

THE SOCIAL CAPITAL: FROM MACRO TO MICROECONOMIC

Lecturer PhD **Simona BUTA**

'Stefan cel Mare' University of Suceava, Romania

simonab@seap.usv.ro

Abstract:

Our paper examines the social capital both from a macroeconomic and a microeconomic perspective, meaning that an equivalent of this structure of the social capital (macroeconomic perspective) is reflected clearly also in the social capital available to a company, firm or enterprise. Intuitively, we understand that we encounter in the real economy some firms / companies for which their social capital accumulated over time has some specific supporting the yearly performance obtained by the organization (examples regarding this specific: greater trust between individuals and groups, a set of common values more clearly individualized and conducive to competition etc.). Similarly, we will encounter in the real economy firms and companies for whom the specific of the accumulated social capital limits the annual performance (specificity examples of this type of capital: excessive conflicts and distrust between employees, lack of integrity of some decision-makers, autocratic management styles etc.).

Key words: values, trust, social norms, structural social capital, cognitive social capital

JEL classification: L20, D29

1. THE SOCIAL CAPITAL – A MACROECONOMIC APPROACH

Typically, by the term of "social capital" we mean a certain context favourable to economic growth, progress or respectively the relational system that exists in the culture of each country / nation; it is tradition, customs, religion, business trade relations or other types, even if these "influences" can not be counted accurately.

The concept of social capital has recently come to the attention of economists, but the term has been used by Lynda Hanifan since 1916. Explaining the importance of community participation in improving educational performance, L. Hanifan has defined social capital as "those assets that matter in people's everyday life: good faith, friendship, sympathy and social relations between individuals and families, generating social unit (Hanifan 1916); subsequently, the social capital was approached by Jacobs (1961) in her analysis of city neighbourhoods (Jacobs, 1961).

Developing the concept of social capital and its ongoing influence in the social sciences is largely due to the work of Pierre Bourdieu, James Coleman and Robert Putman.

The first systematic study of the concept of social capital belongs to Pierre Bourdieu (1979; 1986); he defines this concept as "set actual and potential resources which are brought together by the existence of a sustainable network of relations more or less institutionalized, of knowledge and mutual recognition or, in other words, membership of a group" (Bourdieu, 1986 p.248).

Later, James Coleman in "Foundations of social theory" (Coleman, 1990, p. 304) provides a characterization of the concept of social capital: "social organization constitutes a social capital, facilitating achievement of objectives that can not be achieved without it or that can be achieved but with a higher cost. "

Robert Putman, one of the pioneers of research on the subject, believes that what we call social capital "refers to features of social organization such as trust, norms and relationships that can improve the efficiency of society by facilitating joint actions" (Putman, Leonardy, Nanette, 1993 p. 167).

So, the social capital refers to the norms and values that make individuals act collectively; solidarity, reciprocity, generosity, obedience to authority, etc. are cognitive qualities or predispositions generated by the faith in or the affiliation with certain norms or values. However, Fukuyama warned that only part of the social norms and values by individuals is social capital: "social capital can be simply defined as having a certain set of informal rules and norms shared by

members of a group, allowing cooperation between them. Sharing values and norms can not itself produce social capital, because the values can be wrong. The rules that produce social capital must include virtues like honesty, fulfilment of duties and reciprocity "(Fukuyama, 1997, pp. 378-379). In the view of Fukuyama, the social capital is a type of crucible or "matrix" that is structured as a high or low level of trust between individuals and social groups; structuring confidence is culturally conditioned on macro and micro level; it stems from the values in the spirit of which the child is educated in family life and then is formed by the school and the social environment as a member of the society (Fukuyama, 1996, pp. 18-23). Historically, countries of the world were differenced by relatively distinct cultures and civilizations (key cultural elements of a civilization: history, traditions, customs, language, religion, economic relations, etc.). It can be said that religion was and remains a dominant force that motivates individuals, gives them a certain social identity and a certain degree of trust between the followers of one faith (Huntington, 1997, pp. 95-97). Therefore, we can say that what we call inter-individual trust has multiple roots or formation sources (family, school, religion, etc.); some authors believe that trust, association and tolerance together form the core values of the social capital (Sandu, 1999, p. 71).

In fact, the trend towards association and tolerance toward others largely reflects, we believe, some "facets" of what we call confidence; a culture based on openness / cooperation include high levels of trust, association and tolerance (Sandu, 1999, pp. 71-72). In a general sense, by trust we understand a set of positive expectations that an individual has towards a conduct and / or the attitude of a person or a group of people in a given context; at the basis of trust in a society there is, we believe, reciprocity and ethical behaviour between its members. Incidentally, in the social, political contexts that become extreme as the manifestation (ie, the global recession, as the financial crisis from 2008) indices through which the climate of social trust is assessed will fluctuate significantly. To define the concept of trust as a structural element of the social capital, we can invoke the exactly opposite picture of what *trust* means; it is *inter-individual mistrust* that can turn gradually into isolation of the individual and then into fear or even panic. The social consequences of a social environment based on mistrust, fear or even panic will be clearly negative for the work of institutions and economic performance achieved by a country / company.

As D. Sandu quite pertinently argues, it is difficult to define and measure social capital as a contributing/ limiting factor of growth of a particular country; it can be compared to a house "inhabited" by several distinct concepts that are only partially related to each other (Sandu, 1999, pp.67-72). Maintaining the invoked analogy, it can be said that the "tenants" of such buildings are not people but are rather "... a sort of strange creatures made of relationships" that occurs between people, between two or more institutions, and between people and various institutions of the democratic state (Sandu, 1999, p.72). So, it can be concluded that the essence of what sociologists and economists referred to by the term of "social capital" lies in the competition between individuals and the implicit relationships that a fair competition, based on ethical norms generates.

In a synthetic approach on the social capital we understand that it usually generates positive externalities for members of the group (country / nation, community organizations, etc.); particularly confidence remains, we believe, the core around which certain values are developed, to which will report all or most members of a group; positive social behaviour of the individual (based on honesty, sincerity, reciprocity, etc.) may be encouraged or restricted by the social norms imposed by the decision-maker at macro or micro level. However, more important than social norms and / or the rules imposed to build in time a social capital favourable to economic development, we believe that the social norms accepted voluntarily by the individual will contribute decisively to the human relationships that one undertakes with other social groups (what is voluntarily accepted is derived from the person's belief as distinction between good and evil, right and wrong, so from an ethical behaviour recognized by humanity).

The ethical behaviour of the individual is not something inherited, in the genetic sense; it can be influenced / directed by social norms and especially by other positive social behaviour patterns. We mean that such positive social behaviours are based on a ethic of work voluntarily

accepted, as a distinct social "value"; by summing social values of this type the boost of the economic and social progress of a country is reached.

Considering the issues raised by us in the discussion about the term "social capital", we consider that there are certain essential elements that give content to this concept (whatever the point of view that some authors), respectively:

- a. The trust inter-individuals and their sense of trust, i.e. of individuals for various institutions, either public or private, religious or other types;
- b. The values which the members of a large social group believe in (country / nation or similar) and that are essentially related to the individual's distinction between good and evil, truth and falsehood, right and wrong etc.;
- c. The social rules imposed and / or accepted voluntarily by the members of a social group (a set of rules, formal / informal);
- d. The social competition and the tendency to create formal / informal networks between the members of a large social group (networking between members of a group / management team).

We infer that the mix of the four major elements of social capital may induce a positive influence in the process of creation / distribution of wealth at the level of country / nation (large social group); this potentially beneficial influence is reflected both macroeconomic (i.e. institutional context in which organizations operate; it includes structures and relationships, such as the rule of law, laws, polity, legal framework, the level of decentralization and citizen participation in the formulation of economic policies) and at the micro level (i.e. the mission proposed by the firm, organizational structures, the type of organizational culture, microeconomic strategies, the motivating of employees, the dissemination of knowledge in the organization, etc.). The microeconomic level refers; in particular, to the potential contributions that social organizations and networks (those vertical and horizontal joints within organizations and between different organizations) can bring to the welfare of a group, community or country.

2. THE SOCIAL CAPITAL - A MICROECONOMIC APPROACH

The macroeconomic evolution depends on the microeconomic one and vice versa; on the one hand, the state and various institutions can and should support the business environment; on the other hand, the various companies and corporations should assume social responsibilities and complement the state by applying some ethical behaviours in all their strategies.

Among other views on the concept of social capital, we mention the optics of Bain and Hicks (Bain, Hicks, 1998, p. 9) that distinguish clearly between the macroeconomic and microeconomic level of concrete manifestation of the elements from the structure of this concept (from macro perspective they discuss of the rule of law, the legal framework, the community involvement and the decentralization of power; the micro perspective they discuss of a cognitive manifestation and of a structural one; the cognitive manifestation is about values, social norms and other elements). In the context of the society based on knowledge, in which information technology has become pervasive, some dual and seemingly conflicting tendencies appear between the need to decentralize power (the state, large corporations, etc.) and the need to build a social climate based on trust, competition and also cooperation; essentially, Fukuyama argues, there will remain ethical codes governing the behaviour of companies and that must clearly distinguish between good and evil ("the language of good and evil" is the phrase used by the author) (Fukuyama, 1996, pp. 17-26).

Figure No.1 presents the interdependence between the macroeconomic and the microeconomic perspective referring to the study of social capital, noting that this conceptual framework has a methodological value.

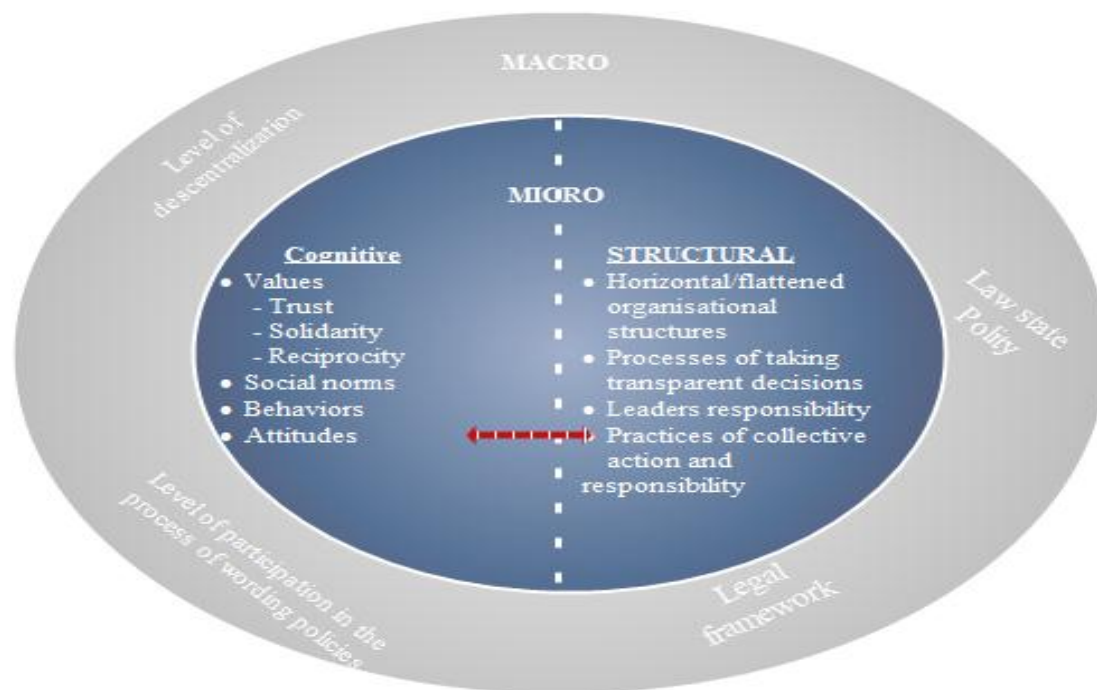


Figure No.1. Conceptual framework of the social capital from macroeconomic and microeconomic perspective

Source: adapted from Bain, K. Hicks, N. (1999) Building social capital and Reaching out to excluded groups: The challenge of partnership in Social Capital Assessment Tool, Anirudh Krishna and Shrader Eliyabeth, Conference on Social Capital and Poverty Reduction, The World Bank, Washington DC

At the microeconomic level there are two types of social capital affecting the evolution and the performance of an organization: cognitive and structural. (Uphoff, 1996) The hardest part to quantify, less tangible of the social capital of a company refers to the values, the beliefs, the attitudes, the behaviours and the social norms that are found in the functioning of the entity (this part is called cognitive social capital). As noted in Figure no. 1 we identify a component of structural capital and cognitive capital both at the macroeconomic and microeconomic level. We mean that from the micro perspective, i.e. at the company level, the structural capital is relatively easy to identify and / or visible and the cognitive capital somewhat difficult to assess; however, both forms of the capital manifest themselves and condition the performance obtained in time by the organization. This is because the realities of the modern capitalist state shows that the same person appears successively as part or member of several different social groups; the organization where the individual is an employee remains just one of the communities in which he manifests himself daily and from time to time to fulfil his social mission (other types of organizations: church, political institutions, associations, foundations, etc.). Consequently, we are entitled to conclude that some cultural "legacy" of the individual obtained through education and under the influence of the social environment will be reflected in the performance achieved by him and various groups to which the person belongs. These values (which include trust, solidarity and reciprocity) are common for the members of an organization and creates the prerequisites / conditions on which individuals can work together to achieve organizational goals. As conclusions on this issue, we can say that at the microeconomic level, i.e. of a company, we meet all four elements that give the content of the concept of social capital:

- The confidence that is established between the organization members and especially between subordinates and executives;
- The values to which the organization pertains as a whole;
- The social rules they apply to the organization, both as formal rules, and as informal rules / practices;

- The tend to create formal and informal networks to solve the current goals of some groups of employees.

Since a company sets out a certain mission and devises specific strategies to achieve annual targets, it draws a certain type of organisational chart with one or several hierarchical levels of functional, geographic, matrix type or according to other criteria (Burciu 2008, pp. 271-277). Underlying the organizational chart there are a series of principles on the vertical and horizontal division of labour. The decision maker must take into account and define the jobs and functions, hierarchical levels, organizational relations and the average sphere of responsibility of each executive. Subsequently, the companies develop some regulations and internal rules (ROO - Rules of Organization and Operation; IOR - Inner Order Regulation) that acquire an official character, that become formal rules that will underpin the practices the organization's members use; these internal rules are called formal rules / rapports in the sense that they have an official, known character, imposed by the authority existing at the top of the organizational chart. Over time, such formal rules / rapports within the organization will be associated inevitably to some networks that also have a formal, official character (the modality to send provisions from the top to the site of application, the constitution of chains of command, the way of communication etc.). The theory of management, and also the practice in various business organizations, shows that over time all formal relationships and networks formed in a company tend to be "doubled" by informal relationships and networks between employees, departments and teams or groups.

From the invoked point of view, the theory of social capital at the microeconomic level makes a distinction that may be useful in our analysis; it discusses about *structural social capital* (we understand that it is associated mainly, but not entirely to the structure given by the organisational chart) and *cognitive social capital* (we understand that it is associated mainly, but not entirely to the ratios derived from the formal norms / rules imposed by the management of the entity). In Table no. 1 we present the two forms of capital, mentioning the following two points:

- What we call structural social capital derives mainly from rules of organization, types of networks, means of communication and other similar issues that manifest or occurs in the operation of the organisational chart;

- What we call cognitive social capital derives mainly from values, beliefs and the climate of trust to which the members of the organization pertain; In other words, this form of the social capital is derived from patterns of behaviour and values around which certain behaviours are built over time.

Table no. 1. Complementary forms of social capital

SOCIAL CAPITAL		
	Structural	Cognitive
Sources and modes of expression	Rules and Roles Networks and other interpersonal relationships Procedures and Standards	Norms Values Attitudes Beliefs
Areas	Organizational Structures / social organization	Organizational culture / civic / national culture
Influencing factors	Horizontal relations Vertical relations	Reliability Solidarity Cooperation Generosity
Common elements	Expectations that lead to a cooperative behaviour among the members and which should provide some beneficial effects for all (mutually beneficial effects)	

Source: adapted from Uphoff N. (1996), Understanding social capital: learning from the analysis and experience of Participation, Cornell University, <http://sites.harvard.edu/>

Therefore, the structural capital is associated with various forms of social organization, such as roles, rules, communication, standards, procedures and all networks / relationships that contribute to better cooperation of individuals; specifically those networks / relationships that have as effect of

mutually beneficial collective actions (at macro and microeconomic level networking is one of the basics of social capital).

The cognitive form of the social capital derives from mental processes and ideas consolidated and maintained by the culture and daily relations between the employees of an organization; more precisely, it stems from norms, values, attitudes, beliefs, behaviours that lead to cooperative behaviours and mutually beneficial collective actions.

First, the elements related to the official social organization are those supporting the emergence of mutually beneficial collective actions; especially by establishing some patterns of the interaction designed to generate maximum results (these results arise from the cooperation between employees and in situations where cooperation is based on predictable actions / behaviours). Secondly, the ideas are those that predispose individuals to adopt practices of collective and mutually beneficial actions, since once they are shared on a large scale, they will make cooperation easier. Thirdly, the norms, the values, the attitudes and the beliefs that constitute the base of the cognitive social capital are those that will lead to a rational and cooperative behaviour.

So, the two forms of the social capital are interdependent, each form complements each other; both influence the behaviour of individuals through the mechanism of expectations, they are conditioned by experience and further strengthened through culture, history or other factors of influence.

Moreover, starting from this composition of the social capital at the microeconomic level there occur a number of questions: What types of networks (networking) and interpersonal relations (relationships and / or links) are associated most frequently with social trust and norms promoting coordination and cooperation for mutual benefits? There are some networks and relationships that have a "positive" influence on the organizational performance, while other networks or relationships have a "negative" influence to strengthen the social capital of the entity? What exactly are the rapports created in time between certain interpersonal networks/relations of the organization and the specific of its organizational culture?

CONCLUSIONS

Among the main conclusions that can be drawn as a result of our analysis, we remind the following:

- There are various theoretical developments on the term "social capital", especially from a macroeconomic perspective; the equivalent of what we call "social capital" is also found in the business organizations.
- Various theoretical developments on the social capital of an organization define this concept especially in relation to the structural capital and the cognitive capital.
- The analysis of the concept of social capital is found widely in sociology and economics, but inevitably, angles of approach and conclusions reached by different authors are often different and sometimes even contradictory.
- In terms of our work, we concluded that there are four basic elements that give the content of the concept of social capital (trust, values, social norms and networking), which is the predominant macroeconomic perspective of analysis. The equivalent of this structure of the social capital is also reflected clearly in the social capital of a company, firm or enterprise. However, as for other topics, the macro-microeconomic relationship is by its nature nuanced and profound; any generalizations can lead to erroneous opinions.

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