

How Persistent is Social Capital?



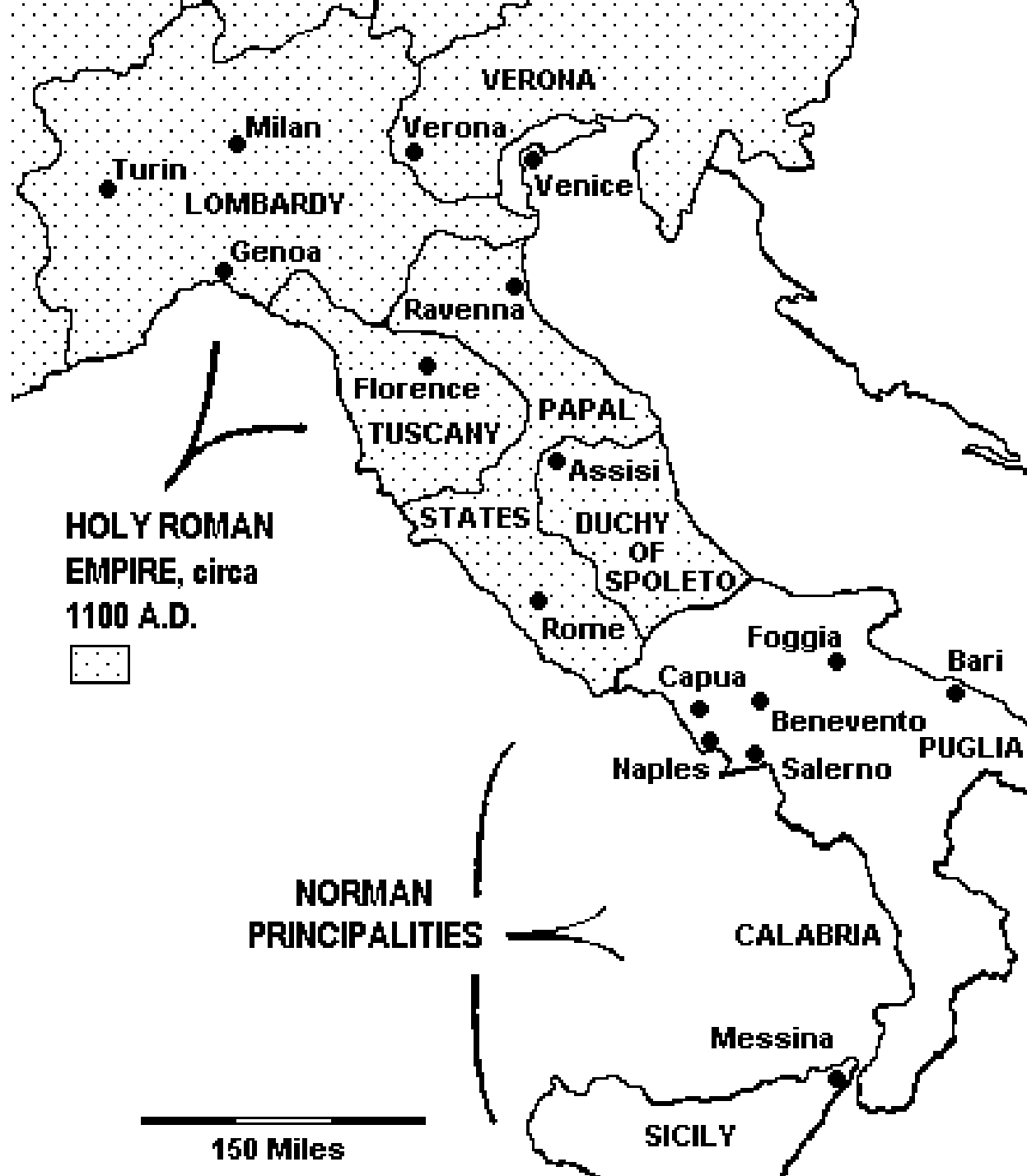
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What Is Social Capital?



- Factor of production (similar to physical/human K)
 - Encourages cooperation and helps overcome free riding
- SK: social connections and interactions
 - Inter-personal relationships and networks
 - Civic/voluntary participation
 - Trust and reciprocity
- SK has favorable economic, political and social effect
 - Better growth and economic performance
 - Lower crime
 - Higher human capital
 - Higher individual socio-economic status

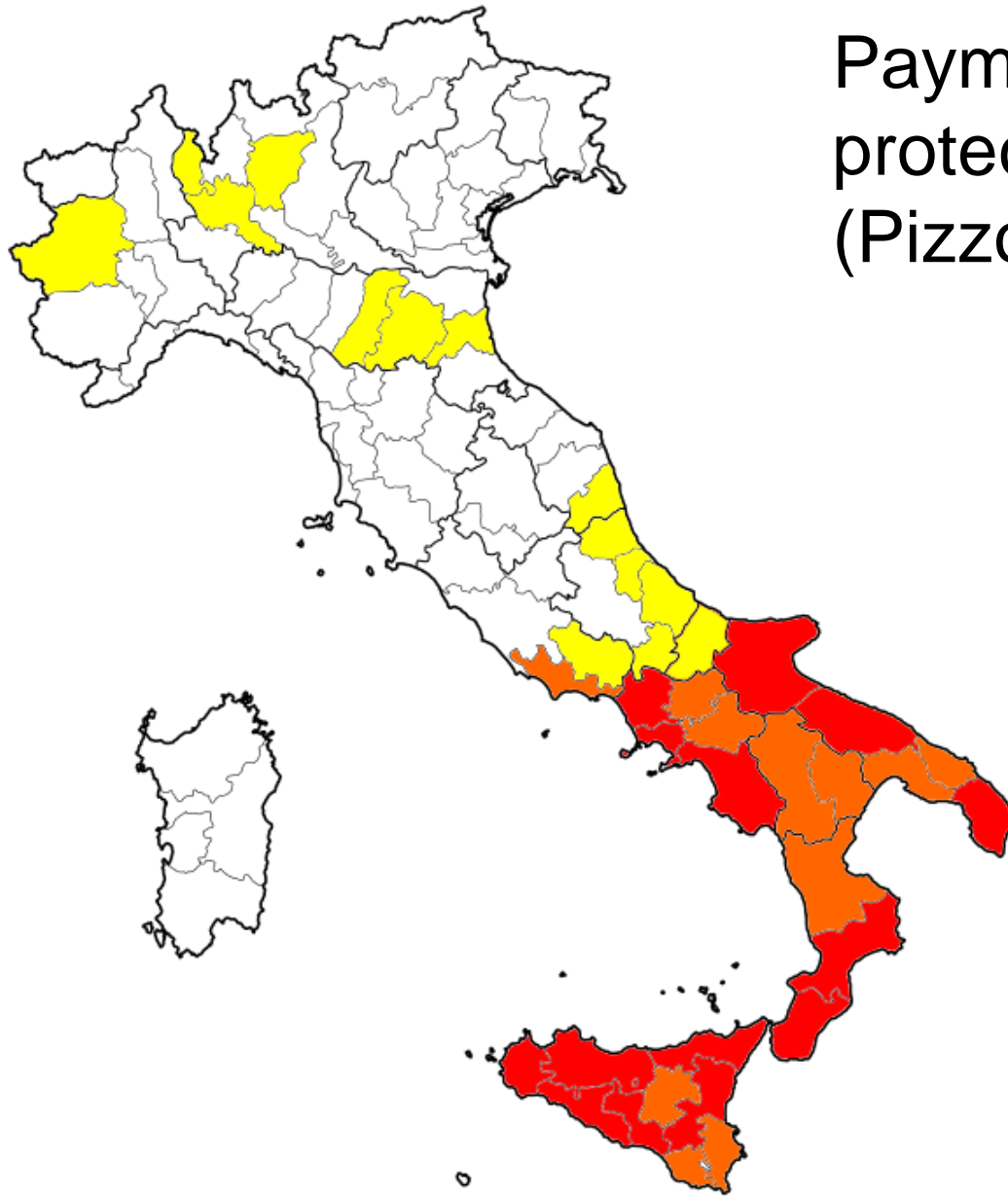


Is SK Persistent? Putnam et al. (1993)



- Social capital as explanation of Mezzogiorno's economic underdevelopment
- South: Byzantine empire → Arab and Norman conquests and foreign domination, centralized and autocratic rule, top-down regulation, wealth=land
- North: Holy Roman Empire → city states, bottom-up rule, regulation by citizens and guilds, wealth derived from commerce and finance
- Result: high civic participation and generalized trust in the North, low SK and wide-spread crime in the South

Payment of protection Money (Pizzo) in Italy



Is SK Persistent?



- Tabellini (2006, 2007): European regions
 - Decentralized decision-making in 17-19th century → better culture and higher per-capita incomes
- Guiso, Sapienza and Zingales (2008a): Italy
 - Geography vs historical legacies ?
 - Free city states by 10-12th century → higher SK at present
 - Explains up to half of the North-South SK gap
 - Holds both for North vs South and within North
 - Robust to use of IV and dif-in-dif
- Guiso, Sapienza and Zingales (2008b): Italy
 - Intergenerational transmission of beliefs → short *impulse* may have persistent effect on values

Persistence of Institutions and Norms



- Institutions (formal/informal) highly persistent
- Acemoglu, Johnson and Robinson; Nunn (2008): historical origins of inefficient institutions in LDCs
- Grosfeld and Zhuravskaya (2011); Wysokinska (2011); Becker et al. (2011); Dimitrova-Grajzl (2007); Grosjean (2009); Roland (2010), Karaja (2014): culture and attitudes shaped by legacy of empires in Europe
- Voigtländer and Voth (2011): pogroms against Jews after Black Death (1340s) correlate with intensity of Holocaust (1930s)

Importance of History



- Inherited poor institutions and low social capital may have persistent effects on economic development
 - North vs South Italy
 - Post-communist countries: low SK as legacy communism (Paldam and Svendsen, 2000; Growiec and Growiec, 2011)

This Paper



- Re-populated regions as natural experiment
 - Border changes and population transfers after WWII
 - Land reclamation
- Key assumption: SK as social ties and norms
 - social ties poorly portable
 - norms context dependent
 - Matějka (2008): repopulation of Sudetenland
- SK observed with lag of 50-60 years
- Are residents of repopulated regions different from similar individuals in other regions of the same country?

Recovered and Lost Territories of Poland



- German territories east of Oder-Neisse Line → annexed by Poland
 - Pomerania, Silesia, Free City Danzig and southern East Prussia
 - Mainly German inhabited, with some Poles and other ethnic groups (Kashubians, Masurians and Silesians)
 - Most Germans expelled or fled: 7 mn (est.)
- Polish territories east of the Curzon Line → annexed by the Soviet Union
 - Mixed population
 - Lwów (Lviv), Tarnopol (Ternopil) and Wilno (Vilnius) with Polish majorities
 - Most Poles expelled or compelled to leave



Resettlement of 'Recovered Territories'



- Kashubians, Masurians and Silesians (indigenous Slavs with German citizenship) allowed to stay
- Polish settlers: 5.3 mn (est.)
 - Voluntary migrants from central Poland
 - Polish refugees from *Kresy*
 - Returning Poles from third countries
- Involuntary resettlement of Ukrainians and Belarusians from central Poland (150 ths)

Sudetenland



- German inhabited borderlands of Czechoslovakia
- Annexed by Germany in 1938; most Czechs fled or forced to leave
- Restored to Czechoslovakia in 1945
- 3-3.5 mn ethnic Germans expelled to Germany and Austria in 1945
- Sudetenland repopulated
 - Voluntary (opportunistic) & involuntary Czech/Slovak settlers
 - Ethnic Czechs from Romania, Ukraine and elsewhere
 - Forcibly resettled ethnic Hungarians and Roma from Slovakia



Deutsches Reich mit Sudetenland 1938-1945

Venezia Giulia

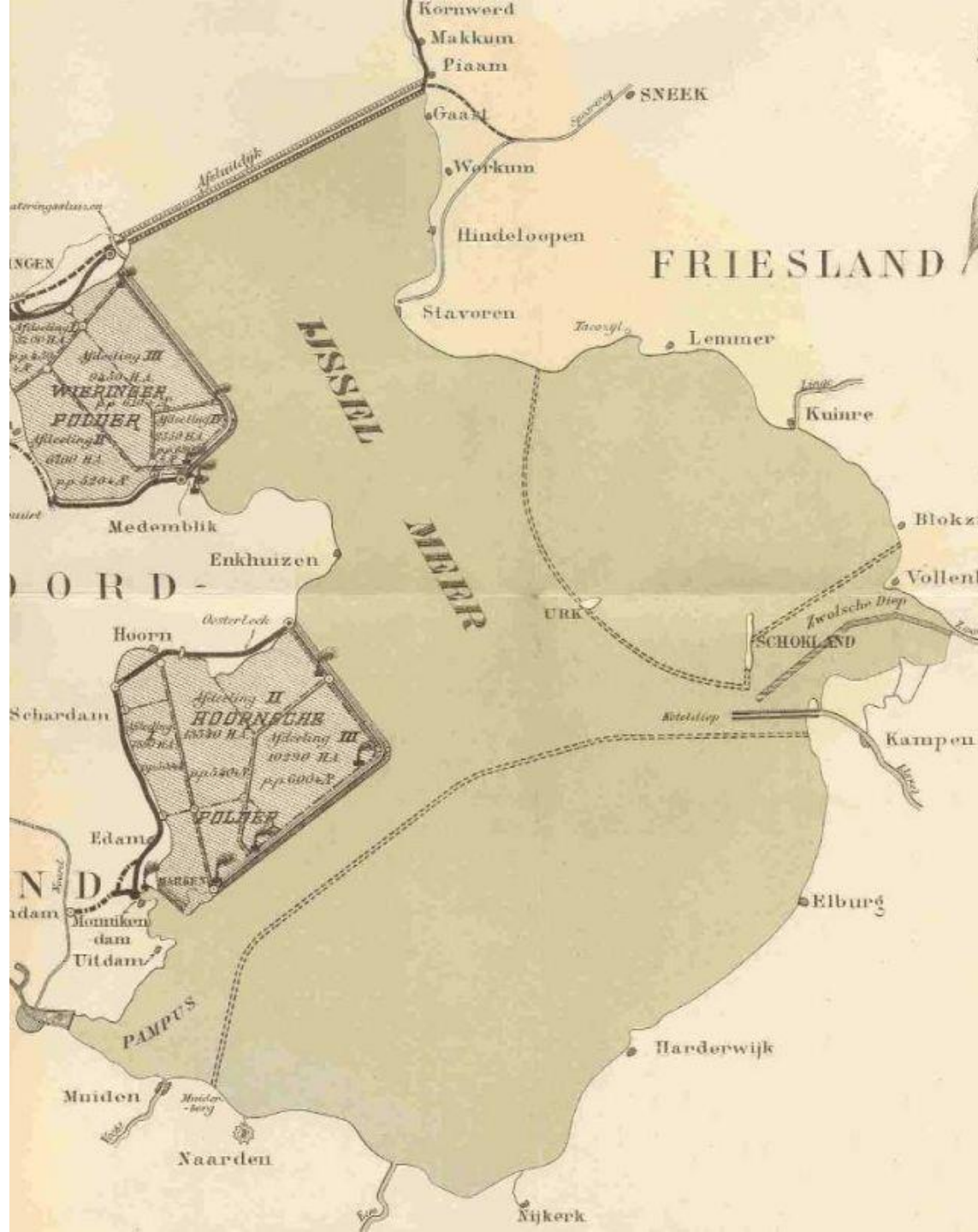


- Austrian territory annexed by Italy after WWI
- Mixed population: 380 ths SLO/HR vs 560 ths IT in 1936, Italians mainly in/around Trieste, Istria and Adriatic Islands
- WWII: Western part (Zone A) occupied by UK/US; East and South (Zone B) occupied by Yugoslavia
- Italian/Yugoslav border treaty 1947
 - Largely recognized lines of control
- Free Territory of Trieste similarly divided in 1954
- Over 200 ths Italians left Yugoslavia for Italy

Flevoland



- Zuiderzee closed off in 1932 → IJsselmeer
- Land reclamation in stages:
 - 1942: North-East Polder
 - 1957: East Flevoland
 - 1968: South Flevoland
- Flevoland established as province in 1986
- 95% population migrants and their descendants
 - Except Urk (20 ths); total population 388 ths
- Migrants deliberately dispersed
 - The only dialect-free region in NL





Summary: Affected Regions



- DE→PL: Dolnoslaskie, Lubuskie, Opolskie, Warmińsko-Mazurskie and Zachodniopomorskie voivodships and parts of Pomorskie and Slaskie
- DE→CZ: Severozápad and parts of Severovýchod and Juhozápad
- PL→UKR: Lviv and Ternopil
- IT→SLO: Goriška and Obalno-kraška
- Sea→NL: Flevoland

Data



- European Social Survey (waves 1-4): 2000-8
- 30 countries: Europe, Turkey, Russia, Ukraine, Israel
- SK proxied with trust and social networks/contacts
- Detailed socio-economic information on respondents
- Country fixed effects and survey-wave dummies included

Trust



1. Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people? [1 – 10]
2. Do you think that most people would try to take advantage of you if they got the chance, or would they try to be fair? [1 – 10]
3. Would you say that most of the time people try to be helpful or that they are mostly looking out for themselves? [1 – 10]

Social Relationships/Networks



1. How often do you meet socially with friends, relatives or work colleagues? [1 – 7]
2. Do you have anyone with whom you can discuss intimate and personal matters? [0/1]
3. Compared to other people of your age, how often would you say you take part in social activities? [1 – 5]

Variable [Scale]	Trust People [0-10]	People Fair [0-10]	People Help [0-10]	Meet Socially [1-7]	Discuss Matters [0-1]	Socially Active [1-5]
Austria	5.1	5.7	5.2	5.1	0.90	2.8
Belgium	5.0	5.7	4.6	5.2	0.88	2.7
Bulgaria	3.4	4.4	3.2	4.8	0.85	3.0
Switzerland	5.7	6.4	5.5	5.2	0.96	2.7
Cyprus	4.2	4.6	4.1	4.3	0.90	2.6
Czech Rep.	4.4	5.2	4.2	4.5	0.81	2.6
Germany	4.7	5.8	4.9	4.8	0.95	2.7
Denmark	6.9	7.3	6.1	5.4	0.93	2.9
Estonia	5.4	5.7	4.9	4.5	0.86	2.4
Spain	5.0	5.3	4.5	5.4	0.93	2.6
Finland	6.5	6.8	5.8	5.1	0.92	2.8
France	4.4	5.7	4.5	5.2	0.88	3.0
UK	5.3	5.6	5.6	5.1	0.92	2.7
Greece	3.9	3.8	3.2	4.0	0.90	2.7
Croatia	4.4	4.6	3.7	5.3	0.88	2.5
Hungary	4.2	4.7	4.3	3.7	0.92	2.4
Ireland	5.4	5.9	5.9	4.8	0.91	2.7
Israel	5.1	5.3	4.7	5.3	0.87	2.7
Italy	4.4	4.6	3.9	4.9	0.80	2.4
Luxembourg	5.1	5.6	4.7	5.1	0.91	2.7
Netherlands	5.8	6.3	5.4	5.4	0.93	2.8
Norway	6.7	7.0	6.0	5.7	0.94	2.9
Poland	4.0	4.8	3.5	4.3	0.89	2.6
Portugal	3.9	4.9	3.9	5.7	0.89	2.6
Russia	4.0	4.9	4.0	4.4	0.89	2.6
Sweden	6.2	6.6	6.0	5.3	0.92	2.9
Slovenia	4.1	4.8	4.5	4.6	0.91	2.7
Slovakia	4.1	4.6	4.0	4.8	0.86	2.5
Turkey	2.6	3.4	3.2	4.8	0.59	2.4
Ukraine	4.1	4.5	3.7	4.5	0.85	2.9
Average	4.8	5.3	4.6	4.9	0.88	2.7

	Poland			Czech Rep			Slovenia			Ukraine			Netherlands		
	C	T	T/C	C	T	T/C	C	T	T/C	C	T	T/C	C	T	T/C
Trust People	2.92	2.91	1.00	3.39	3.10	0.91	4.19	4.24	1.01	2.79	3.00	1.08	5.15	5.16	1.00
People Fair	4.68	4.69	1.00	5.18	5.17	1.00	4.81	4.96	1.03	4.52	4.60	1.02	6.25	6.10	0.98
People Help	3.36	3.43	1.02	4.11	4.11	1.00	4.48	4.57	1.02	3.71	3.51	0.95	5.34	4.98	0.93
Meet Socially	4.25	4.38	1.03	4.40	4.46	1.01	4.57	4.69	1.03	4.49	4.68	1.04	5.36	5.45	1.02
Discuss	0.88	0.89	1.01	0.81	0.81	1.00	0.91	0.92	1.02	0.86	0.83	0.97	0.93	0.97	1.05
Soc Active	2.59	2.59	1.00	2.59	2.55	0.98	2.66	2.71	1.02	2.93	2.95	1.01	2.83	2.87	1.01
Happiness	6.76	6.82	1.01	6.83	6.77	0.99	7.13	7.21	1.01	5.43	6.05	1.11	7.71	7.71	1.00
Health	2.45	2.41	0.98	2.41	2.41	1.00	2.46	2.31	0.94	3.00	2.81	0.94	2.17	2.10	0.96
Pray	2.54	2.81	1.10	5.81	6.20	1.07	4.97	4.91	0.99	3.97	1.70	0.43	4.78	5.07	1.06
Education	11.61	11.67	1.01	12.44	12.16	0.98	11.47	11.54	1.01	11.63	11.23	0.97	12.86	13.98	1.09
Partner	0.59	0.59	1.01	0.57	0.55	0.96	0.60	0.59	0.97	0.54	0.56	1.04	0.62	0.57	0.93
Male	0.48	0.48	0.99	0.48	0.48	1.00	0.46	0.46	0.98	0.37	0.43	1.16	0.45	0.37	0.82
Age	43.33	43.31	1.00	48.44	48.92	1.01	45.63	45.95	1.01	49.31	47.31	0.96	48.99	43.20	0.88
Paid Work	0.48	0.45	0.94	0.52	0.50	0.97	0.46	0.47	1.02	0.42	0.41	0.97	0.57	0.64	1.14
Student	0.16	0.16	1.00	0.07	0.07	0.98	0.18	0.21	1.11	0.07	0.11	1.55	0.09	0.11	1.32
Unemployed	0.06	0.07	1.27	0.03	0.03	1.18	0.04	0.03	0.86	0.04	0.06	1.58	0.02	0.03	1.66
Inactive	0.03	0.03	1.01	0.01	0.02	1.49	0.04	0.02	0.57	0.02	0.03	1.48	0.02	0.02	1.44
Sick	0.02	0.02	0.97	0.03	0.04	1.43	0.02	0.02	0.90	0.02	0.03	1.37	0.06	0.07	1.26
Retired	0.29	0.29	0.98	0.32	0.31	0.98	0.29	0.31	1.09	0.39	0.34	0.88	0.20	0.10	0.47
Homeworkr	0.19	0.22	1.11	0.16	0.16	0.99	0.26	0.30	1.15	0.23	0.27	1.18	0.39	0.53	1.35
Foreign Born	0.01	0.02	3.74	0.03	0.04	1.47	0.08	0.11	1.46	0.12	0.04	0.34	0.08	0.11	1.35
Eth Minority	0.01	0.03	2.07	0.03	0.02	0.95	0.03	0.02	0.91	0.05	0.02	0.40	0.05	0.10	1.77

Results: Baseline Model



- Similar across different measures of SK
- Similar with previous studies : Fidrmuc and Gërxfhani (2008)
- U-shaped/negative effect of age:
 - Lowest trust around 30 years of age
 - Lowest social participation around 80
- Education and being student → higher SK
- Unemployed, inactive and ill → less SK
- Retired: less trust, more social contacts
- Ethnic minorities → less SK

	Trust People	People Fair	People Help	Meet Socially	Discuss Matters	Socially Active
Male	0.105	-0.154	-0.124	0.093	-0.472	0.037
	(0.009)**	(0.009)**	(0.009)**	(0.009)**	(0.018)**	(0.010)**
Age	-0.012	-0.011	-0.013	-0.055	-0.056	0.003
	(0.002)**	(0.002)**	(0.002)**	(0.002)**	(0.003)**	(0.002)*
Age sqrd/1000	0.182	0.201	0.206	0.319	0.338	-0.096
	(0.017)**	(0.017)**	(0.017)**	(0.017)**	(0.029)**	(0.018)**
Education years	0.038	0.041	0.019	0.007	0.058	0.044
	(0.001)**	(0.001)**	(0.001)**	(0.001)**	(0.003)**	(0.001)**
Household members	0.027	0.031	0.028	0.008	-0.010	0.028
(number)	(0.004)**	(0.004)**	(0.004)**	(0.004)	(0.008)	(0.004)**
Children	0.030	-0.011	-0.010	-0.166	0.020	-0.188
(dummy)	(0.012)*	(0.012)	(0.012)	(0.012)**	(0.024)	(0.013)**
Married/cohabit.	-0.012	0.031	-0.021	-0.375	0.825	0.013
	(0.011)	(0.011)**	(0.011)*	(0.011)**	(0.020)**	(0.011)
Suburb of city	-0.006	-0.025	-0.054	0.008	-0.011	-0.029
	(0.016)	(0.016)	(0.016)**	(0.016)	(0.033)	(0.017)
Town	-0.032	-0.001	-0.023	0.047	-0.051	-0.052
	(0.013)*	(0.013)	(0.012)	(0.013)**	(0.025)*	(0.013)**
Village	0.004	0.040	0.065	0.075	-0.076	-0.044
	(0.013)	(0.013)**	(0.013)**	(0.013)**	(0.025)**	(0.014)**
Farm/countryside	-0.090	0.101	0.150	-0.039	-0.123	-0.187
	(0.021)**	(0.021)**	(0.021)**	(0.022)	(0.043)**	(0.023)**
Coping with income	-0.293	-0.232	-0.147	-0.154	-0.154	-0.236
	(0.011)**	(0.011)**	(0.011)**	(0.011)**	(0.024)**	(0.012)**
Difficult with income	-0.500	-0.507	-0.380	-0.372	-0.442	-0.518
	(0.015)**	(0.015)**	(0.015)**	(0.015)**	(0.029)**	(0.015)**
Very difficult	-0.764	-0.797	-0.651	-0.561	-0.702	-0.893
	(0.021)**	(0.021)**	(0.021)**	(0.021)**	(0.036)**	(0.022)**

	Trust People	People Fair	People Help	Meet Socially	Discuss Matters	Socially Active
Paidwork	-0.025	0.002	-0.009	-0.111	0.251	0.102
	(0.015)	(0.015)	(0.015)	(0.015)**	(0.031)**	(0.016)**
Student	0.265	0.198	0.120	0.398	0.423	0.367
	(0.020)**	(0.020)**	(0.020)**	(0.020)**	(0.049)**	(0.021)**
Unemployed	-0.164	-0.116	-0.099	0.054	-0.070	0.036
	(0.026)**	(0.025)**	(0.025)**	(0.026)*	(0.047)	(0.027)
Inactive	-0.130	-0.125	-0.111	0.024	-0.085	-0.038
	(0.033)**	(0.033)**	(0.033)**	(0.034)	(0.058)	(0.035)
Sick/disabled	-0.226	-0.233	-0.150	-0.152	-0.100	-0.624
	(0.027)**	(0.027)**	(0.027)**	(0.028)**	(0.045)*	(0.029)**
Retired	-0.055	-0.047	-0.050	0.046	0.106	0.062
	(0.019)**	(0.019)*	(0.019)**	(0.019)*	(0.034)**	(0.020)**
Homeworker ⁽³⁾	0.044	0.010	0.010	0.031	-0.036	-0.061
	(0.012)**	(0.012)	(0.012)	(0.012)**	(0.025)	(0.013)**
Foreign born	-0.226	0.079	-0.002	0.114	0.314	0.199
	(0.017)**	(0.017)**	(0.016)	(0.017)**	(0.031)**	(0.017)**
Ethnic minority	0.037	-0.189	-0.153	0.014	-0.090	-0.009
	(0.022)	(0.021)**	(0.021)**	(0.021)	(0.037)*	(0.022)
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
ESS wave dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	167,522	171,071	171,839	172,135	-	169,095

Results: Controlling for Resettled Regions



- Coefficients for other variables little affected
- No systematic difference vis-à-vis other regions
- Similar results with individual dummies for repopulated regions and a summary dummy
- Individual-country regressions: similar results

	Trust People	People Fair	People Help	Meet Socially	Discuss Matters	Socially Active
Repopulated dummy	-0.088	.032	.010	.109	.068	-.017
	(.028)**	(.028)	(.029)	(.028)**	(.049)	(.030)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy (alternative definition)	-.102	.038	.017	.123	.037	-.029
	(.028)**	(.029)	(.029)	(.028)**	(.050)	(.030)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy (ESS 1)	-.039	-.017	.124	.094	.110	.004
	(.057)	(.059)	(.059)*	(.058)	(.107)	(.061)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy (ESS 2)	-.062	.061	-.032	.092	.026	-.046
	(.050)	(.051)	(.051)	(.050)	(.084)	(.054)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy (ESS 3)	-.183	-.024	.006	.232	.173	.071
	(.068)**	(.068)	(.069)	(.068)**	(.136)	(.072)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy (ESS 4)	-.040	.065	-.051	.082	.061	-.049
	(.052)	(.053)	(.053)	(.052)	(.091)	(.056)
Controls/dummies	Yes	Yes	Yes	Yes	Yes	Yes

	Trust People	People Fair	People Help	Meet Socially	Discuss Matters	Socially Active
Flevoland	-0.021	-0.174	-0.253	-0.032	1.076	-0.015
	(0.129)	(0.126)	(0.132)	(0.134)	(0.514)*	(0.146)
Severozapadny	-0.095	0.114	0.188	0.038	0.039	-0.135
	(0.075)	(0.080)	(0.080)*	(0.077)	(0.117)	(0.083)
Severovychodny	-207.261	8.513	-59.750	89.562	153.982	-55.802
	(65.378)**	(67.217)	(67.162)	(66.348)	(102.568)	(71.660)
Juhozapadny	-0.248	0.074	0.016	0.091	0.018	0.104
	(0.070)**	(0.074)	(0.074)	(0.072)	(0.111)	(0.077)
Dolnoslaskie	0.093	0.003	0.066	0.078	-0.077	-0.066
	(0.086)	(0.089)	(0.085)	(0.087)	(0.155)	(0.090)
Lubuskie	0.195	-0.096	0.089	0.292	0.236	0.190
	(0.131)	(0.134)	(0.132)	(0.135)*	(0.266)	(0.138)
Opolskie	0.322	0.281	0.146	-0.024	0.222	-0.068
	(0.141)*	(0.141)*	(0.139)	(0.142)	(0.278)	(0.149)
Pomorskie	-0.082	0.285	0.282	0.102	0.097	0.093
	(0.095)	(0.096)**	(0.098)**	(0.092)	(0.183)	(0.098)
Slaskie	-0.171	-0.115	0.000	0.091	0.175	-0.087
	(0.066)**	(0.068)	(0.068)	(0.066)	(0.134)	(0.070)
Warminsko-mazur	0.113	0.017	0.214	0.115	-0.060	-0.146
	(0.109)	(0.113)**	(0.113)	(0.113)	(0.198)	(0.117)
Zachodnopomorskie	-0.199	0.054	-0.169	0.422	0.095	0.040
	(0.111)	(0.109)	(0.109)	(0.107)**	(0.205)	(0.115)
Goriska	-0.022	0.287	0.160	-0.031	0.262	0.112
	(0.101)	(0.100)**	(0.102)	(0.097)	(0.226)	(0.104)
Obalno-kraska	-0.137	-0.252	-0.189	0.344	0.042	-0.052
	(0.123)	(0.123)*	(0.123)	(0.124)**	(0.247)	(0.129)
Lviv	0.123	0.125	-0.237	0.140	-0.237	-0.004
	(0.114)	(0.105)	(0.111)*	(0.106)	(0.172)	(0.110)
Tarnopol	-0.780	-0.656	-0.465	0.523	-0.784	-0.283
	(0.251)**	(0.263)**	(0.264)	(0.270)*	(0.376)*	(0.283)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
ESS wave dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	167,522	171,071	171,839	172,135	-	169,095

	Trust People	People Fair	People Help	Meet Socially	Discuss Matters	Socially Active
Repopulated dummy	-0.0133	-0.0002	.0414	.1127	.0483	-0.0168
Poland	(.0453)	(.0449)	(.0445)	(.0451)	(.0856)	(.0481)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy	-0.2000	.0615	.0223	.0897	.0843	-0.0022
Czech Republic	(.0496)***	(.0495)	(.0492)	(.0497)*	(.0759)	(.0529)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy	-0.0771	.0507	-0.0008	.1070	.1741	.0215
Slovenia	(.0816)	(.0792)	(.0803)	(.0807)	(.1757)	(.0853)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy	.0174	-0.0151	-0.2239	.1129	-0.2777	-0.0513
Ukraine	(.1017)	(.0980)	(.0996)C**	(.0995)	(.1598)*	(.1047)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Repopulated dummy	-0.1132	-0.2177	-0.2820	-0.1029	1.0897	-0.0072
Netherlands	(.1362)	(.1334)*	(.1382)**	(.1402)	(.5218)**	(.1451)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes

Conclusions



- Partially or completely repopulated regions suffer little or no SK gap after approx. two generations
 - ⇒ SK not very persistent
 - ⇒ Destroyed SK regenerates relatively quickly
 - ⇒ Most of current SK stock accumulated recently rather than inherited
 - ⇒ Historical legacies not necessarily important or persistent with respect to SK

Conclusions (cont'd)



- Low SK in Mezzogiorno and elsewhere: cause or effect of economic/institutional backwardness?
- Organized crime likely crucial
- Putnam: Mafia arose because of
 - Weak enforcement of laws and contracts
 - Ancient culture of mistrust
- **But: Mafia emerged only during the 1800s**
 - Land reform (1812): nobility ceased private law enforcement
 - Italian reunification (1860): weak state institutions put in place (Dickle, 2014; Bandiera, 2002)
 - New land-owners turned to Mafia for protection (Skaperdas, 2001)

Conclusions (cont'd)



- Organized crime captured local government in the South (Allum, 2006; Geys and Daniele, 2014)
- Similar experience in Russia and some other FSU countries (Dawisha, 2014; Browder, 2015)
- Weak state and state capture foster mistrust, not (only) historical legacies
- Effective governance and rule of law prerequisites for closing the SK gap
- Roots of Mezzogiorno/FSU backwardness less deep than one might think