XXV
CICLO DEL DOTTORATO DI RICERCA IN
POLITICHE TRANSFRONTALIERE PER LA VITA QUOTIDIANA

IL CAPITALE SOCIALE IN ALBANIA (Il Caso di Tirana)

Settore scientifico-disciplinare: SOCIOLOGIA DEI PROCESSI CULTURALI E COMUNICATIVI

DOTTORANDO
BLENDI CALI

COORDINATORE
PROF. LUIGI PELLIZZONI

SUPERVISORE DI TESI
PROF. ALBERTO GASPARINI

ANNO ACCADEMICO 2011/2012
# Table of Contents

## List of Tables and Figures

1. List of Tables and Figures

## 1 Introduction

## 2 Theories and aspects of social capital

2.1 Origin of social capital Hanifan, Jacobs, Loury

2.2 Pierre Bordieu

2.3 James Coleman

2.3.1 Relations of reciprocal trust

2.3.2 Relations of authority

2.3.3 The information potential

2.3.4 The norms and sanctions

2.3.5 Appropriable social organizations

2.4 Robert Putnam

2.4.1 Elements of social capital

2.4.2 Trust

2.4.3 Norms of Reciprocity

2.4.4 Networks of Civic Engagement

2.4.5 Bonding and Bridging

2.5 Francis Fukuyama

2.6 Ronald Burt
2.7 Nan Lin...........................................................................................................28
2.8 Social capital in the classic authors of sociology........................................32
2.9 Individual Collective and Relational social capital.....................................34
2.10 The dark side of social capital........................................................................37
2.11 Critics of social capital....................................................................................41
  2.11.1 John Harriss...............................................................................................41
  2.11.2 Kenneth Newton.......................................................................................42
  2.11.3 Joel Sobel..................................................................................................43
  2.11.4 Steven Darlauf...........................................................................................44

3 Social capital and economy .............................................................................46
  3.1 The individual level........................................................................................47
  3.2 The community level......................................................................................49
  3.3 Transaction costs............................................................................................51
  3.4 Social capital at the national level.................................................................53
  3.5 Social capital and microfinance.................................................................59
  3.6 The role of microfinance in the creation of new social capital....................62
  3.7 Social capital and Economic Production....................................................63
  3.8 Social capital and Clusters...........................................................................67
  3.9 Social capital as policy..................................................................................67
3.9.1 Network policy and bonding social capital...............................69
3.9.2 Partnership and social capital..............................................69
3.9.3 Co-governance co-production and social capital......................71
3.9.4 World Bank and developing countries polices........................75

4 State, institutions and their relationship to social capital..................79

4.1 Institutional approach to social capital....................................81

4.2 Government policies and generalized trust...............................84

4.3 Networks of civic engagement and political engagement..............86

4.4 Social capital in the former communist countries.......................90

4.5 Social capital and Local Governance.....................................92

4.5.1 Local governance and the creation of social capital..................94

4.5.2 Local space as a development factor....................................101

4.5.3 Social capital of enterprises..............................................102

4.5.4 Politics and associations....................................................103

5 Measuring social capital in Tirana.............................................107

5.1 Theoretical background........................................................107

5.2 Methodology.........................................................................108
LIST OF TABLES AND FIGURES

Tables
1. Chi-square test between trust and number of groups belonging to groups organizations, networks and associations
2. Trust of people according to the number of participating groups organizations, networks and associations
3. Descriptive Statistics of number of groups organizations, networks and associations belonging
4. Pearson Correlation between the variables: number of groups organizations, networks and associations and people can be trusted

Figures
1. Robert Putnam’s ideas for the influence of governance for creation of social capital
2. David Halpern ideas for intervention in the different levels of social life
3. Trust in People and economic inequality
4. Percentage of participation by the number of groups organizations, networks and associations
5. The level of trust in Tirana
6. People that trust and don’t trust and the number of participation in groups organizations, networks and associations
To all my family
1. Introduction

For more than 20 years, the term social capital has attracted the attention of scientists and researchers. Literature about this concept is wide and includes many academic disciplines but the most important are the political, economic and social ones. The role of social capital, in politics, is referred to the institutional performance, government and democratic improvement. In economy, it is related to reduction of transaction costs, reduction of poverty and economic development. In sociology is closely related to its role to human relations, social mobility, networks and information, collective actions, general beliefs, collaboration and social cohesion. Each of this discipline has its own experts who has given their contribution to the definition of the social capital, and used their social capital methods’ of size, by not making easy this concept analyze. In each of the disciplines we can find a difference;

This concept can be used as a characteristic referred to individuals and their participation in the social structure, as a characteristic of an organization, or as a characteristic of the social structure. However all these disciplines do agree that social capital is a concept that has to do with association/socialisation and cannot be seen apart.

Furthermore it is a multidimensional concept where each approach has its own importance and the importance of one or the other depends on the object of
research. Among these approaches we can distinguish one which is referred to social capital as internalized in the social relations network, where the creation of trust, collaboration and norms of reciprocity are enabled. From this approach, the term social capital is defined from the existing interactive social relations to achieve objectives, which in its absence would not have been achievable. The second approach toward social capital is referred to norms, values, citizen commitment and the membership abilities for which social capital is defined as their synonymous. The common between these approaches is the fact that from social capital there can be individual and social goods, as well as public goods. Here is to mention the usual example of being informed from a friend for a job vacancy, which is something good for certain individuals, and bribery and privileges if part of a group, entity or association. Finally the term social capital is considered a public good where nobody can use it as a property, either an individual or group. The concept of social capital seen as a collective or public good takes territorial-spatial dimensions.

For this reason, in order to explore social capital was taken Tirana the capital of Albania, as an object of this study. The cause for choosing this topic is the importance that has been given more and more to economic development of countries relying on social factors. Social capital is seen as an integral and intangible part of economic development. Exploring social capital in a country like
Albania is necessary to understand its level in order to make possible in the future with a bottom-up or top-down approach or a combination of both its construction. The purpose of choosing the Albanian capital for the study of social capital comes because Tirana carries all the characteristics of a city where are gathered many ways of life, beliefs, and also because it has been the final destination of rural urban mobility these twenty years. This city fulfills all the conditions for being a reflection of the opinion of a large number of people who live in the country. For this reason, it is seen as more appropriate for the variety of viewpoints and elements of social capital. In this study, the author has referred to Robert Putnam and his idea of social capital. According to him, trust and networks of civic engagement are elements of social capital. Participation in networks of civic engagement brings an increase in trust. Based on his theory the author shows his hypothesis;

"The higher the level of participation of individuals in networks of civic engagement in Tirana, the higher will be the level of trust"

In the second part is provided an overview of the most well known authors that have studied social capital since its inception, to contemporary authors. Focusing on the most attractive aspect of the concept, a review of the literature is provided
in the third part reflecting in a descriptive way the role of social capital in the economy. The fourth part highlights the top-down approach to the creation of social capital and the role of local government to promote it. In the fifth chapter is provided an overview of the study data and their interpretation in relation to the purpose of the research.
2. Theories and aspects of social capital

2.1 The origin of Social Capital  Hanifan, Jacobs, Loury

Robert Putnam, speaks for the earlier user, which is closer to the term used nowadays, Lydia J. Hanifan, 1 in the second decade of the 20th century, 2 who used this concept to clarify the role of the community in the definition of the results of educational processes. Hanifan says:

“In the use of the phrase social capital I make no reference to the usual acception of the term capital, except in a figurative sense. I do not refer to real estate, or to personal property or to cold cash, but rather to that in life which tends to make these tangible substances count for most in the daily lives of people, namely, good-will, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit, the rural community, whose logical center is the school. In community build-ing as in business organization and expansion there must be an ac-accumulation of capital before constructive work can be done” 3

3 Hanifan, The Rural School Community Center,130
However, despite his intuition this concept remained undeveloped. Some years later this term was owned from the urban sociologist Jane Jacobs.  

She explains the concept of social capital through the neighborhood networks which un-isolated entities are creating social, physical and economic continuance characterized by different behaviors dependable to one another. These kinds of relations are created as a consequence of incidental contact, which are the precondition of forming”

“A web of public respect and trust, and resource in time of personal or neighborhood need”.  

Taking in consideration that networks usually are overlapped and combined, if the manners of behaviors/acts, guarantee of keeping the balances in a group, are not respected, shortfall would be reflected in the whole environment. The existence of such relationships means the existence of trust between individuals of a network and if there is lack of trust it would mean lack of balance which destroys this relationship.

Trust has a total functional role in the explanation of the social networks. Jacobs touches this aspect a few, and does not openly mention the importance of social norms in the interactive process between individuals. What makes an error in the economic terms used by Jacobs is the lack of return of investment which would

---

5 Jacobs, *Life and Death of Great American Cities*, 56.
serve as a push in the social relationship investment. This kind of relationships, defined as random spontaneous interrelationships are created in an uninterested way. In short, despite the fact that networks are known to create goods, for those taking part in them, this ability is not considered as a defined factor in the creation of a social network.

Meanwhile, awareness of return on investment in social networks and the attractive role that individuals place to such investment, are at the center of the theory of modern social capital, Nan Lin⁶ supports the latest one. He attributes to the social capital the “investment in social relations with expected returns in the marketplace”. ⁷ So, it’s the reason of expecting goods that make individuals build social relationships which are understood as the group of resources that belong to a defined social structure used to achieve objectives and are an asset available for the members of the community only.

Based on the above interpretation, two particulars are distinguished. First, is the so known need of investment on social relationship, considered as resources not based on incidental contacts. Secondly, it is clear how individuals take social relationships or decide to take part to in a certain so that to achieve some profits. This kind of perception attributes to the social capital an economic meaning and leaves it on the same level within the productive process, between the physical

---


and individual capital. The need to create social relationships to achieve an economic profit brings into attention the definition of Ronald Burt defining social capital as:

"Friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital" 8

Based on this definition, the role of defined networks called “structural holes” is known, in the creation of a competitive advantage from where individuals could not profit if they did not have this kind of relationship. While the approach between social capital and other types of capital definitions belongs to James Coleman9 just after the size that Schultz 10 and Becker 11 make to physical capital, including the human capital as well, attributes to the social capital the ability of interfering in order to easy the productive process. What makes a difference between social capital from other forms of capitals is the means of being easy to touch compared to the others. This comes from the fact that this resource is characterized through the influence in the relationship structure that interfere within a group of individuals and between different groups. In this case, the social capital is recognized to generate an economic and non economic profit.

---

The economist, Glenn Loury uses the term to explain the existence of important differences in the distribution of the American citizen incomes despite the level of education of specific individuals. Loury suggests that social circumstances from which the human capital is acquired should be taken in consideration and especially the increase of duty when it comes to persons with the same level of education, in higher job positions in the market. The social origin of an individual has a crucial influence on the quantity of resources that individual uses to invest in his personal skills and abilities and social capital helps to make human capital profits easier. So, social capital is the network of familiar relationships that serve to increase the possibility of human capital profits. In addition, the concept of social capital is used by Bordieu, to explain the process of social differentiation.

2.2 Pierre Bordieu

Bordieu uses the concept of social capital within theories of different types of capitals. From his point of view, social capital is closely related to economic and cultural capital and as a consequence social capital cannot stay alone, and cannot be understood without a given general view of capitals. Bordieu concept for the capital is equal to that of Karl Marx where social capital is the foundation


13 Loury, A dynamic Theory of Radical Income Differences, 176.
of all the other capitals. He is interested that in what way the economic capital is interrelated with other capitals to create and reproduce inequality, including social capital. According to him social capital is;

“The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” 14

According to Bordieu social capital is not the relationship but resources that can be acquired through relationships.

“The volume of social capital possessed by a given agent(…) depends on the size of the network of connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected” 15

Bordieu emphasizes that in order for social capital to be estimated and go on existing for those who have it, it demands maintenance and it is the material or symbolic profit that makes possible the needed solidarity within groups to make this work. Support needs individual and/or collective efforts, depending on occasion, to exchange these social relationships in useful ones, from a short-term or long-term plan. Bordieu emphasizes the example of exchanging gifts as


part of the strategy to take care about social capital. According to him “the endeavour to personalize a gift transforms both its purely monetary value and therefore its broader meeting, thus becoming a solid investment, the profits of which will appear, in the long run, in monetary or other form” \(^{16}\) But the size of an individual social capital is not estimated only from the relationships that the individual creates and keeps but the social capital is estimated from the capitals of the individuals that this person is associated or creates a relationship. After he created the concept, Bordieu did not develop it and did not treat the problem on how to size it.

2.3 James Coleman

James Coleman was a sociologist who is widely known for his influence on education field, from where his interest on social capital arose. He was of the idea that social capital is a resource and is good not only for rich people but for the poor ones as well, who can profit from it. He asked to explain the social action taking in consideration the interrelations between two concepts, the economic and sociological one, and the social capital was a way to explain how people collaborated between themselves. The sociological point of view "sees the actor as socialized and action as governed by social norms, rules, and

\(^{16}\) Bordieu, The Forms of Capital, 253.
obligations”. While from the economic point of view he “sees the actor as having goals independently arrived at, as acting independently, and as wholly self-interested” But according to him both these concepts have their weaknesses, where from the sociological point of view “actor has no engine for action” and from the economic one, people are not directed only from the aim of maximizing the utilities but “person’s actions are shaped, redirected, constrained by the social context; norms, interpersonal trust, social networks, and social organization are important in the functioning not only of the society but also of the economy.” He used the theory of rational choice to make this combination where he embedded his concept of social capital. The social interdependencies that happen between actors come as a consequence of interest they have for the resources being controlled from other actors in order to maximize their utilities, rationally selecting what is best for them. According to him;

“Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: they all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure”

---

17 Coleman, Social capital in the creation of human capital, 95.
18 Ibid.
19 Ibid., 96.
20 Ibid.
Physical and human capital are private good while social capital is a public good so not only those whose endeavours makes social capital possible but even those who are not part of this structure, profit from it. It is exactly the public character that makes it more vulnerable and less attractive. Then, how is the development of social capital possible and what is the explanation of its presence according to the meaning of Coleman himself? According to him;

“Social capital arises not because actors’ make a calculating choice to invest in it, but as a by-product of activities engaged for other purposes”.\(^{22}\)

Which are the factors that effect the social capital creation? According to Coleman they are three; Closure, Stability and Ideology. According to him, Closure is very important because practicing of specific norms is dependable, unlike an open structure which would have been impossible to be implemented.\(^{23}\)

Closure of social structures takes and creates trust in social structures and makes possible the arising of obligations and expectations\(^{24}\) Stability is important because every kind of social capital depends on its stability. While ideology serves as a call for social capital as make possible for individuals to act/behave not only in the interest of personal profits but in the others interest as well. For example in religious like Muslim, Christian or Hebraic doctrines with cases of sacrifices in the interest of poor and powerless people are found.


\(^{23}\) Coleman, *Social capital in the creation of human capital*, 105.

\(^{24}\) Ibid., 107.
2.3.1 Relations of reciprocal trust

According to Coleman social relationships make a resource because they create obligations, expectations and trust to the structure. If we make a favor to a person and we expect him to return this favor in the future then this makes a kind of recourse for us, and the bigger the number of people who "owe" us this favors the greater the social capital we have. “This form of social capital depends on two elements: trustworthiness of the social environment, which means that obligations will be repaid, and the actual extent of obligation held”.

The differences in the elements of structure, the social, institutional context and cultural differences influence the possibility of forming this type of social capital. Generally social structures made of a small number of individuals for example, the village, has greater possibilities to develop this kind of social capital, as people know each other and this kind of environment is appropriate to trustworthiness unlike urban areas characterized from a low level of trustworthiness in the social environment and social capital. Is the existence of other supportive institutional resources like; public welfare that constitutes a lack of motivation for the creation of this kind of social capital. In terms of network structure, the bigger the density the bigger the obligations of relationships.

---

25 Coleman, Social capital in the creation of human capital, 102.
2.3.2 Relations of authority

This type of social capital means the transformation of property right of control over some actions. If some actors decide to pass to one actor the above rights, then this actor will have in his disposal a bigger part of social capital. If everything is transferred in the hands of one individual the problem of collective action is transferred, so there is one person only who has authority while others are excluded.

2.3.3 The information potential

The social relationships provide the transfer of the information which makes it an important type of social capital. This information potential provides to the participant of these social relationships the needed support to maximize of utilities. “Information is important in providing a basis for action” but its collection has a cost so usually collection of information is done using the relationships of other purposes. Despite the fact that social relationships provide an information potential, trust is a crucial element too, which defines the level of investment in this kind of capital. Existences of trusted relationships make the information easier to be transferred within a community while lack of trust increases asymmetry of information for all the community.

---

26 Coleman, Social capital in the creation of human capital, 104.
27 Ibid.
2.3.4 The norms and sanctions

When a norm is effective or prescriptive it is a type of powerful and week social capital at the same time. These norms easy some shares but squeeze some others. 28 The existing prescriptive norms within a group of people help its members to avoid behaviors on their interests only, and act on the interest of the whole group. Those individual who see their interest only, are subject of the group sanction while others receive prizes like, honor, respect, status or other benefits. These types of behaviors are forms of social capital. Generally part of norms are internalized to individuals and make this kind of social capital so powerful while for those not internalized these norms are usually faced with outer sanctions that enable them to implement. Effective norms solve the problem of collective goods following the idea that in a way or another it reaches a certain level of investment to provide it. A close social network is necessary for the existence of effective norms. 29 Norm is not executed in a structure where mutual relationship does not exist because following sanctions; those who act against the norms have it impossible. Investment of this kind of capital is also part of a rational solution because in case e.g. smoking a cigarette would not only harm our health but to people around us and there is few chance for the sensation to

28 Coleman, Social capital in the creation of human capital, 105.
29 Ibid., 107.
be respected, so norms are protected for as long as they are necessary to maximize the utilities.

2.3.5 Appropriable social organizations

Organizations built to achieve some objectives can be used for other objectives as well. In this case they consist of social capital for the actors in disposal.\(^\text{30}\) Organizations, with the aim of voluntary work can be considered as organizations with the aim of creating this type of social capital. Establishment of an organization provides benefits not only to the founders but for the other actors’ also, not participant in this organization. Whatsoever participants/members in such kind of organization would take those kind of information that would not have been possible if they were not part of it. In cases of organizations which provide private goods they make the kind of capital from which profits/benefits go directly to the investor. In this kind of social capital investment is not missing for the reason of direct profit from the investor.\(^\text{31}\)

2.4 Robert Putnam

Robert Putnam is one of the main authors of the concept of social capital. Thanks to him, the concept of social capital has attracted so much the interest of

\(^{30}\) Coleman, *Social capital in the creation of human capital*, 108.

\(^{31}\) Ibid., 117.
social, political and economic scientist. Unlike predecessors who dealt with this concept, his professional background lies in the political sciences. His first big study was based on a fieldwork in Italy related to this concept had to do with the role of civic engagement in the creation of political stability and economic prosperity, also with institutional performance of the regions of the South and North of Italy. He tried to explain the differences that existed between these regional administrations. To do this, he undertook an institutional approach focusing in the public reforms of the administrations of the South and North. He concluded that the institutional performance of the North was better that the institutional performance of the administrations of the South cause of mutual interrelationship between local governments and civil society. Putnam making use of the concept of social capital tried to clarify these differences on civic engagement. He accentuates that is the presence of social capital the one that makes the difference between the regions of North and those of South of Italy. He defines social capital as:

"Features of social life networks, norms and trust that enable participants to act together more effectively to pursue shared objectives"\(^{32}\)

According to him, social capital in North is bigger than in South that s why it is characterized by a citizen culture and interrelationships, and in a strongly rooted associative life. Unlike, south is dominated by an individualistic society, not

collaborative and untrusting toward others, taking care only for the core of their family. He gives a historical explanation to the level of social capital emphasizing that this beneficial virtue had the origin in the self-regulating city-states of the North where horizontal social connections prevailed. On the other hand the origin of this culture in South, Putnam finds it to the Norman Monarchy characterized from the hierarchy and autocracy where social vertical and customer like relations dominated, and prohibited the creation of faith and horizontal network organization. According to him “for political stability, for government effectiveness, and even for economic progress social capital may be even more important than physical or human capital”. 33

2.4.1 Elements of social capital

2.4.2 Trust

The connections involving individuals create social networks, norms of reciprocity and trustworthiness that arise from them. 34 Trust is one of the main components of social capital. For example, trust helped the creation of Rotating Savings Credit Associations (ROSCA’s) that can be found almost everywhere. Without trust the functioning of these economic schemes would be impossible. Referring

to this example, the lack of physical and human resources accentuates the importance of trust in the life of individuals. According to Putnam, “Rotating Credit Associations are often found in conjunction with cooperatives and other forms of mutual aid and solidarity, in part, this is because all these forms of voluntary cooperation are fed by the same underlying stock of social capital”. 35

So, trust that enables the creation of ROSCA’s serves also as a tool for the strengthening of the solidarity of a community. “Trust lubricates cooperation. The greater level of trust within a community the greater the likelihood of cooperation. Cooperation itself breeds trust”. 36 Another characteristic of social capital and trust as its element is that it is a public good that grows with use and decreases with disuse. Trust needed for cooperation is not a blind trust, requires from the actor that receives this trust to respect and not diverge the obligation that has to the actor that gave trust in the first place. So, there’s a prediction and expectancy for reciprocity from the actor that receives trust where an important role plays reputation. “Reputation is an essential foundation for trust in a complex society”. 37

Social networks have an important role because “Social networks allow trust to become transitive and spread: I trust you because I trust her and she assures me

36 Ibid.,171.
that she trusts you”. 38 But how becomes the transition from personal trust in social trust of modern times?

2.4.3 Norms of Reciprocity

Social trust in complex modern settings can grow from two related sources—norms of reciprocity and networks of civic engagement. 39 Putnam points out James Coleman concept on social norms which sees the social norms as the devolution of the right of control from one player to another in case these actions has externalities for other persons be these positive or negative. Sometimes could happen that some externalities can be captured by a market exchange, but usually this does not happen. Norms that support the creation of social trust facilitate cooperation and decrease transaction. The norm of reciprocity is one of the most important of these norms. According to Putnam, the norm of reciprocity is of two kind, balanced-specific or generalized-diffused. The balanced specific norm has to do with exchange of something of the same value. “Generalized reciprocity refers to a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future”. 40 Generalized reciprocity norm is one of the most productive components of social

38 Ibid,169.
39 Putnam, Making Democracy Work: civic traditions in modern Italy;171.
40Ibid.,172.
capital. The communities that have big amounts of this norm can stop considerably free riders and opportunism. This norm solves the problem of collective action and promotes solidarity. An effective norm of generalized reciprocity is likely to be associated with dense networks of social exchange also it leads to situations of trust where people usually would not approve. 41 The civic engagement networks are the places where the continuous relations among people support the development of generalized reciprocity norm.

2.4.4 Networks of Civic Engagement

The society is composed by formal and informal social networks. Formal social networks are composed by official membership, hierarchy, organizational structure etcetera. Informal social networks are composed mainly by social networks which are build based on sympathy and reciprocal friendship. These social networks are usually vertically structured or horizontally. Usually social networks are a combination of both and not an ideal representation of one or the other. Usually in the horizontal networks engage individuals that belong to the same status and/or power, whereas the vertical networks are composed by individuals that come from different positions of hierarchy and relation42 The civic engagement networks are the best representation of horizontal social network.

They are the best tool to mediate and/or improve of reputation. 43 The horizontal networks contrary from the vertical ones are unable to encourage trust and cooperation. A good example given by Putnam is the patron and client relations who have a certain degree of interpersonal exchange but the obligations are not symmetrical.44 Networks of civic engagement are an essential form of social capital: The denser such networks in a community, the more likely that its citizens will be able to cooperate for mutual benefit. 45 Putnam collocates some of the reasons why the networks of civic engagement have this positive effect. Networks of civic engagement facilitate communication and improve the flow of information about the trustworthiness of individuals; increase the potential costs to a defector in any individual transaction; foster robust norms of reciprocity; embody past success at collaboration, which can serve as a culturally-defined template for future collaboration. 46

2.4.5 Bonding and Bridging

Putnam makes a distinction between two forms of social capital, bridging which is inclusive and bonding which is exclusive. Bonding social capital tends to reinforce exclusive identities and maintains homogeneity of groups; is good for undergirding specific reciprocity and mobilizing solidarity; it constitutes a kind of

43 Ibid., 174.
44 Ibid.
46 Ibid., 173-174.
sociological superglue in maintaining strong in-group loyalty and reinforcing specific identities, one example of that is the Ku Klux Klan.47 Bridging social capital is “better for linkage to external assets and for information diffusion” it provides a “sociological WD-40” that can generate broader identities and reciprocity”. 48 This type of social capital promotes an attitude of openness and a bridge towards others and is a generator of social capital.

2.5 Francis Fukuyama

Francis Fukuyama considers social capital as an important economic and cultural factor of modern society. According to him;

“Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them”. 49

A good part of what are considered by different authors as components of social capital like trust, civil society, networks of cooperation are in fact according to him a result of social capital and not social capital itself. 50

Sources of social capital are found in religion, tradition and in common historical experience and it results in the creation of the norms and the informal values.

48 Ibid.
Another source that affects the developed countries is globalization, besides the critics related to the destruction of traditional cultures, it is associated with innovation of ideas and new ways of communication and interaction for individuals, economic actors and for those associations of civil society which have the possibility to get organized in a global environment and to protect and represent their ideas. Regarding the government role, Fukuyama is somehow skeptical about its influence on social capital, and except for some areas, such as: education, public security and property rights, in other ones its influence would be negative.

Social capital of traditional cultures is distinguished by Fukuyama from social capital of modern society. Social capital of traditional cultures differs from social capital modern society, because it is characterized by a narrow gleam of trust which is addressed only to the group or community actors and cooperation doesn’t go beyond this. This leads to the creation of externalities for outsiders and brings out negative effects. Unlike traditional societies, modern societies contain more “bridging” social capital and more “weak ties” that are mentioned also from Granoveter, and it makes possible that the positive effects of social capital such as religion, cooperation and norms of reciprocity and everything else to be extended beyond the group or respective community.
2.6 Ronald Burt

Burt point of view for social capital is embedded in the structural theory of action. Different actors rely on their sources to maximize their profits using human capital, economic capital and social capital. Social capital is neither the sources of the actors nor their status, but it is the content of relationships. According to Burt social capital is;

“friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital”.  

The actors use these three sources by trying to achieve their interests. Unlike the other two capitals that are owned by individuals: “no one has exclusive ownership of social capital…it is a thing owned jointly by the parties to a relationship” 52 Different relations make the networks that contain social capital. Burt separated the networks in three levels: ego networks or individual networks, networks of subgroup and subgroup as a structural system. These are characterized by a positional dimension and relational dimension or otherwise called relationship’s intensity.

Relationship intensity is related to individuals which the ego or individual has a relationship and their relationships among each other. He separates the individual networks according to their density, range and multiplexity. The

---

52 Ibid.
relationships are intense when individuals involved, have a strong relationship. Range is related to the diversity of these actors, concerning their status, economic level and other characteristics. Different relations that an individual has with another one are called complexity, such as in the case when a colleague of yours is also your cousin. The position of an individual in an ego network is consisted of the total number of relationships that he has been involved. Subgroups or cliques are created by different actors of a network. The relationship intensity in these subgroups is unusually high and has a good and cohesive cooperation. Network position of subgroups’ individuals is determined from behavior models and status. Individuals of a valuable status are the origin of all relationships, and they choose the direction of the relationship, in other words, they make the choice with whom they will have a relationship, and status and usually it is the same as theirs.

The subgroups as a structural asset are those who make a whole network. The relationship of these subgroups consists of density and transivity. Transivity is possible when the different cliques are separated, centralized and disconnected. Density shows the intensity of relationships. Regarding the positional dimension of these subgroups, the ways of conduct and their status are those who characterize the entire network. The definition of position of actors in the network is crucial because determines also their access to social capital.
More opened and diversified the networks, the bigger the benefits. This point of view for social capital is different from that of Coleman’s who sees it in closed social structures. Burt introduces the term structural hole to show the weak relationships between groups. According to him “a structural hole is a relationship of non-redundancy between two contacts”. The larger the network is the larger is the number of structural holes. The efficiency of the network is defined by the number of non redundant contacts which determines also benefits from the structural holes. The actor that spans these structural holes is a broker. The person that profits from this negotiation has more social capital than those that are just members of the network where relations are more frequent. Burt does not mention the negative effects that could come from those who use structural holes in their vantage and the lack of public benefits of it.

2.7 Nan Lin

The Nan Lin concept of social capital, in certain aspects is similar with Ronald Burt’s concept because he sees social capital as a social structure asset. Unlike other authors like Coleman who opts for a closed social structure or Burt for an open one, Lin argues that a social structure must have both these components. Individuals have in possession resources that are personal like human capital and physical capital and other resources that are the relationships that an

---

individual has with other individuals called connections or positional resources. When the individuals interact with each other can benefit from these connections other resources. Lin except that sees social capital as a social structure asset sees it also as an individual resource. Social structure in his view is hierarchical, and the position of individuals in the structure determines the access they have to resources. According to him;

“Valued resources are embedded in social structures in which positions, authority, rules, and occupants (agents) usually form pyramidal hierarchies in terms of the distribution of valued resources, number of positions, level of authority, and number of occupants. The higher the level in the hierarchy, the greater the concentration of valued resources, the fewer the number of positions, the greater the command of authority, and the smaller the number of occupants”. 54

Individuals try to have access in these resources, to maintain the resources that already have and to multiply them. This mean that individuals who are at the bottom of the social pyramid will have less access to these resources taking in consideration the absence of connections with individuals with favorable positions in the social structure. The social capital of these individuals as consequence promotes inequality and its reproduction. This point of view is similar with Bordieu’s concept on social capital. “Actors in a higher position in the

hierarchy can exercise authority over lower positions and can gather better information of the structure of resources”.  

Interaction of these actors is mainly horizontal and involves people of the same status and social position which have more or less the same kind of resources. This is also called the principle of homophily. “This interaction principle causes inequality in social capital, when specific groups cluster at relatively disadvantaged socioeconomic positions”.  

Social structure is as a pyramid and those who are at the top control the major part of the resources. Social network is hierarchical, and the type of network determines also the type of resources. “Most of the resources are embedded in others with whom each actor is in contact, directly or indirectly, or they are embedded in structural positions each actor occupies or is in contact with”.  

According to Lin social capital are all;

“Resources embedded in a social structure which are accessed and/or mobilized in purposive actions”.  

The reason of using social capital is made with the purpose to maintain the resources, and the other purpose is to gain new resources. Mainly individuals

55 Ibid., 35.
58 Ibid., 29.
who want to maintain the resources that already have try in the same time to gain new ones.

“action to maintain resources can be called expressive action, and action to gain resources can be called instrumental action”.59

Lin except the theory aspect uses also an empirical one to support his idea. He uses the position generator60 to measure social capital and indicate three indicators to determine social capital. Those are “extension which measure the number of accessed positions; range or heterogeneity assessing the distance between the highest and the lowest reached positions; upper reachability measuring the highest position accessed”. 61 Lin’s approach to social capital is a significant contribution to understand the way how social capital influences the creation of inequality and its reproduction. Another side of this viewpoint is that social capital is seen only as a private good and not a public one.

2.8 Social capital in the classic authors of sociology

The concept of social capital like it is known in the last twenty years can be found back in the writings of Emile Durkheim. 62 Trying to explain social integration he makes a distinction between the division of labour of pre-modern societies who generated “mechanical solidarity” and that of modern societies called “organic solidarity”. According to him organic solidarity implies divided individuals but interdependent. It’s this interdependence that brings order and social integration according to him. He also accentuates the membership of individuals in professional associations as a way to manage internal and external relations. To function correctly, these associations had to offer help for the members based on solidarity feelings. In this way, these associations help the creation of solidarity. One of the main components of social capital can be found here, the membership of individuals in associations which increases cooperation and flow of information. Interaction increases the norms of reciprocity and creates conditions for the creation of trust.

In the work of Max Weber social capital can be found more than in the work of Durkheim. Social capital can be found on the analysis that he does to protestant sects. 63 He noticed that the members of these sects were characterized by a high level of control regarding their ethical conduct in conformity of the rules.

62 Emile Durkheim, La divisione del lavoro sociale (Milano: Edizioni di Comunita, 1989)
The acceptance of those individuals in the sects was done by a selection based upon ethics and reputation necessary for the creation of trust and economic cooperation inside the sect. Trust, cooperation, reputation and ethics passed the boundaries of the sects and influenced all the community. This shows social capital as a collective good transferred from inside the sects toward the entire community. The membership in this association was accompanied with support if case members encountered difficulties and facilities to obtain loans guaranteeing for them. These remind other components of social capital solidarity and also individual benefits. George Simmel 64 also touches social capital in his theory of operation of dyad and triad where is pointed out the importance of reciprocal recognition and recognition from third party individuals. He also analyses the role of individuals inside the triad stresses the importance of border positions placed in the space between different social groups. This reminds the idea of Ronald Burt about the importance of structural holes. In the analysis of social circles shows that the individual from the familiar circle put himself into other social circles that are interconnected and overlapping with each other in this way determines his conviction and behaviors. The number of social circles in which the individual is involved determines his culture. The higher the number of social circles the individual is involved the biggest is his culture.

2.9 Individual, collective and relational social capital

Three approaches can be distinguished in the interpretations presented in the literature regarding social capital, micro or individualistic macro or collective, and the last one is relational. The individualistic approach comes from the rational choice theory and considers social capital from the individual point of view. It is the sum of resources that the actor is able to provide from his social network (Bourdieu and Coleman). The macro or collective approach has its origin in the functionalist theory and conceives social capital as a public good which consists in the sharing of same values, in social cohesion and trust (Putnam and Fukuyama). The first approach "is the product of investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships which are directly usable in the short or long term." 65

Social capital is produced because it is the individual who invests in the network of relationships to have an individual profit. Social capital also consists in the personal acquaintances that an individual or a family has because occupies a certain position in the social structure. For the second approach “production of social capital requires that you make your own the moral norms of a community, within its scope, the acquisition of values such as trust, loyalty, honesty and reliability. Social capital cannot be accumulated simply by acting alone. It is

---

based on the prevalence of social virtues on individual ones.\textsuperscript{66} Social capital is produced because the individual lives in the community and makes the ethic norms of the community its own while following them and adopts his interests to those of the community. With social capital are understood values norms and social networks that enable individuals to act collectively and independently from particular restrictions. The problem of trust is especially prominent in the ideas of Putnam who similarly like Fukuyama privileges institutional dimension of trust, analyzing the contribution that it can provide favoring the process of development and significant modernization. Especially Putnam uses general trust to explain the different institutional performance between the North regions rich with civicness and as a result with more efficient political institutions. The south regions are characterized by a weak civicness who inhibits the economic and political development of those areas.\textsuperscript{67}

The third approach relational has as main author Pierpaolo Donatin. According to this theory social capital is not a characteristic of individuals but is a feature of social relations. Individuals are not part of these relations. The thematic relationship is the principle that unites individuals in the act of generation of culture. The symbolism produced in the relation can give value or not to the thematic relation. Social capital as e characteristic of relation exists before the

\textsuperscript{66} Francis Fukuyama, \textit{Social Capital and Civil Society}

\textsuperscript{67} Putnam ,\textit{Making Democracy Work}
society and independently from it. The organized society in a systematic way
doesn't recognize the relation as social capital of society. The classical example
of that is the state with its political and administrative system, and the economic
system with market who appear through their automatic ways. It is difficult if not
impossible for them to recognize the relation and its intangible elements and
society as a source of culture gives value to relations which generate social
capital. But not all relations generate social capital. The affective relations,
voluntary relations and communitarian ones which don't predict a relation based
to position, role, or competitive type of relations can generate social capital.
Social capital is a relational quality and has its origin in a space of its own away
from state and market. “Social capital has it origin in the system of families and
civic associations and more precisely in their mutual interactions”. 68 He makes a
distinction between relations of primary and secondary capital, where the first
operates with an informal way and its purposes are the relations with family,
friends and consists of a primary trust. The secondary one has as purpose the
relations and networks of groups and individuals and consists of secondary trust
scilicet individuals belonging to a community or a particular association. 69

2.10 Dark side of social capital

68 Pierpaolo Donati, “La famiglia come capitale sociale primario,” Famiglia e capitale sociale nella società italiana,
Ottavo Rapporto Cisf sulla Famiglia in Italia (Cinisello Balsamo: Edizioni S.Paolo, 2003), 95.
69 Donati, La famiglia come capitale sociale primario,38,52-54.
Up to now, we have taken in consideration mostly the positive effects of social capital generating benefits for individuals, groups and members of networks aiming to achieve individual or common goals and also the favorable conditions that trust and reciprocity bring into these relations, but the absence of access into groups and different networks often brings negative effects for those who are not part of it, thus the negative effects should be taken in consideration as they can lead to what is called the “dark side” of social capital which can be expressed in different forms. The founders of the concept of social capital Bordieu, Coleman, Putnam and also contemporary authors Fukuyama and Lin not have left without mentioning in a way or the other its negative effects. Bordieu and Lin expressed more clearly about the negative effects that social capital can bring. For Bordieu people who don't belong to a privileged group use their social capital when they don't have sufficient economic capital as a kind of currency exchange to climb in social status or to use it as a trampoline for a political career. This does imply that those individuals who are not part of the group have only negative effects as it reproduces inequality. Unlike Bordieu, Lin thinks that people who are at the top of the pyramid control resources and those who are at the end of the pyramid and don't have enough connections or valuable ones remain out of these resources. It means that it's not the absence of a network who lead to inequality but it is its quality that is not enough valuable to reach the positions
near the top of the pyramid. Despite the fact that Coleman is focused on the positive effects he is aware of the dark side of social capital. His support to rational choice theory gives us an idea that, in principle, those who collaborate to achieve a particular objective often do it at the expenses of the others. Putnam sees social capital mainly positive but do not let without mentioning its negative effects. According to him social capital “just like any other form of social capital can be directed towards malevolent purposes” 70. But despite the negative effects that can come from social capital its creation and availability will be a good. Francis Fukuyama also not fail to mention the negative effects of social capital but however he said it should not be forgotten that the physical and human capital also can produce negative externalities as much social capital “physical capital can take the form of assault rifles or tasteless entertainment, while human capital can be used to devise new ways of torturing people”. 71 But the fact that the degree of negativity social capital generated within certain groups and communities makes it possible to be seen more effects. According to him “group solidarity in human communities is often purchased at the price of hostility towards out-group members”. 72

70 Putnam, Bowling Alone, 21-22.
Negative social capital appears in various forms starting from antisocial behavior and inequality to the negative externality systems. Taking for granted the fact that social capital has negative effects Alejandro Portes gives us a picture of them. He distinguishes four consequences of social capital that are considered as negative “exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms”. 73 Exclusion of outsiders is ordinary in closed social groups as to which criminal groups within them have enough social capital and collaboration but it naturally does not comply with the interests of society. It occurs in ethnic groups, being identified with the group create stereotypes about other people and often exclude those who are not part of them. This happens even in societies where freedom of association entrance is used as an opportunity to exclude others who do not belong to their network.74 Closure of the group may inhibit economic and social aspirations of its members, which leads to a kind of inequality of this group or community in relation to others. 75 Certain groups and communities require a certain conformity with the rules, norms and values, which does not allow the individual to have freedom and it brings some kind of control by the community and their respective group. 76

75 A. V. Ledeneva, Russia’s Economy of Favours: Blat, networking and informal exchange (Cambridge: Cambridge University Press, 1998), 16,82.
latter has to do with solidarity and shared experience that a group or a certain community has and which has established the latter in opposing society. The individual cases of success are seen as undermining the cohesion and often force them to leave. 77 Social capital can create partially the conditions for setting up a system of negative externalities. Of this opinion is Mark Warren which by reference to a particular region Columbia shows how social capital of this region enabled the establishment of one of the most famous cartels in the world for cocaine trafficking that of Medellin which was followed later by a great wave of political violence and influenced the retardation of democratic reforms. 78 Another situation to illustrate the idea of Warren is the corruption that besides the exclusion aspect for those who do not belong to the network is an inhibitory element for the countries of the former communist bloc to make democratic reforms necessary to create conditions for an economic and social development. So the above-mentioned negative effects give us a more complete picture of social capital starting from the individual level and community groups to states what makes us think we need a further deepening of the factors needed to create positive social capital by narrowing at the same time the opportunities for the creation of negative social capital.


2.11 Critics of social capital

The idea of social capital has not been without its critics, sometimes even harsh one. Criticism of social capital starts since the beginning i.e. Putnam’s study79 “Making Democracy Work”. Among the first to have criticized this study and its main idea were Robert W.Jackman and Ross A.Miller 80. In their study on political culture, and the role culture plays in the political culture they receive and review Putnam’s data and from the reexamination of data results that there is no effect on the role of cultural factors on the political and economic performance of Italian regions. They also state that the data taken in reexamination “Are an artifact of Putnam’s particular application of principal components analysis, not a reflection of any underlying causal relationship…we find no evidence to suggest that the indicators examined by Putnam can be meaningfully combined into an overall measure of political performance”. 81

2.11.1 John Harriss

Harriss criticizes the approach to social capital rather than the concept itself.82 He criticizes the way the concept is used referring to Putnam concept of social

---

79 Putnam, Making Democracy Work.


81 Jackman and Miller, A Renaissance of Political Culture,653

capital and emphasizes the role that state and its policies play in economic development and how general trust in civil society can be developed through them. According to him, “civil society flourishes, and generalized trust arises, in an framework of institutions which are established by governments -and are, consequently the subject of political contestation”.  

2.11.2 Kenneth Newton

Keneth Newton in his study on political support he expressed that at least in four different examples taken by him in the study of Finland, Japan, New Zealand and Sweden the decline of political support is not associated with the decline of social capital.  

This casts doubts on the role of social capital in political performance. According to him, “if social capital and/or performance theories do not work in such limiting cases, there is less reason to believe that they will work in more typical ones. As well as, “social capital is not necessarily automatically or invariably associated with high levels of political support”.

---

83 Harris, Social capital construction and the consolidation of civil society in rural areas.
85 Newton, Political Support, 5.
86 Ibid.
2.11.3 Joel Sobel

Sobel is also critical of Putnam’s work, especially on his concept of social capital. He makes a profound criticism on Putnam’s work, "Bowling Alone" analyzing it in detail. According to him, “Rhetoric often overwhelms logic-Passionate and repeated use of descriptive statistics often substitutes for detailed analysis” 88 He criticizes other works on social capital as the one of the World Bank, Social Capital: Multifaceted Perspective.89 He expresses his criticism on the work and shows how certain parts of it attempt to protect social capital conceptual foundations against his critics, shading light on more positive effects and works of authors like James Coleman(1988) leaving aside Pierre Bordieu perception on social capital, which is even more realistic.

In the analyze of institutional role, referring to Jane Jacobs work “Life and Death of Great American Cities” expresses that “documenting a change does not document a crisis”. 91 Changing those habits that previously meet the needs of individuals as well as highlighting the cultural change to show the decline of social capital, has left aside the role of institutions, not reflecting the

88 Sobel Can we trust social capital?,140.
90 Coleman, Social capital in the creation of human capital.
91 Sobel, “Can we trust social capital?,147
role they play in restoring and fulfilling many needs that previously were fulfilled by someone else.

2.11.4 Steven Darlauf

Darlauf criticizes social capital, emphasizing the ambiguous concept of it, due to various definitions made and how different authors have given to the same concept different meanings and for this reason treated in different forms.\footnote{Steven Darlauf, “The case “against” social capital” Focus 20 (1999).}

According to him is the role of a special group that affects the spread of a number of attitudes that influence the attitude of specific individuals that take part in it. The relationship between the influence exerted by the promoter group in spreading certain attitudes and the decisions of individuals participating in them are necessary to understand whether or not social capital exists in that particular community. The explanation he makes about social is “the influence which the characteristics and the behaviors of one’s influence groups has on one’s assessment of alternative course of behavior”. \footnote{Darlauf, The case “against” social capital, 2.} He also criticizes the problems that come as a result of using the concepts of cooperation and trust to show the existence of social capital in a certain community and trends in explaining cooperative behaviors of individuals, given that they bring a wrong idea for social capital, always considered as positive. This leaves without mentioning the
negative effects of social capital. Another problem identified in relation to the use of the concept of trust and collaboration in explaining social capital, is the lack of defined boundaries of study of these two, given that the contexts in which they are developed and formed, these behaviors are in some great scale immeasurable what makes the measurement of social capital even more inexplicable. He also criticizes the way many empirical studies are conducted focusing on the technical aspects of the research.

Other authors have criticized Putnam’s concept and study on social capital as Sidney Tarrow 94 and the way the concept is applied 95 not forgetting Ben Fine 96 as one of the tough and biggest critics of social capital until now, who reflects his criticism in a book, written only about this concept.

3. Social capital and economy

Much of today’s debate about “social capital” revolves around being or not a capital in the economic sense of the word. Authors such as Arrow 97 are of the opinion that social capital does not meet and does not have any features to be a capital. Solow98 is also skeptical of the concept. Sobel 99 and especially Fine100 are also suspicious for this concept. On the other hand, other authors have a positive approach towards social capital as a capital and its economic impacts. Robinson, Alan and Siles provide an overview of the characteristics of social capital and argue why in economic terms it should be considered an asset.101 Burt102 states that social capital is “a factor as critical as financial and human capital”. Joseph Stiglitz illustrates the complexity of the concept, but at the same time he suggests its efficiency.103 Other international organizations like the World Bank recognize social capital as a capital due to its contribute in economic growth and poverty reduction. Based on the latest points of view this chapter will elaborate the fact that social capital is a capital itself, in economic terms, and it

99 Sobel, Can we trust social capital
100 Fine, Theories of Social Capital: Researchers Behaving Badly
has its own characteristics, but the question that arises is what are the features of this "social capital" that make it a real capital?

First of all is its stability, which decreases and increases varying from the usage level, same as human and physical capital. Another characteristic is the time people spend interacting with one another, time they could invest instead in human capital. So, investment in time for social capital is an economic investment instead, given the fact that at the same time could be used in favor of increasing human capital. The ability of social capital to be combined with physical and human capital, to enhance economic benefits makes it part of the same calculation, as other capitals. This is another feature that makes social capital an economic capital. While the main economic effects of social capital are information, its exchange within and outside the network (Lin, Cook and Burt 104) (Granoveter) 105 as well as belief and its impact on economic growth (Knack and Keefer ).

3.1 The individual level

Individual social capital seen as a social interaction has its externalities which may be economic, although it is not its main goal. Generally, individuals who

interact in most of the cases are not even aware of the economic consequences of their actions. Individuals participating in various social organizations such as clubs, associations give themselves the opportunity to know other people closer in order to establish where possible trust. Although, the main purpose is not to establish trust it helps in reducing opportunistic behavior and encouraging cooperation to achieve common economic objectives. This means that social capital of individuals brings an individual economic benefit for each individual that participates in these clubs or associations as a result of having mutual trust between each other. It does not necessarily mean that each trust–based relationship lead to an economic benefit, but its existence precedes and helps economic relationships between individuals and wider social organizations. This positive feeling would include the entire group, the community and wider because individuals attempting to participate in such clubs or associations would benefit from a climate of trust, established between members and the positive effects of the benefits would be distributed throughout the relevant community group. This kind of economic benefit is an externality of social capital and being incidental is little-known by the individuals participating in social relationships and cannot be found on the market place, despite its economic value. Not recognizing its economic value leads to a lack of investment by individuals. What makes it possible for social capital to have an economic value is its usage and
persistence. The use of individual social capital and its exploitation in achieving improvement of social status (Granoveter 107), personal welfare (Burt 108) and personal welfare (Lin 109) enables individuals to benefit economically from it. Its positive effects are to be found, in its impact on the growth of knowledge and human capital and the creation of physical capital, in the case that certain individuals use their capital to cooperate with other individuals in order to create physical capital.

Narayan and Pritchett in their study in some poor villages in Tanzania aimed precisely identifying the link between social capital and individual and household income growth.110 Authors found a strong relationship between the participation in associations and the income of individuals attending them. Social capital of these individuals according to the authors has a spillover effect that spreads throughout the community since even other people who were not participants in the association had benefits. There was a positive correlation between participants and not participants. This shows how social capital at the individual level affects individual and household income growth and how this positive effect affects the entire community. The shift from the individual level to the community

one is particularly beneficial, in terms of economic development, despite the fact that it is not done much in this direction.

3.2 The community level

On the community level, this study focuses more on the impact of social capital in collective action in order to solve everyday problems and to enhance economic growth and improving the quality of life, especially in poor countries but not only. Considering that a great part of people living in developing countries does not have assets, and then the only real estate they can use is the social capital that enables them to achieve common goals and coping with everyday life. Several studies illustrate that in community level capital affects community welfare in the management of irrigation problems in poor areas, thus increasing the individual income and growth in the whole village and household welfare. Anirudh Krishna in his study conducted in the villages of India, on the role of social capital in poverty reduction and economic growth of these communities states "social capital matters for communities economic development

---


performance” 114. According to him, understanding the level of social capital and the context would make possible the necessary intervention to increase it in the relevant community also finding ways to connect and mediate communities with each other, with governmental bodies, and market in the case of remote and isolated villages, enabling the establishment of intermediate levels will enable increasing the level of social capital and the benefits that will come from it provoking an economic development.

3.3 Transaction costs

Another way to promote economic growth, beside social capital is the reduction of transaction costs. Belief at times we are living in, is a "good" quite rare, especially when it comes to economic issues and economic transactions but is extremely, necessary sometimes an obligatory requisite in a knowledge economy, where social relations and the level of education and expertise require a new kind of social relationship. When, individuals or firms sign contracts they should bear in mind that in order to safeguard their interests they should be as complete as possible and preserve with highly importance their interests and be

legally bounded, that if one of the parties breaches the agreement the other side has the opportunity to be compensated. As a guarantor is needed a justice system to apply penalties and a body to implement them in practice. All these are called transaction costs. If parties have personal acquaintances and confidence as a result of their network, when it comes to individuals and when there is confidence in the parties of the business, then high transaction costs are not necessary because there is no lack of information between parties that make the transaction. Asymmetric information and the lack of market certainty according to Nobel Prize George Akerlof are the factors that are threatening the well-functioning of the market.\textsuperscript{115} In this direction, in order to ensure a more favorable economic environment, governmental institutions are of core importance because through law and its bodies provide respect for property rights, contracts and security as a necessity for a normal business climate. Christiaan Grootaert considers contracts, courts, the right of property as well as all formal political institutions that affect and help economic actions as state social capital.\textsuperscript{116} According to this point of view, better functioning of these institutions would make it possible to forecast the behavior of the parties that make economic transactions, facilitating the transactions itself. So when it comes to economic


growth and development institutions cannot be seen separately from their quality. This is why the former communist countries despite democracy deficit, have weak and not well – functioning institutions, which inhibit economic growth and development without excluding cultural factors or technological development.

3.4 Social capital at the national level

In the first studies made in relation to social capital and economic growth at the national level between different countries is even the study of Kormendi and McGuire. Authors compare 46 countries of the world. According to this study, we find 14 social capital indicators as a result of the correlation among which we rank; political repression, lack of political censorship, freedom of trade unions, religious freedom, political plurality, independent judicial bodies, lack of foreign and military control all enclosed in a social capital index and the level of investment that is an indicator of economic growth, shows that there is a positive correlation between the two.

Grier and Tullock in their study make use of the indicators issued by Kormendi and McGuire, but expand the number of countries participating in the study into 113. They divide the analysis by periods of 5-year from 1950 to 1980.

119 Roger C. Kormendi, Philip G. McGuire, Macroeconomic Determinants of Growth
Authors do not find any strong positive relationship between the lack of civil liberties and political repression and the economic growth.

Robert Barro in his study of political violence and its impact on economic growth comes to the conclusion that violence affects economic growth level negatively. He measures this by making a detailed analysis of the average level of political killings, riots and coup d’etat.\textsuperscript{120} According to him, these variables negatively affect the level of investment and economic growth. Stephen Knack and Philip Keefer use the services of rating international investors as Business Environmental Risk Intelligence, Business International and the International Country Risk Guide in order to create an index with five dimensions which in their judgment has a considerable importance in the implementation of contracts and private property insurance.\textsuperscript{121} Their index composed of; governmental corruption, the rule of law, risk of expropriation, repudiation of contacts by government and quality of bureaucracy has a positive correlation with the level of investment and economic growth. Among the distinguishing factors of economic performance between poor and rich countries stands state social capital to show once again the importance it has in the economic growth and development.


Another important study that helps to shed more light on the relationship between social capital and economic growth and development is the one done by Knack and Keefer.\textsuperscript{122} Authors set up a social capital theory that takes into consideration social capital sources, its nature and its economic consequences. Authors for this study make use of World Values Survey data for 29 countries with a market economy. They define social capital as generalized trust and civic norms. In order to measure social capital level and economic growth and development they build two indices, where one is to understand social capital as generalized trust and the other as the civic norms. Both these indices are interrelated to economic growth and development measured by the annual income growth per capita. Social capital index as civic norms is measured by the answer given to some question "\textit{Can always be justified, never be justified or something in between can be can always be justified, never be justified or something in between.}\n\begin{itemize}
  \item claiming government benefits which you are not entitled to
  \item avoiding a fare on public transport"
  \item cheating on taxes if you have the chance
  \item keeping money that you have found
  \item failing to report damage you've done accidentally to a parked vehicle\textsuperscript{123}
\end{itemize}

\textsuperscript{122} Stephen Knack and Philip Keefer, \textit{Does social capital have an economic payoff?}
\textsuperscript{123} Stephen Knack and Philip Keefer, \textit{Does social capital have an economic payoff?}, 1256
The mean of individual answers to these behaviors gives the value of social capital understood as civic norms for each state included in the study. Social capital index as generalized trust is measured by the answer given 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?” The positive response “most people can be trusted” gives the value of social capital as general trust for each of the countries included in the study. The average responses to these behaviors give the value of social capital for each state. The greater the answers that do not justify the above behaviors the higher is the level of social capital. As a result of this study, there is no connection between participation in associations and economic development. Although other studies claim the opposite, what leaves room for discussion. Knack and Keefer find a positive relationship between the two forms of social capital, referred to as generalized trust and civic norms and economic growth, especially in the poorest countries. Authors also reveal the social capital resource elements which are formal and governmental institutions, social polarization and ethnic and linguistic diversity. Formal and governmental institutions cannot be defined by Christiaan Grootaert definition of state social capital but as a source of generalized trust and civic capacity. Two are the variables that represent them, the independence of the judicial system and the level of respect for contracts. Analysis of the data
highlights the positive relationship between formal and governmental institutions with both types of social capital which makes us believe that the higher is the functioning quality of the institutions the greater the possibility of creating social capital and economic growth.

Considering other elements that enable social capital, data analysis reveals that countries that are ethnically fragmented have a low level of social capital and a lower growth level compared to countries that are homogeneous in language and have a lower ethnic diversity. In these countries, the level of social capital is higher. In this case, we face the principle of homophily where people choose to believe people who have their same features and to see the others with suspicion without trusting them, in order to narrow the level of social capital and reduce economic growth. Another reason may be the struggle of different ethnic groups to take control of power often creating inequality between groups and inequality in the distribution of resources what damages economic growth.

Other studies like the one of Paul Whitley show a positive relationship between trust and economic growth. He defines social capital as trust and rejects this concept according to the criteria of proximity and distance to whom trust is addressed: generalized trust, trust of compatriots and interpersonal trust of family members. Whitley gives an answer even to the question of relation direction.

---

which wasn't given in the study of the Knack and Keefer, is social capital that favors economic growth or is economic growth that favors the spread of social capital. According to Whitley's study is social capital that influences economic growth and development also preceding it.

Authors such as John Helliwell 125, Jim Granato, Ronald Inglehart and David Leblang 126 and Felix Roth 127 in their studies find a negative correlation between social capital as general trust and economic growth. Joseph Stiglitz gives his contribution in this direction by trying to present as complementary the relationship between social capital as trust and economic growth. 128 According to him social capital as trust and networks relationships both formal and non-formal contribute to both economic growth and development and complement each other. Informal relations and trust contribute to economic growth in front of weak and incomplete markets. When these met then both trust and informal networks lose importance as a result of regulatory and controlling market institutions strengthening and guaranteeing financial agreements and economic transactions. At this point trust and informal networks can become an obstacle to economic development which emphasizes the importance of social capital

128 Stiglitz, Formal and Informal Institutions
defined as trust in developing countries while an obstacle to developed countries.\textsuperscript{129}

3.5 Social capital and microfinance

Microcredit is one of the most used tools to reduce poverty in developing countries. Microcredit is mainly applied by non-governmental international organizations, different programs as well as the banks. Microfinance and microcredit are mainly designed for people with low incomes, who are unable to obtain credit in mainstream banks because of guarantees required in order to secure repayment of the loan. Microfinance has as its own product microcredit. One of the reasons of the microcredit success is its dual nature, which is the fact that it gives the opportunity for a microcredit, on one hand it can be understood as a financial transaction and on the other hand as a good action considering its target, mainly poor persons. This enables communities, regions and developing countries to fight poverty. So is its social aspect that makes microcredit attractive. The way microcredit function varies depending on whether the borrower is an individual or a group. Microcredit has a joint element for individuals and groups that is the lack of collateral what would theoretically increase the risk of those who provide microcredit, but experience shows quite the opposite that the level

\textsuperscript{129} Ronald F. Inglehart, \textit{The Impact of Culture on Economic Development}
of repayment is at high levels. Microcredit to individuals applies having frequent contacts between lenders staff and borrowers including counseling.

When it comes to supplying loans for different groups, microcredit is based on group solidarity and trust that members have to each other. Social capital is a core element in the functioning of microcredit "these schemes ... work because members have better information about each other than Banks will". Social capital is decisive when it comes to group microcredit because enables the transfer of asymmetry information to the members of the group who gets lending.

Considering the wide range of definitions and ways of perceiving social capital arises the need to understand what sort of social capital we are dealing with and to whom microfinance refers to.

ROSICA’s for example are based on a horizontal structure and have as an integral part trust, the exchange of information and reciprocity. Participants have economic advantages from participating in ROSCA’s because they pay no interest. This type of microfinance is based on the definition of Putnam.

"Features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit"  

---


131 Putnam ,Making Democracy Work,35
Another way how social capital is used by Putnam definition is the group microcredit which makes use of “joint liability" and "peer pressure" to choose the right individuals to be part of the group taking the loan. Risk and responsibility are for the one who takes the loan in order to choose the right individuals for not having problems of repayment. Missing credit payment from one of the members will bring tension for the other people which lead to an increase of the repayment. Although it seems effective and cost effective \textsuperscript{132} it also brings negative effects and violent behavior for those who do not pay.\textsuperscript{133}

Michael Woolcock is of the opinion that horizontal relations based on social capital by implications of Putnam definition are not that effective and that the vertical relationship between the one who gets the loan, together with the group and the one who gives it is a good way to make possible the well- functioning of these credit schemes\textsuperscript{134}. Empirical studies support implications of Woolcock what let us understand that in order for the microfinance to well – function, is needed the combination of both types of social relationships horizontal and vertical ones\textsuperscript{135}.


3.6 The role of microfinance in the creation of new social capital

Microfinance is largely based on social capital in order to make it function in the best way, and it is not the only means through which microfinance works but is also subject to its influence. In this regard microfinance is a tool in the fight against poverty because of its impact to social capital. The impact of microfinance on social capital helps collective action enabling the cooperation between individuals for meetings relating to the payment of loans and at the same time meetings organize for various problems related to communities. Gathering together for a reason such as microcredit develop opportunities for future cooperation on common interests or individual ones. Microfinance also helps the creation of social networks according to C.Leigh Anderson, Laura Locker and Rachel Nugent \(^ {136}\) to Larance \(^ {137}\) and the solution of collective action.\(^ {138}\) Various networks of organizations that are involved in the delivery of microfinance services have a particular interest in understanding the impact of microfinance to their customers, and this means that although they have as their


own interest the financial one they collect data on the social elements of their clients. The cost of data collecting falls mainly to the external sponsors and local government as well as economic development organizations. Literature and methodologies on social capital helps these actors deal with the concept of social capital rather than simply calculating repayment opportunities or family relations related to such purpose. So it is necessary understanding the social impact of microfinance. "The social value of microfinance relates to the way financial services improve the lives of poor and excluded clients and their families and the wide range of opportunities for communities".

3.7 Social capital and Economic Production

Social capital and trust, one of its important elements, when considered as affecting economic growth and economic development takes a special importance in the way social and economic scientists perceive it. Given that economic development needs incentive and trust is a factor already accepted by both sides as affecting economic growth is necessary to consider even incentive as an element affecting economic growth. At this point, we have to decide which

---


is the adequate perspective the socio-cultural or the economic rationalist, in order to incentivize economic development. Socio-cultural perspective sees trust as part of culture and individuals values while the economic-rationalist sees individual trust just as calculation of special situations. People choice for not showing opportunistic behaviors and trusting economic-rationalist perspective are simply consequences of the calculation made by parties involved in the business. Different authors consider trust as a social and cultural capital element needed in economic interaction like Francis Fukuyama\textsuperscript{141} and Robert D. Putnam\textsuperscript{142} while others like Partha Dasgupta\textsuperscript{143} consider it casual look just like the case and calculated. The question is to what extent and in what way each one of these perspectives affects economic development and increasing production especially in developing countries?

\textbf{3.8 Social capital and Clusters}

In developing countries, a large part of production consists of agricultural work, which is family based and there is a high degree of trust. The main focus is on how business relationship is managed, in order to effect economic development in developing countries and the importance of trust according to social and

rational approach in this direction by having modern production in focus. Great part of the developing countries production differs from western countries. Developing countries are characterized by what Jorge Katz refers to as discontinuous production process that differs from that of western countries which is continuous\textsuperscript{144}. The production process in developing countries according to Katz is more segmented and discontinuous and has a low level of production standardization and specialization and a low level of subcontractors that are necessary to meet specific needs. This comes as a result of lacking trust between different firms to fulfill contracts and obligations as well as to deliver at the right time and required quality, services or goods needed. For this reason, a large number of firms choose to deal only with production as much as they can or to make agreements with suppliers, which try to be more flexible, in order to survive. Whereas it is quite the opposite in western countries. Phases from the production process to sale are calculated very well and enable a greater, continuous and efficient output. A way to avoid problems in manufacturing is the signing of contracts between producers and buyers of goods, but institutions in developing countries are weak and often create problems, but even if there were no problem contracts are expensive, since its drawing up to its implementation in case of breach of contract. For this reason is necessary for different production

\textsuperscript{144} Jorge Katz, Technology generation in Latin American manufacturing industries theory and case studies concerning its nature, magnitude and consequences (Basingstoke: Macmillan, 1987).
firms to be organized in industrial networks or the so called clusters. Clusters help manufacturing firms, as well as their interrelation helps coping and managing challenges that are central to modern manufacturing in developing countries but not only. They have some advantages like cooperation between firms and the exchange of information between firms that cooperate with one another.

Another advantage is the fact it is time and cost effective considering that buyers would find products easier, as well as helping collect human capital. Frequent interaction helps to establish trust and creating a reputation among them. The reason why different firms gather together enables cooperation and punishment of opportunists and extortionists in the absence of efficient preventing measures, it helps to put pressure on firms that do not meet the obligations in order to comply with them. Proximity makes firms acting correctly since the level of information is high, even firms that deviate endanger not to do business again or will facing considerable damages due to loss of reputation. So in a few words, when there is a lack of efficient laws, clusters and social capital help economic development in developing countries. Rationalist approach sees clusters as a way to regulate the interaction between actors and make cluster interest more compatible, then trust is a means to cope with the lack of efficiency of the rule of law and helps finding ways to punish opportunistic behavior. The question is how
is created this trust among firms in the initial stages and how are problems of opportunistic behavior solved when there will be no other interaction in the future? This is quite difficult to be answered by the rational approach, but somehow easier by the social one. Trust as a personal value of actors and trusting stakeholders is a necessary condition in the first stages of a relationship as well as preventing opportunistic behavior when this interaction comes to an end, and parties may take advantage of the moment to benefit since they will not work together anymore. Trusting stakeholders before starting the business as well as ethnic, family and social connection that exists before starting modern production helps overcoming trust problems between the parties at the beginning due to the lack of information. The social point of view meets the general view and helps problem solving.

3.9 Social capital as policy

Social capital has been considered by many scholars and politicians for its positive effects on the individual level, community and medium level as well as in national level. The wide range of its interpretations makes it applicable in various fields that start from health, crime, education, economic growth, but on the other hand makes it even more attractive as a tool to be used. Conservative politicians
have seen social capital as a tool used by the government in order to withdraw from insuring welfare, leaving the last one to the civil society. While, the same concept was adopted by progressive politicians as a mean to enhance cooperation between individuals, different associations, interest groups and business in order to encourage joint decisions making. This attitude aims the involvement of as many individuals as possible, especially those excluded in decision-making. Taking for granted its positive effect, individual centered policies seek to improve living conditions and even individuals incomes by providing scholarships, promoting activities aimed at building confidence and enhancing social cohesion and cooperation, as well as financing certain entrepreneurs or businesses. At community or medium level, great part of policies focus on social networks in order to promote solidarity and collective action as well as improving services and establishing urban structures to promote interaction between individuals. At national level, reducing corruption level policies, increasing trust on institutions and government as well as impartiality in the provision of services, aim increasing social trust in the whole national territory.
3.9.1 Network policy and bonding social capital

Social capital impacts policy making and is a source for it. It is in the background and is the answer of the policy network model (Heclo)145, (Richardson and Jordan)146. According to this model, trust, reciprocity as well as cooperation to achieve common goals lies behind informal ties that many state hierarchy actors, public administration employees and experts in various fields have with each other. These actors who are part of a judicially fragmented governmental system reach to exert their influence to promote in exchange for a process of sharing resources to promote their policies and the group they represent. Policy network model the example of bonding social capital, leaves aside or entirely outside the public and its interests as well as civil society, ignoring political responsibilities. Characteristic of policy networks model by Rhodes and March are "a limited number of participants, frequent interaction, continuity, value consensus, resource dependence, positive-sum power games, and regulation of members".147

3.9.2 Partnership and social capital

Over the years, we saw a shift from policy network model characterized by a bureaucratic enclosed system in an horizontal policy making characterized by the

---

147 Rhodes and David Marsh, Policy Networks in British Politics, 23.
partnership between state and local actors in order for pooling recourses and sharing the risk of benefits. This came as a result of decentralization and privatization of many sectors and increased contractions in various sectors. This change gave a new dimension for public involvement, civil society and various agencies, not part of decision making. Closed networks, characterized by bonding social capital were improved and were made more transparent, leaving little room for policy influence by a small group of people. This partnership uses of bridging social capital as a source to achieve certain purposes, but taking into account the requirements of all stakeholders. This type of policy making is an expression of horizontal relations network, but this kind of partnership has its flaws, part of the actors who previously had informal relationships and were part of network policy model have now been formalized, this does not mean they are missing, they just got a new form, imposing upon other actors being legally equal but more powerful (Lowndes and Sullivan)\(^ {148}\), (Sullivan and Skelcher 2002)\(^ {149}\) (Rrodes 1997)\(^ {150}\). Although it is worth mentioning here that quantum leaps have been made in terms of better, horizontal and inclusive governance.

---


3.9.3 Co-governance co-production and social capital

Following the model of partnership and official participation level when a great part of actors collaborate with each other in a horizontal way, part of non-governmental bodies, individuals and voluntary associations were excluded because of the lack of different sources. For this reason, co-governance and co-production approaches were seen as a way to involve individuals in policy making. These are models of direct democracy. Social capital serves as a source for co-production and co-governance. Co-production approach seeks to provide customers with self service services by making them workers of certain services. This kind of policy making allows certain communities and individuals to make real contributions, together with the government and its organs for a better distribution of services. Linking social capital\(^{151}\) seems more effective in meeting policy fulfillment and democratic involvement of many individuals. Besides co-production lies co-governance that has to do with the involvement of individuals in decision-making for a particular field. Unlike co-production this approach allows the individual to exert their influence on the final decision\(^{152}\). This kind of policy is a mobilization of linking social capital, which allows and enables disadvantaged individuals and groups to have greater access to information as well as sources. Given the fact that a great part of the aforementioned policies

\(^{151}\) This term was coined by Michael Woolcock

use social capital, naturally raises the question, how should the state intervene to shape and enhance its creation? First of all, given that numerous studies show a positive relationship between social capital and the economy is the moment to address significant part of public policies in strengthening social capital and creating the adequate conditions in which it can flourish. Education and health are other areas where the state has even more in hand to do, given that studies have shown the positive relationship between health and education with social capital (Jones)¹⁵³, (Rocco and Suhrcke)¹⁵⁴. Its relation with positive governance and state accountability growth and the impact it has in overcoming market obstacles makes it a public good and a target for supporting and promoting volunteerism and civic education. Robert Putnam gives his prescription (see fig.1), where should governance policies focus, to influence the creation and support of social capital ¹⁵⁶

---


¹⁵⁶ Alberta Andreotti, *Che cos’è il Capitale Sociale* (Roma: Carocci, 2009),100.
Youth and schools. Teaching civics and extracurricular activities (participation in sports clubs, scouts, etc.). This stimulates participation, so trust and cooperation.

Work World. Flexibility of working hours, part-time work, especially for women, as well as group work. The idea is for workers to better coordinate the needs of the family, the community and the society in which they work.

Cities Design. Integrated urban planning, the creation of public spaces, mixed neighborhoods, improving transport infrastructure in order to reduce walking time. The idea is to have more urban public spaces where you can meet people, in order to have time for social relationships and create bridges between social group.

Religion. Liberalizing the confession. The idea behind this is that the various non-fundamentalist religious groups can support religious tolerance and mutual support.

Art and culture. Mass media, internet, information. The idea is to actively involve citizens in their communities thanks to technology.

Politics. More participation in terms of time, than in terms of economic benefits. The idea is to simulate real participation in political parties, in association and in electoral campaigning than stimulating monetary benefits.

Fig.1 Source Andreotti 2009: Chapter 6

Policies affecting an equal access to social capital and inequality benefit from it would create more opportunities for the poor to take advantage of its goods.

It is also of significant importance for different policies not destroying the existing level in a certain area or community and should be taken into account as for any other public policy different side effects that it may have. David Halpern adviser
of Tony Blair gives his idea for intervention by the different levels of intervention.\textsuperscript{157}

\begin{figure}[h]

\begin{itemize}
\item \textbf{Stimulating social capital at the individual or micro level:}\n\begin{itemize}
  \item Greater support for families and parents
  \item Mentoring
  \item New approaches to dealing with potential offenders
  \item Volunteering
  \item Relationship support
\end{itemize}
\item \textbf{Stimulating social capital at the community or meso-level:}\n\begin{itemize}
  \item Neighborhood governance
  \item Community-asset-based welfare
  \item Business-community networks
  \item New approaches to planning and the built environment
  \item Dispersing social housing
  \item Employment networks
  \item Reading and study groups
\end{itemize}
\item \textbf{Stimulating social capital at the macro-level (city, region, and nation):}\n\begin{itemize}
  \item Citizenship education and service learning
  \item Community service credit schemes
  \item Public discourse on morality
  \item Facilitating mutual respect
  \item Arts, culture, sports
  \item Collective missions
\end{itemize}
\end{itemize}

\textbf{Fig. 2}  

\textit{Source Halpern 2005: Chapter 9}

\end{figure}

3.8 World Bank and developing countries polices

The World Bank is one of the institutions that has taken more into account social capital and its positive effects on poverty reduction. In its official website, you can find dozens of papers on World Bank-funded programs aimed at reducing poverty by giving a distinctive importance to social capital impact. According to the World Bank:

“Social Capital refers to the norms and networks that enable collective action. It encompasses institutions, relationships, and customs that shape the quality and quantity of a society’s social interactions”\(^{158}\)

World Bank gave more importance to elements of social capital, such as trust, local development and social cohesion after years of focusing only on economic growth. Based on this, a great emphasize was put on the so called “Washington Consensus” fundamental importance had economic development following a few steps in achieving this objective. According to this, we should have a free market without interventions. Price control must be in focus, so macroeconomic stabilization. But after years and numerous studies World Bank show the necessity to change somehow (but not entirely) focusing even on social aspects of economic growth. At this point, social capital became more important, because

of its role in economic growth in developing countries where economic capital is lower and where its presence is of a greater importance.

In the World Bank's new approach, social relations and social capital are very important elements in reducing poverty, and it gives great importance to the bottom-up approach in development and poverty reduction policies. It is not just the economy and its institutions that create the basis for social institutions and the creation of social cohesion and poverty reduction but are social institutions and social capital that create the basis for economic growth.

At this point, we face another change, which has to do with the territorial space of the implementation of development policies. In the previous approach, the focus of poverty reduction policies was the state while the new approach has as its focus local space, village and town residents. In terms of social capital measurement in practice, World Bank divides social capital in six different dimensions, respectively:

- Groups and networks
- Trust and Solidarity
- Collective Action and Cooperation
- Social Cohesion and Inclusion
- Information and Communication
Empowerment and Political Action

These dimensions include structural and cognitive capital, according to Norman Uphoff division of social capital. Structural social capital includes institutions, networks, societies, associations as well as the legal framework they embody so external and most visible social capital side while cognitive social capital has to do with norms, shared values, beliefs, norms of reciprocity, so the less visible and tangible side. Cognitive social capital as well as structural social capital is complementary because one of them provides the adequate conditions for trust and cooperation for collective action while the other makes this easier through structures and laws.

World Bank poverty reduction and economic development polices aim to have an impact on social capital when necessary as well as creating the adequate conditions for its generation both in villages and in urban areas will affect economic development and poverty reduction through increasing information level of participation in networks by reducing insurance costs. Mutual trust between members of local communities will enable cooperation in reaching joint

---


decisions on public interest, local community as well as collective action in tackling everyday problems starting from the management of irrigation systems in the villages to waste management in urban areas. Social capital also enables the reduction of opportunistic behavior damaging common interest through social pressure and exclusion of the network members.
4. State, Institutions, democracy and their relationship to social capital

State and its institutions might influence the creation of social capital as well as social capital can influence the creation of better democratic governance. At this point, there is a clash of opinions about the state's role in the creation of social capital and on the fact it must remain entirely a civil society product because state influence is not seen as useful but sometimes even seen as harmful. Francis Fukuyama is one of them he is of the opinion that state is unlikely to influence social capital except of some positive impacts as education, property rights and public safety.\(^{161}\) State can influence general trust in different ways. First of all, stands honesty and a low level of corruption. Several studies show a correlation between corruption and the low trust level.\(^{162}\) This shows that when people perceive state governing structures dishonesty are predisposed to believe less, and must do more about preserving their own interests, given that a corrupt system is not efficient and often violates citizens rights in interest of a small group of people. Another way how state can influence trust is the type of system. Democracy is that system that favors and affects more social capital.

\(^{161}\) Fukuyama, *Social Capital and Civil Society*

Different authors as Barbara Misztal\textsuperscript{163}, Margaret Levi \textsuperscript{164} and Claus Offe \textsuperscript{165} support this point of view and according to them democratic states can produce generalized. State and its democratic institutions influence social capital and one of its elements, associations influences social capital as much as it, "a reciprocal effect is quite plausible because democratic institutions permit the formation of voluntary associations to a greater extent than do nondemocratic institutions"\textsuperscript{166} as well as "state plays a fundamental role in shaping civic capacity"\textsuperscript{167}. A democratic state with impartial and functioning justice institutions together with all other levels of the state apparatus can punish offenders. Deviation and violation of law would make the state react and punish those individuals what would raise a sense of justice and people will therefore have the right conditions to develop generalized trust. In addition to a democratic state, efficient governance would make people feel confident about the government, more collaborate with each other, trust to each other and believe they can influence government. \textsuperscript{168}

\textsuperscript{163} Barbara Misztal, \textit{Trust in Modern Societies} (United Kingdom: Polity Press, 1996).
On the other hand, authoritative states are seen as destructive to social capital. Former communist countries are witness of a negative experience of state intervention. Generally, state intervention in these countries has led to the opposite of generalized trust. This has come as a result of the discouragement that authoritative and dictatorial former communist countries of Eastern Europe made to raising group activities and discouragement. In these countries, any attempt to set up various organizations not controlled by the state, was oppressed. This happen for a very simple reason, any organization that went beyond totalitarian power control can serve as a tool to confront the regime. Paldam and Svensen in their study on social capital role in former communist countries show how communist dictatorial Eastern European countries have destroyed social capital, and the lack of positive social capital is one of the factors that lead to the obstruction of economic development of these countries.¹⁶⁹

**4.1 Institutional approach to social capital**

State through its institutions can influence the creation of general trust. How the state does that? Which is that mechanism that makes possible state intervention to rise the generalized trust level? One of the authors who elaborated more on

the role of state and its institutions in creating social capital is Bo Rothstein. He has delivered a theory on the role of institutions in creating social capital that defies even the "Bottom-up" approach of those authors who consider social capital a product of the civil society. His opinion is that "if people believe that the institutions that are responsible for handling "treacherous" behavior act in fair, just and effective manner, and if they also believe that other people think the same of these institution, then they will also trust other people". In his theory about institutions and general trust, he differs the representative aspect of the institutions from their executive aspect, emphasizing that most of the research is focused on representative aspect, rather than on the executive one. Institution impartiality is one of the key factors in the creation of general trust. Trust in institutional impartiality and fairness is closely linked to trust for each other. This happens through some connections. The first connection is based on cognitive inference which means that the perception of impartial and fair executive institutions comes as a result of direct contact of individuals, which results in a positive or negative experience of justice and impartiality. The second has to do with the creation of general attitude that people do by observing other individuals. This means that people who deception the system and succeed obtaining certain privileges makes the confidence in impartial institutions fall and vice versa. The

---

third connection has to do with the transmission of this experience to their familars and members of their social group which leads to a general idea about the impartiality and fairness of institutions. This would be even more obvious if different people experience the same and would convey the same sense of mistrust. Corruption is another important element of this perspective. According to solid evidence countries which have high levels of trust also have stronger legal systems and less corruption. If people deceive, steal and break the law and relevant institutions do not punish them, this raises a mistrust feeling in institutions such as policy, prosecution and courts, which would affect even individual relations. On the other hand, if institutions will be fair and impartial, then trust culture will be dominant and spread to the society. Empirical data obtained from research show that both at micro and macro level, there is a greater correlation between general trust and institutions in the executive aspect than between trust and institutions in their representative aspect, which clearly proves the difference people make between representative and executive institutions where the latter seem to be more important in creating generalized trust.


4.2 Government policies and generalized trust

Generally, democratic states have a higher trust level than non-democratic ones and in different studies there is a correlation between democracy indicators with those of social capital. According to Margaret Levi “…democratic states may be even better at producing generalized trust than are non democratic institutions…because they are better at restricting the use of coercion to tasks that enhance rather that undermine trust.” 173 But democratic state is not enough, we cannot generate trust only by creating stronger institutions, because people believe that they will be punished in case of breaking the law, they just act in accordance with the law because they want so, but not necessarily have to believe that. Acting in accordance with the law is completely different with believing in the law. If in a society there are people that some have more incomes, do not necessarily mean that they trust the others because trust is related to many other factors such as education level, poverty, etc. Eric Uslaner argues that democracy is not the only one that makes people trusting and, institutions themselves are not enough, what makes them having trust are governmental policies that make a better distribution of incomes and a decrease in inequality. 174 Referring to Uslaner’s empirical research, (see fig.3) it comes


out that economic inequality is closely related to trust. The more unequal distribution is the lower will be the faith. Those states that make a better distribution of income have higher general trust than those countries that have the lowest distribution. Governmental policies that distribute incomes make people feel optimistic and like they share the same fate as many others. This would reduce tensions and social conflicts, would create general trust and would lead to effective governance.

![Figure 3](image.jpg)

**Figure 3** Trust in people and economic inequality  
Source E. Uslaner: Chapter 1

---

175 Uslaner, *Trust as a Moral Value*, 114
4.3 Networks of civic engagement and political engagement

Nowadays is noticed a displacement of citizens from politics. Although, people’s most important decisions are taken at the political level, they in general are less interested in politics. This is due to many reasons like the lack of trust in politics in general and in political institutions as part of it. An important role in this respect plays corruption. Not being engaged in politics as a personal choice and considering politics as a conflict arena make people think it is better to stay away. Another aspect that has an impact in this regard is the ability of people today to own and control a large amount of resources what makes political arena engagement and collective action less attractive. This decline in political engagement has been associated with a decrease in feelings of solidarity and community. Social capital is some kind of democracy preserver which compensates lack of modern democracies. Introducing this concept serves to rectify gaps in individual level in terms of increased general trust, personal networks and reduction of transaction costs, as well as to fulfill the ambitions of an emancipated citizenry on the other hand to meet the needs of mass society democratic decision-making. Social capital is connected and widely used in relation to civil society concept. Taking into consideration Alexis de Tocqueville work on the role of associations in strengthening democracy, social capital is
seen as a source for values and contributes to a more stable and democratic governance. Without modesty Putnam says “social capital makes us smarter, healthier, safer, richer, and better able to govern a just and stable democracy”\textsuperscript{176} Networks of civic engagement and associations are a structural aspect of social capital while trust and values are its cultural aspect. The decrease of social capital is associated with trust and civic engagement reduction, which shows an increased feeling of incapacity of democratic political systems to face with today’s society problems, and as a consequence it brings people’s avoidance of politics, and problems of collective decision-making nature and democratic legitimacy. Although, social capital cannot solve all the problems of modern democracy, which is supported even by the most passionate of the positive effects of social capital, lies the fact that democracies need social capital. Numerous studies show a correlation and an interrelation between democracy and social capital.\textsuperscript{177} The connection between social capital and democracy comes as a result of the fact that individuals who collaborate with each other have the opportunity to develop a mutual trust and norms of reciprocity. Collaboration will enable information transmission and will reduce information costs, solving the problems that come from individual opportunistic actions praising collective action. Type of associations is also important. Those


\textsuperscript{177} Pamela Paxton, \textit{Social Capital and Democracy}, 272
associations that are connected have a strong positive influence on democracy, while those who are isolated have negative effects on democracy.\textsuperscript{178} Engagement and participation in social dense networks and associations is important for the democracy, generating positive effects and promoting political engagement development. Participation in associations and voluntary organizations makes possible the development of necessary skills referred to as "civic skills" \textsuperscript{179} which would be of a great value and importance in politics. So associations are the "school of democracy "\textsuperscript{180} according to Tocqueville serving as a preparatory element to face political arena practices. Social capital helps political participation motivating people. This comes as a result of the trust established in their relationships and networks of civic engagement. No kind of relationship will be possible without trust especially considered that collective and political actions are political undertakings and as such require collective action. Networks of civic engagement and associations teach people how to interact with each other, to learn and hear the problems, desires and objectives of each person group or community facing and avoiding conflicts. All these make networks of civic engagement the most appropriate way to developed and implement political engagement. Networks of civic engagement are also

\textsuperscript{178} Pamela Paxton, \textit{Social Capital and Democracy}, 272
appropriate for recruiting and mobilizing political action. This comes as a result of contact and interaction that participants have with each other as well as information about channels and opportunities for political participation. People who have participated in voluntary networks are more required to be politically engaged than people who do not have. But mentioning the positive effects of participation in associations and networks of civic engagement should not forget that one of the functions of associations and networks of civic engagement is precisely the rejection of politics in generally when it comes to dictatorships and in certain aspects when it comes to consolidating democracies, or transitory democracies. Associations act like the opposition to governmental policies by increasing criticism, irony and organized protests. Associations have the right requisites to oppose politics and its programs. In non-democratic countries they have played a crucial role in the development of democracy. So “..Social capital also affect the nature of participation----its quality” Although associations lead or no to political participation, they have a positive effect called “Rainmaker function ”. This metaphorical approach means that even those individuals who do not trust can equally benefit from an environment where trust prevails and in a

182 Pamela Paxton, Social Capital and Democracy, 258
community that is characterized by collaboration “no citizen (no matter how high
his or her own social trust or civic engagement) can escape the rain precipitated
by poor governmental performance, perhaps produced in part by the social
disaffection or civic disengagement of his or her neighbor”\textsuperscript{184}

4.4 Social capital in the former communist countries

Eastern European countries united under a common experience, after the fall of
the communist regime faced a market economy as well as a difficult transition to
a democratic political system. Social capital was part this transition. The
transition from one system to another meant that networks of civic engagement
promoted and directed by the state previously had to face a different political and
economical system. New democratic systems were installed and set up the
necessary legal and institutional conditions to create civil society in Tocquevillian
meaning. Social capital and the popularity it gained during the first years of
Eastern Europe transition process made that attention to the communist-era civic
activism by scholars be constant. Since the beginning after 1990’s period, was
faced a decline of participation at civic activism and volunteer activism this
participation was lower compared to other post- authoritarian countries who had

a similar political and economic development with Eastern European countries.\textsuperscript{185} Lack of trust as a characteristic of this countries and the required time from new institutions to be strengthened and developed in a democratic way are among the main factors Marc Howard believes that this situation will last for decades.\textsuperscript{186} However, Natalia Letki with a more positive attitude states that on individual level, participation in associations and networks of civic engagement are similar to those of countries with consolidated democracies.\textsuperscript{187} Low level of social capital effects rates of social trust and reciprocity. This is a consequence of totalitarian regimes that led to a low social trust. Strong interpersonal trust networks and norms of reciprocity found during the communist system, as a result of the regime inefficiency, lack of trust and support to state bodies were a way to cope with the difficulties of everyday life. These networks of trust and reciprocity during the transition to a democratic system were dissolved in a large extent, giving way to opportunism and lack of trust. However, former communist countries continue even nowadays to be characterized by informal friendship networks. One of the main reasons for the lack of social capital in the former communist countries is wrong way of searching social capital. The reason of this fault lies in the fact that a considerable part of the study focuses on individuals participation in

\begin{flushright}
\textsuperscript{186}Howard, The Weakness of Civil Society in Post-Communist Europe, 150.
\textsuperscript{187}Natalia Letki “Social Capital in East-Central Europe” The Handbook of social capital, , Dario Castiglione, Jan Van Deth, and Guglielmo Wolleb, eds. (Oxford: Oxford University Press, 2008), 65.
\end{flushright}
associations as well as measuring trust level, avoiding and not excluding informal networks study networks.

4.5 Social capital and Local Governance

The change in economic radius of action, the reduced role of state power in national economies, as a result of globalization as well as economic agents facing global market, made it necessary the adaptation of the latter with the new situation created and the development of new skills. The change in the economy scope and expansion in research horizons, as part of adaptation to the new situation, introduced many influential and explanatory factors of the economy including even social capital. Social capital has been considered among factors that led to national and local economic growth. As a result of the mentioned changes, local aspect of production and economic development has taken considerable importance, where the ability of entrepreneurs and local and territorial institutional context makes the difference between regions. The reason for establishing a specific entrepreneurship in a certain territory has to do with the advantages offered in that specific territory in terms of resources as well as the presence of foreign investments. The advantages offered by that particular territory constitute the territorial collective good. Parts of these goods are low cost production, potential of innovation and interaction between players. These
are part of the territory as well as of the system and cannot be controlled by actors and specific operators but from this benefit large part of actors as well as territory individuals.

The ability of cooperation and coordination between actors and operators not only attracts investors but also makes a certain local territory more attractive than another. At this point, social capital plays a fundamental role as a factor of local development. Among the main ways, social capital has to influence local economic development are information, local cooperation culture as well as the evaluation of human capital. Exchange of information as a result of a reliable relation between actors of a certain local territory and between economic actors is considered as the social capital of actors. The social capital in case of local development contributes to exchanging information related to investments and allocation of production units. At a time, when uncertainty and lack of information, negatively affects economic development, social capital serves to overcome this obstacle. Local cooperation culture between economic actors and institutions is another way to show how trust networks of a certain territory are used to provide services and necessary infrastructure investments in a territory. Social capital of private actors and institutions embodied in a dense network of relationships is an advantage for the territory. Social capital and its trust networks, as well as information exchange enables the evaluation of local human capital and
contributes directly to the economic benefit of individuals who possess this human capital as well as enterprises and the territory that has it as a resident.

4.5.1 Local governance and the creation of social capital

As a result of many political, economic and social changes a significant part of local governments have experienced a long process of structural, administrative and financial reforms, consequently this changes affected the relationship of local government with its citizens and central government. Independence in decision making on subjects such as economy, education, environment, crime prevention has often become subject of criticism. Its role in forming social capital is a top-down approach and is complementary to bottom-up approach of civil society favored by Putnam. He denied or left aside this approach, which is an integral and complementary element of the general view of the concept, social capital affecting economic development. The idea is clear and straightforward, local government has the ability and can influence the creation of social capital, but without forgetting that the context in which it operates and the extent of its power and democracy makes the difference between local government and a region compared others. The impact of local government in the creation of social capital means "vicious circles of distrust" can break and create the conditions for adopting social capital. Local government has the opportunity to influence

---

188 Putnam, Making Democracy Work, 117.
social capital creation in different ways, but for this to happen we needed an institutional design to make possible the realization of this objective.

Vivien Lowndes lists four ways, which according to him contribute to the creation of social capital by local governments: Relationships with the voluntary sector, opportunities for citizen participation, the responsiveness of decision-making, democratic leadership and social inclusion.189

*Relationships with the voluntary sector.* Supporting the voluntary sector with grants and agreements made in this sector for the delivery of various services to the citizens of a community is a way to influence direct interaction, the establishment of norms of reciprocity and trust.

*Opportunities for citizen participation.* Local governments can influence the creation of groups that may be a strong potential in creating social capital, through the organization of meetings where citizens can be actively involved in the discussion of various problems. These events can be the basis for collective action.

*The responsiveness of decision-making.* The right to participate in associations is not enough to ensure the achievement of participation in decision-making, the voluntary sector as well as individuals. Financial aid given to associations and the voluntary sector can be given even to other associations supporting political

---

local governing bodies policies the policies, leaving aside those who are against. The opportunity of individuals to participate is not always a guarantee of decision making opportunities. Creating a hostile climate for the individuals will create dissatisfaction, lack of trust in the institution and will create a spill-over effect on the entire social circle of individuals who face this hostility as well as in all local government administrative area. For this reason, a response by local political actors is a necessity to create the right conditions for creating social capital as well as ensuring institutional support in order to take advantages in case it becomes part of the society.

*Democratic leadership and social inclusion.* Democracy in decision-making is another way how local government affects the creation of social capital. Although local policy may be opened to the voluntary sector, associations and individual participation in decision-making it does not mean that decision-making is democratic. Different groups may be left without a role in decision making. According to Lowndes timing and the celebration of various meetings organized by local governments can exclude from decision making some social groups. This leads to contradicts between different interests, where is likely to win those who are more powerful and organized. So democracy in decision-making is a mast in the creation of social capital and intermediates and evaluates the
interests and requirements of the stakeholders who want to participate in decision-making.

Parts of institutional design are several factors that are essential when it comes to local institutional participating policies that influence the creation of social capital. First of all, communities that make up a certain area, recognition of their values, interests and culture is an important factor so “if local government units are not based on recognizable communities, they may not command consent and loyalty or be the basis for legitimate public decisions”. 190

The area, where interaction between communities occurs is also important because it is the place that gathers the members of a community with a common identity and history. Organization and management of the territory in which local government operates with its partners in the distribution of different services is another important factor. This comes due to the complexity that appears as a result of separating the delivery of public services that may exceed the limits of jurisdiction as well as the overlapping of services between local and central government which could confuse the individual and generate dissatisfaction on social capital level.

Maloney et al study gives a general overview in terms of clarifying the top-down approach of social capital. In their study, they elaborate the role of local

---

government, taking as object of study the city of Birmingham in England. According to them, local government and city council have a role in creating social capital. The influence of local government in creating social capital is contextual. The impact of local government in supporting associations and voluntary sector organizations as well as partnerships with various local actors to deliver services such as housing, social services, economic development, environmental protection and crime prevention is part of the reforms that took place in a considerable part of the world. The importance given to local government is one of the main factors in creating social capital. Authors introduce the concept of political opportunity structure borrowed from the new social movement theory to explain the relationship and networking between local government and voluntary organizations as well as to understand the distribution of social capital. According to Maloney et al "Political opportunity structure does not determine associational activity and the creation of social capital, but may well be a substantial influence". "it refers to openings, weak spots barriers and resources of the political system". According to Sidney Tarrow political opportunity structure is "consistent but not necessarily formal or permanent dimensions of the political environment dried provides incentives for people to

192 Maloney, Smith and Stoker, Social Capital and Urban Governance.809.
undertake collective action by affecting their expectations of success or failure".

Maloney et al are of the opinion that the involvement of voluntary associations with local government depends on the change of political opportunity structure, and this is possible through three sets of the political system where this undertaking is possible.\textsuperscript{195}

First of all is formal institutional structure. Level of decentralization, coherence in public administration and the capacity of the upper-tier authorities to impose conditions or requirements for involvement of voluntary and community associations, which determine the level of access to decision making.\textsuperscript{196}

Secondly, are informal procedures and prevailing strategies. These relate to informal relationships that are created between local government and voluntary associations and are indispensable for the effects that they have in the creation of social capital.\textsuperscript{197}

Thirdly comes political context within public authorities. This deals with the politicization level of local government and how conflict between political actors is used by voluntary associations for their interests.\textsuperscript{198} But political opportunity structure has also negative effects, complete participation in the decision-making


\textsuperscript{195} Maloney, Smith and Stoker, \textit{Social Capital and Urban Governance}

\textsuperscript{196} Ibid., 810

\textsuperscript{197} Ibid

\textsuperscript{198} Ibid., 811
process does not always bring benefits it can lead to discouragement from associations for collective action.\textsuperscript{199} Cooperation has not always positive effects but also negative ones that can come as a result of the cooperation of associations and voluntary sector with local governments in mobilizing social capital. Smaller voluntary organizations can find it difficult to face larger voluntary organizations when it comes to financial support and local government partnership. This makes a considerable part of associations that want to be involved in partnership with local government, have a greater ability to approach managerial skills more than the formalization of relations for service delivery. At this point, smaller and less organized organizations are excluded from participation or have difficulty in gaining partnership and subsidies. This formalization may lead to a decrease in the voluntary sector skills in order to mobilize social capital. This leads to what Riddell sees as "Pressure to change the nature and purpose of the voluntary sector ".\textsuperscript{200} To summarize, it can be said that there is a possibility for social capital be influenced from the top down approach and Maloney \textit{et al}\textsuperscript{201} supported this in his study. Institutional and legal framework design is necessary to create the required conditions for local governments positively influence the creation of social capital. Relations arising

\textsuperscript{199} Tarrow, \textit{Power in Movement}, 86
\textsuperscript{201} Maloney, Smith and Stoker, \textit{Social Capital and Urban Governance
as a result of partnerships impact the creation of interaction between associations and voluntary organizations with citizens, as well as local government with associations and voluntary organizations. The dense networks of relationships created, provide opportunities to build trust, create norms of reciprocity and collective action. All these lead to a local economic development and an enormous social and public benefit.

4.5.2 Local space as a development factor

Territorial space has a significant importance in the development process of many countries, where specific regions of the country stand out for agglomerating different firms dominating nowadays society, example technological ones. Determine the location of a particular undertaking in an industrial district or cluster is one of the key points in the development of an enterprise. The type of an enterprise determines its location and social capital. Firms that aim to keep their information have as part of their working plan the relationship with other firms or exchange of information while firms that intend entering into a relationship with other actors and firms have a greater social capital.
4.5.3 Social capital of enterprises

Firms operating in a national and local territory are somehow the creators of a part of their own social capital. They have an internal social capital of the company including workers and its management staff. Relations that arise as part of their management human resources program or those arising spontaneously, form the internal capital of the company. Norms and internal cooperation are an integral part. The relation the firm establishes with others which are part of the production, make up the other part of social capital. Relationships firms have with local actors, including policy-maker actors as well as those parts of civil society, and academic world are the rest of the social capital without excluding, relations with the final buyers of the products. So to summarize, social capital consisting of networks connecting firms with other actors, norms generated or arising spontaneously within firms as well as relationships and connections with various local actors constitute social capital that flourishes in a specific area. Existing social capital of firms before the establishment in a certain territory as well as the social capital of its managers and the type of production are influencing factors in the choice of the territory to establish the business. Firm size, production target if it is local or not, wages level and the need for political support are other factors that affect the choice of the country.
4.5.4 Politics and associations

The level of local government interaction with its partners in delivery services makes the last ones have a high contacts level. Despite the idea that there is no connection between associations and the voluntary sector with politics these connections play a certain role. The way associations and organizations can be politically influential and at the same time be on focus of political interests. H.Lelieveldt and M. Caiani argue that associations play a political role on local, firstly, through membership. The number of participants in the association is of a great importance for the association itself in order to require more funds from local government to sustain their association, and also for political reasons on the local level because this large number can be used for political interests. As membership size increases, the likelihood that members will press the association to become politically active for personal or associational related reasons- increases.

The second way is the level of professionalism that makes it possible for capable persons who can deal with administrative work provide opportunities for the rest of persons who belong to the association to establish political contacts also

---

“having people employed is that it may be very easy to contact local government or to attend meetings during office hours”.

The third way is network position. The position each association has in comparison with others determines the type of relationship. The relation an association has with other associations influences and make it be influenced for political mobilization. From this point of view, associations take a leading role in promoting the ideas they fight for. It is worth mentioning that in the basis of association contacts with local government and the political role they play has as basis the need for financial support. However, the role of directors or management directors of these associations is of fundamental importance in determining the acting form because generally they are the ones who establish contacts with local government.

The dense network of relations that arise as a result of membership, the level of professionalism as well as network position involves an increased level of interaction and social capital growth. So let us think the higher is the number of people participating in associations the higher will be the interest of politics in them. The higher is political interest in them the greater is the possibility to meet association interest. The larger and consolidated the association, the greater will be opportunities for interaction with other associations what in social capital level would have a significant impact. Civil society represented by associations and

---

203 Ibid., 179
voluntary organizations are the social capital of a locality. Association density is seen as an indicator of civil society level. The greater the number of associations the greater will be the social capital of that area. On one hand, density facilitates the conditions for participation since it has a large number of associations in a certain area, but on the other hand is easier to waive from them, because of numerous choice possibilities. At this point, it is necessary do a qualitative division between the number of participants in the association and the number of active participants and mobilized. But "a large number does not mean that everything in the associational garden is rosy" ... Big numbers could mask the fact that certain "interest" remain relatively under-mobilized ". The ability of organizations, mobilizing passive participants making them active is a factor that affects qualitative growth of social capital given that a greater number of people will be actively involved. Associations diversity is one of the factors that guarantee the representation of different interests. Associations participating in certain areas may have as their focus some specific interests and lack of diversity can bring about a democratic deficit in the associations of that area. If a part of organizations rely on financial aid and partnership of local government or local or foreign donors, then donors' perspective determines to a considerable extent the direction of the association. Consequently, organizations diversity in a

---

specific area depends on political, economic, socio-cultural context of that specific area and on the interest of financing actors. In this analysis are excluded leisure associations and the main focus is given to associations with a direct or indirect political interest. However, we cannot leave without mentioning those associations held by the contribution of participants and donations from individuals and other actors who believe in a certain cause and manage to stay independent. The environment in which the association’s activity takes place is of a great importance. According to Baglioni, Dentes, Morales and Vetter the space of a given area affects participation level, activism and volunteerism. According to them, this could lead to a decline of the community and its effects. So association activity in a large urban territory populate of a large number of people, has less opportunities to develop an increased level of volunteering and participation in associations which leads to a decrease in social capital. As seen above, associations role and their density is important but also other aspects such as active participation, space, diversity, are important.

---

5. Measuring social capital

5.1 Theoretical background

To summarize Putnam’s theory on social capital we should state initially that social capital consists of several elements. The first is trust that enables to increase cooperation level and at the same time although conversely, an increased level of cooperation increases trust level. The more we communicate with people, the more opportunities we have to recognize and to establish or not trust. At this point reputation plays a crucial role. The latter is due to a continuing relationship and correct attitudes. So, the more we trust the more opportunities we have to cooperate and the more we cooperate the more we get to know each other and create the required conditions for establishing trust and reputation. According to Putnam, trust is generated from norms of reciprocity and participation in networks of civic engagement. Reciprocity norms are divided into balanced / specific and generalized diffused. The first has to do with the exchange of something of the same value, and the other has to do with buying something and expect a payback in the future. Generalized reciprocity is referred to as generalized trust. This norm is particularly important because it goes beyond the inner circle and family friends, and extends to foreign men outside it. Networks of civic engagement are the place where takes place generalized
reciprocity. This comes due to for several reasons because networks of civic engagement are horizontal social networks and only these kinds of networks can create trust and cooperation as well as the possibility of creating and promoting reputation. These networks of civic engagement facilitate the flow of information on topics that they elaborate, as well as for other issues that enable collaboration for collective action. Although they enable the creation of norms of reciprocity, positive experiences among members and other people may serve as an incentive for cooperation in the future. Putnam distinguishes bonding and bridging social capital. The first one focuses more on the narrow interests of certain groups or communities and strengthens their identity and solidarity while bridging social capital is suitable to the transmission of information even outside a certain group, toward other people. Generalized reciprocity or otherwise considered as generalized trust is one of the most productive elements of social capital, since the positive effects it has throughout the community.

5.2 Methodology

To measure social capital and its elements such as trust and participation in networks of civic engagement is used the data set of Living Standard Measurement Survey (LSMS) 2008 carried by Albanian National Institute of
Statistics. This dataset has a specific module for the measurement of social capital. It is divided into six main groups including:

- Groups and Networks
- Trust and Solidarity
- Collective Action and Cooperation
- Social Cohesion and Inclusion
- Empowerment and Political Action.

For each of them, there are specific data. The ones interviewed in this study were households. To measure the civic engagement of the household or any other of its family members in Tirana was used the question:

I would like to start by asking you about the groups or organizations, networks, associations to which you or any member of your household belong. These could be formally organized groups or just groups of people who get together regularly to do an activity or talk about things. Look at the list beside. Of how many such groups are you or anyone in your household a member?

- None
- Farmer/fisherman association
- Irrigation related association
- Traders or Business association
- Professional association (doctors, teachers,)
- Trade Unions

• Neighborhood/village council of dignitaries
• Religious or spiritual groups
• Political group or movement
• Cultural association
• Association for environment protection
• Association for water supply
• Association for the consumer’s protection
• Sports group
• Youth groups
• NGO
• Ethnic-based community group
• Veterans associations
• Other groups (specify)

To measure the level of trust is used the following question;

*Generally speaking, would you say that most people can be trusted or that you have to be very careful in dealing with people?*

The answers “I don’t know” are not included but are taken in consideration only the answers “People can be trusted” and “You have to be very careful dealing with people”.

5.3 Empirical findings

From the analysis of data made from the data set of Living Standard Measurement Survey in Albania 2008 in Tirana resulted that 158,843.63 households answered to the questions on participation in groups, organizations,
networks or associations and trust. The percentage of individuals that participate in groups, organizations, networks, or associations are exceedingly low. 95.5% answered that do not belong to a group/association, 3.8% belong to one and 0.4% in two (see fig.4). Also, the number of people who trust is very low. To the questions on the level of trust, 15.2% answered positively and 84.4% negatively (see fig.5).

**Figure.4**

**People belonging to groups, organizations, networks or associations**

<table>
<thead>
<tr>
<th>Number of groups, organizations, networks, associations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>95.4</td>
</tr>
<tr>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td>3</td>
<td>0.4</td>
</tr>
<tr>
<td>4</td>
<td>0.1</td>
</tr>
<tr>
<td>5</td>
<td>0.1</td>
</tr>
<tr>
<td>6</td>
<td>0.1</td>
</tr>
</tbody>
</table>
In the analysis made between the people that trust and don’t trust and the number of participation in groups organizations, networks and associations results show that the number of people who participate in groups decreases with the level of trust. (see fig.6). To see more in depth the influence that participation
has on trust the number of people who don’t belong to any group/association is removed. The result show that 76.3 % of people who belong to one group organization, network and association don’t trust. The number of participation increases the level of trust according to data but, it is irrelevant because the number of respondents is reduced with an increasing number of groups (see Table.1). The Hi-Square test made between two variables results that there is a significant statistical connection (P-Value < 1%). (see Table.2).

![Bar chart: People can be trusted](image)

**Fig.6**
Table 1

<table>
<thead>
<tr>
<th>Nr of groups</th>
<th>1 people can be trusted</th>
<th>2 you have to be very careful</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NR</td>
<td>%</td>
<td>NR</td>
</tr>
<tr>
<td>0</td>
<td>22.193</td>
<td>14.6</td>
<td>129.414</td>
</tr>
<tr>
<td>1</td>
<td>1.443</td>
<td>23.7</td>
<td>4.641</td>
</tr>
<tr>
<td>2</td>
<td>370</td>
<td>64.5</td>
<td>204</td>
</tr>
<tr>
<td>3</td>
<td>182</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td>163</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td>232</td>
</tr>
</tbody>
</table>

Figure 7
Chi-square test between trust and number of groups organizations, networks and associations

<table>
<thead>
<tr>
<th>Number of groups organizations, networks and associations</th>
<th>1 people can be trusted</th>
<th>2 you have to be very careful</th>
<th>Chi-square</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23.7</td>
<td>76.3</td>
<td>1064.77</td>
<td>0.000</td>
</tr>
<tr>
<td>2</td>
<td>64.5</td>
<td>35.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27.6</td>
<td>72.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Descriptive Statistics of number of groups organizations, networks and associations belonging

<table>
<thead>
<tr>
<th></th>
<th>Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean of total</td>
<td>0.1</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0.5</td>
</tr>
<tr>
<td>Mean of belonging</td>
<td>1.5</td>
</tr>
<tr>
<td>Min</td>
<td>1.0</td>
</tr>
<tr>
<td>Max</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Correlations

<table>
<thead>
<tr>
<th>Correlations</th>
<th>People can be trusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of groups organizations, networks and associations</td>
<td>Pearson Correlation 0.04</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) 0.00</td>
</tr>
<tr>
<td></td>
<td>N 158,843.63</td>
</tr>
</tbody>
</table>

In the correlation analysis made between the two variables including the number of people who do not belong to a group/association results that exist a negative
correlation -0.04 (see fig.4). Empirical findings show that the main hypothesis of this study is not confirmed.
Conclusion

Social capital is one of the most discussed concepts as we could see above. In the second part of thesis is had been given an overview of the main authors that deal with this concept. It was noted that this concept has been seen and treated in different ways. The multifaceted that surrounds it has made harder its definition and measuring. Different scholars have been referred to different definitions of social capital depending on the field of study. This multidimensionality and other characteristics starting from concept to its measurement have had its critics. However, this has not stopped efforts to deepen research on the positive outcomes that it carry, especially economic ones. In the second part was examined how social capital can be used as economic capital, and its different fields of action in the economic development. In the fourth part was shown the role of state and local governance complementing the bottom-up view of generating social capital with top-down one. In this part have been shown as the democratic state is necessary for the creation of social capital and like its absence leads to its destruction. Impartiality of institutions and income equality referring to the studies presented in this part are necessary elements in the creation of social capital. In the local level has been shown the leading role of local governance in its formation. The policies followed by local governance influence extremely the formation of social capital.
In the fifth part has been shown that Putman’s thesis on the role of civic engagement in the creation of trust does not find a foundation and is not proven in the Tirana’s case in 2008. This study goes together with other empirical studies that show no positive correlation between the participation in networks of civic engagement and the level of trust. It also shows like in other studies, that countries with a communist history like Albania, have low participation in networks of civic engagement and a low level of trust. Informality that commonly occur in Albania in the relations between individuals, absence of trust in formal institutions, corruption in different levels of society and the totalitarian history of Albania may be an explanation for the low level of participation in networks of civic engagement and trust. Future studies should turn in the direction of informality of relations between individuals because it could give a better elucidation of social capital in Albania.
Bibliography


Rhodes and David Marsh, *Policy Networks in British Politics* Vivien Lowndes and Helen. Sullivan , “Like a Horse and Carriage or a Fish on a Bicycle:How Well Do


**Electronic resources**


