

THE ROLE OF HUMAN AND SOCIAL CAPITAL IN THE INSTITUTIONAL SUCCESS

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Abstract

In „Making Democracy Work: Civic Traditions in Modern Italy”, Robert D. Putnam launched several questions: how do formal institutions influence politics and governance? Is there a possibility for these institutions to reform this practice so as to keep up with reform? REforming institutions requires for a functional requirement: the need for their performance. But what their performance depend on? Is it just their social, economic and cultural background? If we transfer democratic institutions is there a possibility for them to develop in the new context just about the same way they did in the older one? What is citizen’s role in this complex game? Could it be that the quality of democracy also depends on the citizens’ quality? Would it be right to say that peoples have the governments they deserve?”¹

At the beginning of 2017, the Edelman Trust Barometer highlighted a world wide deep decrease in four major institutions: government, business, mass media and NGOs. The trust discrepancies between well informed and leser ifnformed audience get larger. The latter ones are more tempted to place a larger trust in Google browser than in the experts’ analyses. In this context, looks like relevant totget back to theories questioning the role of human and social capital in the institutional success.

Key words: *civic commitment, human capital, social capital, trust, moral trust, social understanding, reciprocity norms, widened reciprocity norms, civic commitment networks, tolerance.*

JEL Classification: *Z1, Z13*

¹ Putnam, Robert D., 2001, *Making Democracy Work: Civic Traditions in Modern Italy*, Polirom publishing house, Iași, page 15

According to Alexis de Tocqueville, social context has ensured the fertile field for the development of American democracy, and has generated the typical American spirit, capable of building civic and political organizations with great ease: "Americans of all ages and statuses, with different personalities, unite incessantly. Not only inside commercial and industrial associations, to which all participate, but they also have other associations of the kind: religious, moral, serious, easy, very general and very particular, huge and small clusters... So the most democratic country in the world is the only country where the art of pursuing in common the object of common desires and the newest science has been applied to the largest number of things"¹

Putnam's comments, according to which the individuals integrated in associations have more "subjective civic competence", are more cooperative and have greater responsibility and tolerance, is also clear from the series of surveys conducted in several European countries, but above all in Italy.

Putnam starts from a concrete reality. For 20 years (1950-1970), the Italian economy has seen an unprecedented development. This rhythm was not accompanied, however, in parallel by reforms within the governing policies, which remained blocked - according to him - in the old project of a subordination to centralizing concepts.

The subsequent institutional reform, closely supported by partisans of the regionalist current, based on greater decision-making flexibility and generous decentralizing ideas, has eventually amplified the discrepancy between the northern (rich) and southern (poor) of Italy.

Putnam attempts to explain in this way a political failure, launching himself into a huge effort to measure twelve institutional performance indicators. What were the results of this research?

First, as Tocqueville also pointed out, Putnam demonstrates that "a democratic government is strengthened, not weakened" by cohabitation with a "strong civil society." Where civic spirit is developed, governance is better. Where "rules" and "networks of civic engagement" are missing, the chances of developing collective action are minimal.

What is interesting, says Putnam, is not that a legal-type agreement supports the cooperation of individuals, but a moral one.

That is to say that without a voluntary association of individuals to the "rules of reciprocity", without a "civic commitment" there is a maximum potential to open the door to "clientelism", "contempt for law", "inefficient

¹ Tocqueville, in Putnam, Robert D., 2001, Making Democracy Work: Civic Traditions in Modern Italy, Polirom publishing house, Iași, page 105

governance" and "economic stagnation. All these have been found as a result of the research conducted in most of the southern poor of Italy.

Secondly, the institutionalist assumption that "changing formal institutions can entail changing political practices" is being verified.

The reform has produced a change in the political life of all regions. A more moderate, tolerant and pragmatic political elite was observed throughout the peninsula, and in turn it was the generator of new legislative packages in favor of even more decentralization.¹

Thirdly, perhaps the most important "lesson" learned from this research is that "institutional history is moving very slowly". The creation of a functioning institution "is measured in decades". And it is possible that the "rules of reciprocity", "networks of civic engagement" evolve certainly much slower.²

Putnam's research has, moreover, cut a response to a rather controversial question: institutional effectiveness is influenced by the social and historical context.

It is not by chance that Putnam develops the concept of social capital in the research conducted to explain the North's performance. He argues that only the "rules of generalized reciprocity" and "civic engagement networks" are those that allow for "effective coordination." "Inoculated and sustained by modeling, socializing, but also by sanctions, social norms transfer the control of individual action to others by virtue of the fact that it has consequences for others".³

But what is very interesting, especially in the current global context, is that socially-based rules "proliferate" as they "lower transaction costs" and foster "cooperation."

Putnam explains in a way that "reciprocity" is the fundamental element of social norms. This can be of two kinds: "balanced" (where the value of exchanges is equal) and generalized ("not paid" for the moment, the favor is to be returned in the future).⁴

As a "productive part of social capital", the rules of generalized reciprocity provide the link between individual interest and social solidarity. "Nothing erodes confidence faster than promises that are not being respected", Putnam says. And vice versa, nothing builds up and strengthens confidence better than respecting promises made. "

¹ Ibidem, page 207

² Ibidem

³ Putnam, Robert D., 2001, *Making Democracy Work: Civic Traditions in Modern Italy*, Polirom publishing house, Iași, page 192

⁴ Ibidem, page 193

It is assumed that an effective norm of generalized reciprocity can be "associated" with a "dense social exchange" network. These exchanges are more likely where "trust" is rewarded, and "their degree of repeatability over a longer period of time encourages the development of generalized reciprocity rules."¹

The density of horizontal relationships in a community and the multitude of networks make it possible to increase cooperation in obtaining the common good.

The other dimension of social capital, "civic engagement networks", includes the "associative sphere", the interpersonal capacity to interact horizontally with relationships (various associations, sports clubs, etc.). The ability of individuals to cooperate in order to obtain the common good depends on the density of these "associative networks".

Both networks of civic engagement and the rules of generalized reciprocity are sources of a new dimension of social capital: trust, a "fundamental element of collective action coordination."² In other words, there is a direct proportion between the level of trust and the likelihood of cooperation.

Complementary to generalized trust, considered at the opposite of "strategic trust," moral trust excludes rational computing by placing the individual in the space of optimistic visions "on the world and on good intentions."

Professor Dumitru Sandu "introduces a new form of interpersonal trust", namely "tolerance", a dimension that implies "a positive definition of the other". "Although I do not agree with you or I do not like what you are doing, I accept you. We could be colleagues or neighbors or even relatives".³ Or, as S. Covey pointed out, "to cherish the differences," in other words, the "intellectual, affective, and psychological differences that exist between people," the key to this capitalization is that "people see the world not as it is, but as they are".⁴

A "cohabitation agreement", involvement in various actions alongside individuals "very different from yourself" or even "understanding

¹ "Any society, whether modern or traditional, authoritarian or democratic, feudal or capitalist, is characterized by a series of interpersonal communication and interchange networks, both formal and informal, Putnam says. Some of these networks are essentially horizontal, including agents with equivalent status power. Others are essentially vertical, bringing together unequal agents in asymmetric hierarchy and dependency relationships. It is true in the real world, almost all networks represent a mixture of relationships and horizontal and vertical "

² Eisenstadt, S.N., Roniger, L., 1994, *Patrons, clients and friends – interpersonal relations and the structure of trust in society*, Cambridge University Press, pages 1-42

³ Sandu, D., 2003, *Sociability in the space of development*, Polirom publishing house, Iași, page 21

⁴ Covey, Stephen R., 2006, *Efficiency in seven steps – an ABC of wisdom*, Alfa publishing house, București, page 262

for those who act otherwise than you", tolerance is part of the "culture of difference".¹

The motivation behind accepting "negatively valued behaviors or individuals" is defined contextually, being different, on a case-by-case basis. It may be a consequence of judgments of "utility", "neutrality"² or "respect"³. "Considering tolerance as a particular form of trust is particularly valid for situations where respect is the criterion of tolerance," Professor Sandu Dumitru says. If trust is the "cement" that provides unity to "bricks under construction," tolerance is the "strength structure" of it. As a consequence, any kind of human community will be prone to rapid dissolution in the absence of "tissue of tolerance"⁴.

Beyond "valorisation of diversity acceptance", tolerance also means the self-validation of equality, in the sense that "offered to some" must be "granted to all," and equality in freedom is practically the "institutional foundation of social tolerance". "Trust, sociation and tolerance are the core of social capital values," and "implicit reciprocity" is "the fundamental latent dimension of all these values".⁵

Putnam also points out that "as the foundation of human interaction, trust often has a strong territorial identity. It is a kind of culture of openness that integrates more or less into regional or community cultures." Considered as "stock of values relevant to sociability" (a "productive" sociability generating "growth of human, material or even social capital stock"), social capital has the role of positively defining "patterns of interaction" and "reducing" transaction costs in "interaction processes".⁶

He explains the dimensions of the motivation of individuals that make it possible to benefit from the existence of networks of civic engagement. On the one hand, it increases the potential costs of the one who deviates from the rules of reciprocity in any individual transaction. On the other hand, by supporting "robust rules of reciprocity", civic engagement networks "embody the success of past cooperation", a fundamental, culturally defined milestone, as a basis for future cooperation.⁷

It is virtually stressed that beyond its importance for those involved, a vertical network cannot be the basic pillar of sustaining social

¹ Ioan Mihăilescu, în Sandu, D., 2003, *Sociability in the space of development*, Polirom publishing house, Iași, page 21

² "It is useful to accept what I don't like". (Horton, 2000, page 748, în Sandu, 2003: 24)

³ Ibidem

⁴ Ibidem

⁵ Ibidem, page 71

⁶ Ibidem, page 84 (also see David Faulkner, Mark de Rond, 2001, *Cooperative strategy – economic, business, and organizational issues*, Oxford University Press, pages 283 - 377)

⁷ Putnam, Robert D., 2001, *Making Democracy Work: Civic Traditions in Modern Italy*, Polirom publishing house, Iași, page 195

trust and cooperation. Relationships dominated by dependence rather than reciprocity are very likely to dissolve as a result of the consequences of both parties' (patron-client) opportunism. Neither "strong interpersonal relationships" contribute to the cohesion of a community or public action more than "weak connections" (social contact or relationships between members of a secondary association).

This is perhaps the main reason for which civic engagement networks are a "an important community share of the stock of social capital".¹

Putnam states that given the substantial contribution of the horizontal networks of civic engagement to resolving "collective action dilemmas," one can suppose that a organisation rather horizontally structured has more chances to know institutional success in wider communities. However, in a community characterized by "a dense network of civic engagement relationships," with individuals who largely "subscribe" to civic norms, it is much easier to identify the deviation, which - once sanctioned - becomes, in the future, a risky, "unattractive" action.

Robert Sugden (a game theory specialist) believes that both options - "always cheats" and "returns favor" - are "contingency conventions," "rules" that over the years have found fertile ground within communities. In both situations one can discuss social balance, social stability, given that both could have evolved with certainty, "in another direction", under entirely different circumstances. In other words, the cohesion of a community can be maintained both by the rules of reciprocity/ trust and dependence/ exploitation. Only the level of efficiency and institutional performance differs.

It is history that determines which of the two "stable outcomes" defines one society or another. It cannot, however, completely eliminate practices that slow down progress and "encourage collective irrationality." One should not look for the fault that leads to inertia in any individual irrationality (it is precisely the individuals who "react rationally" within the social context in which the history "thrown them" those who "fuel the social pathology").

This feature of social systems has been called by theoreticians (especially the history of the economy) "route dependence" ("where you go depends on where you come from and there are destinations you simply cannot reach").² This dependency influences the performance of different societies under similar conditions of "individual preferences", "resources", "formal institutions" and "relative prices".

¹ Ibidem, page 197

² Ibidem, pages 200-201

The implications can also be seen in the economic sphere, "the fact that vertical networks are less useful in solving collective action dilemmas could be one of the morals for which capitalism proved to be more effective than feudalism in the eighteenth century, and democracy proved more effective than autocracy in the 20th century," says Putnam.¹

Following the consequences of the post-colonial experience in North America and South America, Douglas North shows that the southern colonial heritage has left a tremendous impression on his historical destiny. If the North has received its rationale of civic tradition, the same cannot be said of the South, the heir of the "tradition of vertical dependence", the burden of "centralized authoritarianism", "nepotism" or "clientelism" - all of Spain's export matter of the end of the Middle Age. Summarized, they have made an essential contribution to building a socio-cultural cleavage that today separates, not only from a civic perspective, the two Americas. It cannot be the different "preferences" or "preferences" of the two societies, says North, but of a history that "gave them social contexts in which opportunities and motivations are different."

North also points out that in any society, the institutions – depository of the "rules of the game" - tend to perpetuate themselves "even when they are socially ineffective".² The dilemma of establishing with certainty which is the cause and which is the effect in the culture-structure binomial still raises a series of polemics in the world of social sciences.

Conclusion:

There is for sure a certainty: "the norms and networks of civic engagement" have a substantial contribution to economic development, which in turn constitutes an ideal context for their strengthening. It should also be noted that, as North pointed out, "route dependency matters". It will be practically very difficult to understand the present choices without understanding the evolution of the institutions. A "real clarification" implies a profound knowledge of "culturally determined behavioral norms" and, last but not least, "how they interact with formal rules."³

Most experts admit that both attitudes and practices "form a consolidated balance on both sides". There is mutual stimulation between "social trust", "reciprocity rules", "civic engagement networks" and

¹ Ibidem, page 196. See also S.N. Eisenstadt and L. Roniger, 1994, *Patrons, clients and friends – interpersonal relations and the structure of trust in society*, Cambridge University Press.

² Ibidem, page 201

³ Ibidem, page 203

"successful cooperation".¹ "Values and social relations are mutually interdependent and stimulating", meaning that "institutions generate distinct sets of preferences" on the one hand, and "adherence to certain values legitimizes appropriate institutional arrangements" on the other.

We are warned that we have every chance of not going out of the labyrinth if we ask continuously "which of the two appears first or has causal priority".²

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¹ "Stocks of social capital, such as trust, norms and networks, tend to be self-regenerating and cumulative. Those "happy" circles we talked about earlier lead to social balances with high levels of cooperation, trust, reciprocity, civic engagement and collective welfare. These features define the civic community. The absence of these features in the non-communal communities is also self-regenerating. Deception, distrust, eschewing, exploitation, isolation, disorder and stagnation intensify each other in a suffocating atmosphere of vicious circles"(Putnam, 2001: 199).

² Thompson, Ellis, Wildavsky, 1990, page 21, in Putnam, Robert D., 2001, *How does democracy work*, Polirom publishing house, Iași, page 263

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