. Third, many local activists see the problems facing Novgorod today as not that dissimilar from those it faced in the past. Today the region must expand trade to survive, introduce local self-government, and keep a safe distance from Moscow to preserve its freedom. As any medieval historian can attest, these are precisely the issues that Novgorodians had to grapple with from the 12th to 15th centuries.

Future progress will require even broader public participation in local politics. This in turn presupposes a more sharply defined sense of regional identity. To help anchor this regional identity in people's consciousness, local opinion makers will probably emphasize the positive myths about Novgorod’s past even more in the future, and encourage the population to draw clear distinctions between

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1 The “under 25” age category is included because it evinces the highest level of interest in politics and electoral participation of any age group. It is also the group most likely to protest against the cancellation of elections, and has the highest percentage (19.9%) indicating that participation in philanthropic activity is a “valuable quality for a citizen and a patriot.” Although less likely than any other age group to view voting as a “civic duty” (27.2% versus 72.7% among those over 60), this gap narrows significantly when factors such as “familiarity with the candidate” are included. Only 12.4% of the under 25 age group say they never participate in elections (“Monitoring” 1999, pp. 74-89).
the “Novgorod heritage” of democracy and openness and the “Muscovite heritage” of centralization and isolation (Likhachev 1995, pp. 4-5: Yanin 1998, p. 8).

Governor Prusak recently made this contrast a prominent part of his own political agenda. At the conclusion of his book Reform in the Provinces (Prusak 1999), he provides a textbook example of how government can promote an alternative cultural framework:

There is no need to invent artificial ideas, no need to mechanically transfer the American dream onto Russian soil. If we refer to our own past, we see that in Russian history there was a city that was able to combine democracy, free market relations, and other accomplishments of civilization with national traditions. That city was Lord Novgorod-the-Great, the capital of a once flourishing civic republic that extended from the White Sea to the Urals.

Academician Yanin, who has devoted his entire life to studying Novgorod’s history, has shown conclusively that Rus’ originated here. In contrast to the starkly centralized model that Muscovite Rus inherited from Kievan Rus (adding its own absolutist tendencies to it), the Novgorod model was characterized by greater openness and democracy. All major decisions were taken by the popular assembly – the veche. It elected its own spiritual leader – the archbishop – who was the leading figure in the city, while the prince fulfilled the role of military commander.

The Novgorod model has demonstrated its viability by giving the world a unique culture that created enormous material and spiritual wealth. But history decreed that the nation would take another path. The eastern tradition, represented by the principality of Vladimir-Suzdal, and later Moscow, gained the upper hand. The Novgorod Republic was forcibly destroyed and yet, over the course of centuries, she continued to exist in people’s memory. Today this model has a new historical opportunity. Our generation can return to the principals of our ancestors, but on a new basis. Self-government, elections, public accountability of authority, private property, individual liberty – the very cornerstones of the Novgorod Republic – are regaining their former significance.

On January 27, 1998 a joint session of the city and regional Dumas took a truly symbolic step. The deputies unanimously resolved to restore to Novgorod her previous historical name – Novgorod-the-Great. In taking this decision, the deputies not only rectified a historical injustice, but reaffirmed their commitment to those principles by which our ancient city once lived. Without foisting our views on anyone, it seems to us that it is precisely in these principles that we must seek the roots of that national idea that the new Russia so desperately needs. (Prusak 1999, pp. 94-96)

Conclusions

Novgorod’s success in creating such impressive levels of social capital in such a short time adds another important dimension to our understanding of why the state is so important to fostering social trust. While the factors that promote trust vary from culture to culture, there is one common element –
the need for stable state institutions to allow for predictable engagement among social actors and a credible system of enforcing norms. As the prime agent of socialization, the state plays a crucial role in providing a common cultural framework for society through education.

The importance of a common cultural framework is particularly keenly felt in “transition” societies, where new patterns emerge only very slowly and at a high cost to social stability. The cultural discontinuity that inevitably accompanies social upheavals leads most often not to the embrace of change, but to a prolonged period of uncertainty during which cultures are “plunged into a collective infancy” (Eckstein 1988, p. 799). In post-communist societies, where the state nearly subsumed civil society, most people still instinctively look to the state to help them make sense of the world around them. When it fails to do this, many prefer to withdraw from society rather than work to transform it. Novgorod has succeeded in building a high level of social capital because the local elite and the regional government have worked together to face the problems posed by this cultural discontinuity. By defining reforms as a restoration of the values of a more prosperous Russian past, local government has eased the anxieties that inevitably accompany abrupt changes.

Novgorod’s success in forging a social consensus around a “new” set of traditional values suggests some lessons for the rest of the former Soviet Union. First, ideas and symbols matter very much. Indeed, they have a direct impact on the creation of social capital. Local governments and elites are far from helpless in defining common social values and priorities for their communities, even in the absence of a national consensus. The key to success seems to be minimizing the disruption of old institutions where they continue to serve public needs, while simultaneously embracing new institutions and values, but placing them firmly within the context of traditional cultural values.

Finally, the results achieved in the Novgorod region should lead us to rethink the widespread assumption that Russian history is a burden to reform. Without reference to the past, no meaningful transition to the future is possible; the key lies in choosing the kind of past that provides the best model
for the future. By banking on its past, Novgorod has already begun to reap the rewards of its investment in cultural capital.
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