Capital & Formal Social Groups - The Potential Implications

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ABSTRACT

It is known that any individual is simultaneously part of several social groups or micro-groups (family, community, church, company, etc.); essentially, the values a person believes in and the level of trust in other people or institutions will make the actual manner in which the individual is manifested in relationships with others. Identifying behaviors of social groups and their values, requires, we believe, a more detailed analysis of the identity of the individual and/or the social groups (social norms and their related behaviors, their social networks and the type of competition, confidence and values - key coordinates of the social capital).

Therefore, in this article we aim to discuss the concept of social capital, trying to identify to what extent certain social practices and/or formal relations between groups of individuals can promote economic performance of some countries. The social "infrastructure" of a country (the historical traditions and customs, social/political events, the trust between the ruled and the rulers, the social values of different groups and micro-groups, the national education systems, etc.) may be a contributing factor to the climate governing the business world. Consequently, we deduce that the directions of the civil society, it is formed in time in a kind of framework or "matrix" that can foster more or less the performance of companies.

Therefore, our research examines predominantly the social capital and the functioning of formal social groups from macroeconomic perspective; in particular, the operation of formal social groups in Romania.

Keywords: social capital, social norms, values, formal groups

INTRODUCTION

It is not very clear in the social psychology which one would be the concrete directions of action through which individuals can form high-performance individuals; this whereas the perceptions and reactions of each person will be different even when the state provides quality services. Certain social virtues (honesty, credibility, duty done, etc.) may be exercised individually or with the family (Fukuyama, 1996). However, when it comes to mutual trust, it appears and manifests itself but only in certain social contexts. For this reason trust was and remains the core of the concept of social capital; it follows under the joint influence of several cultural/civilization factors. "Before producing wealth," says Fukuyama, people must learn to work together, so to cooperate, to show trust one other and gradually develop organizational forms leading to common welfare (Fukuyama, 1996).

THE ESSENTIAL ELEMENTS OF THE SOCIAL CAPITAL

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

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 or affiliation to certain norms or values. However, Fukuyama points out that only some of the norms and values shared by individuals represent social capital "social capital can be defined simply as having a certain set of informal rules and norms shared by the members of a group, allowing cooperation between them. Sharing values and norms does not produce in itself social capital; because some values may be wrong ... The rules that produce social capital ... must include virtues like honesty, fulfillment of obligations and reciprocity "(Fukuyama, 1997). In the view of Fukuyama, social capital is a type of crucible or "matrix" within it is structured a higher or a lower level of trust between individuals and social groups; structuring confidence is culturally conditioned at macro and microeconomic level; it stems from the values in the spirit which the child is educated in the family and then is formed by the school and the social environment as a member of the society (Fukuyama, 1996). Historically, countries of the world had relatively different 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 that faith (Huntington, 1997). 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 form together the core of values of the social capital (Sandu, 1999).

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

The ethical behavior of the individual is not something inherited, in the genetic sense; it can be influenced / directed by the social norms and especially by other patterns of positive social behavior. It is understood that such positive social behavior is based on an ethic of work voluntarily accepted, as a distinct social "value"; by summing some social values of this type, an emphasize of economic and social progress of a country is reached.

Finally, what we call social capital mainly consists of the relations between individuals and those between individuals and institutions; the theory discusses three distinct forms that human relationships in modern society have (***, 2003):

**Bounding Social Capital (Horizontal Relationships)**

Representing the connections between people based on a common sense of identity ("people like us") - such as family, close friends and individuals who hold the same position in terms
of cultural, ethnic, religious or socio-economic point of view (in the next section we discuss the six sources of social identity of a person).

**Bridging Social Capital (Vertical Relationships)**

Describes the ties that stretch beyond that shared sense of identity, e.g. relationships with remote friends, colleagues and associates (the same six sources of social identity of a person will lie, we believe, at the base of the vertical relations between the individuals);

**Linking Social Capital Refers to the Relationships**

It refers to those relationships between individuals and groups belonging to different social strata, in a hierarchy where power, social status and well-being are affected differently.

The social relationships have multiple meanings; placed within an economic framework, the social interactions between individuals refer to formal and informal institutions that govern them and their motives (leading to their interest served by cooperation). Thus regarded, in essence, social capital is presented as a set of institutions (formal and informal) and social organizations (vertical and horizontal) facilitating cooperation of individuals in acquiring a mutual benefit and affecting the efficiency of the activity of the community.

Due to the issues discussed by us on the term "social capital", we consider that there are certain essential elements that give content to this concept (whatever the angle of view from which some authors refer to it), respectively:

a. Trust inter-individuals and their sense of confidence, thus of the individuals from towards different institutions, whether public, private, religious or others;

b. The values that actually the members of a large social group believe in (country / nation or similar) and that are essentially related to the person’s distinction between right and wrong, true and false, right and wrong etc.;

c. Social norms imposed and / or accepted voluntarily by members of a social group (a set of rules formal / informal);

d. The social competition and the tendency to form formal / informal network between the members of a large social group (networking between the members of a group / team management).

Deductible we understand that mixing the four major elements of the 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 at macroeconomic level (i.e. political, administrative institutions, macro strategies, protecting private property, mass education, the state's attitude towards the business world) and at the micro level (i.e. the mission proposed by the company, organizational structure, type of organizational culture, micro-economic strategies, motivating employees, dissemination of knowledge in the organization, etc.). In figure 1 we suggest graphically the elements of the social capital and the implications of this concept regarding the socio-economic progress of modern capitalist state.

Since always somewhat natively, individuals tended to associate themselves to form social groups, as group membership conferred a certain kind of self-identity; where appropriate, the group membership may confer an increase in power, security in relation to others. As Huntington argues, it is difficult to define what a person's identity and / or social group constitute (Huntington, 2004); as an individual finds his identity in the structure of groups, but group identities are mostly built by pressure, influence and freedom over time.
Figure 1. Essential elements of the social capital and potential implications
Source: own elaboration

Thus, given the potential implications of the social capital, our approach aims to achieve a more detailed analysis of the identity of the individual and / or social groups (of social norms and behaviors related to them, their social networks and the type of competition, trust and values - key coordinates of the social capital).

FORMAL SOCIAL GROUPS (IDENTITY, NORMS, VALUES AND OTHER ASPECTS)

A more detailed analysis of the formal social groups forces us to return to the four basic elements of the social capital (Figure no. 1) and to detail some aspects:

1. Social norms
2. Competition and the trend towards networking
3. Values
4. Confidence

Social Norms and Behaviors Associated With Them (As a Basic Element of the Social Capital)

From the perspective of business ethics, we know that a person belonging to a group / community means compliance with *norms / rules of behavior* (first coordinate of social
capital); inter-individual relations (both in organization and in society) cannot be conceived outside of some social and behavioral norms. The evolution of humanity attests the need for social norms to prevent non-desirable behavior and the hypothesis of individuals reaching to social chaos.

However, to be considered social norms and of behavior two aspects must be taken into account:

I. They must be undertaken in a context of interaction between individuals (the principle of reciprocity only in the group of friends, with possible extension to all persons known by them); i.e., when they are internalized starting from the individual level to the collective one;

II. They must lead to intra- and inter-group cooperation; this means that by the expected rules and behaviors, networks of suppliers and clients, collaborators will be generated or the involvement of civil society to achieve a feasible strategy and / or to adopt a legislative decision; also, the same rules and behaviors will allow the manifestation of virtues such as: honesty in negotiating a contract, respecting the legal provisions, the work ethics, assuming responsibilities, etc. (Hunout, et. al, 2003).

Acceptance and / or compliance with social norms by the individuals were and remains strong connected to the type of value that they actually believe in.

According to Huntsington’s argument, there are several sources of individual identity and each one can indicate certain values for a person to which we refer; among such sources of identity we mention (Huntington, 2004):

1. Ascriptive, such as age, origin, sex, blood relatives, ethnicity (defined by extending the family circle) and race;
2. Cultural such as clan, tribe, ethnicity (defined as a way of life), language, nationality, religion and civilization;
3. Territorial including neighborhood, village, city, province, state, county, geographical area, continent, etc.;
4. Political such as faction, gang leader, the circle of interest, movement, cause, party, ideology, state;
5. Economic, as profession, occupation, profession, work group, the employer, the industrial sector, the economic sector, union or class;
6. Social, which includes friends, club, team, colleagues, groups of relaxation, status.

The analyses of values to which various social groups pertain, and hence of the relevant/significant conducts from the modern society must take into account, inter alia, the educational system of a country. As Friedman argues, it would be difficult to imagine a democratic, stable and economic performant society without a minimum level of education for all the citizens, and without them to accept a common set of values (Friedman, 1982).

**Social Networks and the Type of Competition (As a Basic Element of the Social Capital)**

From this shared set of values and from the rules to which they agree to submit result social networks *(second coordinate of the social capital)* by which individuals communicate. The family is the primary network; it is considered on the one hand as essential for the accumulation of social capital by the values it can promote between generations (Bordieu and Putman's vision); on the other hand, it can lead to a limitation, by the closed character family
relationships may have, resulting in a limited sociability of its members (the vision of Fukuyama, 2002).

The social capital of the family is viewed from two directions: inside and outside. On the one hand, inside the family relationships, Coleman, for example, argues that a high human capital of the parents reflects on the child, positively influencing his education (this is social capital). Moreover, the physical presence of the adult near the child and the intensity of their relationship reflect the presence or absence of the social capital from that family. On the other hand, in the analysis of family relationships outside, Putman, for example, argues that in this case, education remains the most important factor influencing the social capital of a family, reflected in the level of income and in the gained social status. Moreover, the absence of economic problems, successful marriages and the presence of children encourage and support the accumulation of social capital and its reflection outside the family.

In Romania, the dynamic of assessments of family relationships is relatively constant over time; starting from a high level (87% appreciated in 1991 family relationships as good and very good), 1999 marks a slight damage of assessments (80% appreciated family relationships as good and very good) and then there was a progress, returning to the level of 1991. In graphic 1 we present this development.

These data also indicate that, as long as there is a tendency for association of Romanians is family oriented, so that the family is the primary social center of the Romanians. No wonder that the most common form of association in the Romanian economy is the Ltd., sole trader and the individual enterprise. Of the 88,103 companies registered in the Trade Register at the end of October 2014, 48,703 were Ltds, 26071 sole traders and 12576 were individual enterprises since 2014. Therefore, we find that over 90% of the companies in Romania start on the principle of minimum associations (partners are in small numbers and with limited liability).

There are also many internal factors of the family that determine the connection of its social capital to the social capital of the community. The assessment of family relationships is different from a socio-demographic category to another; education, age, income, marital status or numbers of family members are factors of differentiation. So, the higher the level of education, the more positively is valued the family relationships. If only one fifth of those with no education or an unfinished primary education appreciate the family relationships as "very good", the ratio is double for those with higher education (44%). Age has a negative effect on the assessments of family relationships, the best evaluations occurring in the young and the worst at the elder. If more than 40% of young people aged 18-24 years evaluate
family relationships as very good, less than half (18%) of those over 65 are of the same opinion. Income has a positive influence on the evaluation of family relationships: the higher the better the assessments. The number of the family members seems also to positively influence evaluations: the larger the family is larger, the better the family relationships (http://www.revistacalitateavietii.ro/).

There are many external factors that determine connecting the family’s social capital to the social capital of the community; geographical location, location in urban or rural area, ethnic heterogeneity or homogeneity, crime rate, income polarization between rich and poor are factors that will influence the family, leading to the transmission of values or some positive or negative externalities from it to the broad spectrum of social relations in that community. Thus, there are other social networks that are built by groups of friends, neighborly relations, coming into contact with individuals who have the same consumer preferences, who share the same religion, race, nationality etc.

For example, in Romania the assessment of relations with neighbors recorded the most stable evolution over time. Each year approximately 85% are positive evaluations, negative under 3% and neutral around 12% (http://www.revistacalitateavietii.ro).

On socio-demographic categories, the assessment of relations with neighbors registers significant differences statistically only depending on the area. Those in rural areas appear to have more favorable assessments compared with those in urban areas. The different type of community explains the different type of neighborly relations and, consequently, the different subjective assessments. The rural community, little, cohesive and solidary implies close neighborly relationships and their positive appreciation.

Hence the importance of community lies in encouraging and supporting cooperation; the interdependence of the utilities expected by different members of the same community makes them work together, so that each need to be met to some extent. Thanks to concerted efforts, social relations become closer, with power to influence the behavior of individuals, preventing them to deviate from the existing and applied social norms. As observed in figure 2 (Assessment of relations with neighbors) in rural communities there is a positive assessment of relations with neighbors; this is understood as in a rural community all people know each other and that will stop one of them to behave in a negative way for the community as a whole, without the need for additional pressure (involving costs) on it.

Consequently, the existence of communities / formal social groups, when they function as norms and rules that are followed, leads to a decrease of costs and high social efficiency (Popescu & Pohoată, 2007).
Trust (As a Basic Element of the Social Capital)

Also, it can be said that in a community / social group trust (interpersonal trust) is manifested when its members adopt positive attitudes and feelings towards each other. In other words, the level of interpersonal trust can be viewed as a key aspect of the whole mechanism of building social trust; from this type of trust will result social events and behaviors associated with various levels of the individual such as:

1. Inclination towards association and cooperation with others;
2. Manifestation of tolerance and respect for the opinions of others;
3. Respect of a distribution of social power and confidence in the state / authorities;
4. Assessing the voluntary implications and the resolution of some civic causes;
5. Trust organizations and their legitimate representatives.

![Diagram of interpersonal trust](image)

**Figure 2. Directions of reflection of interpersonal trust**

Source: own elaboration

Regarding the confidence level of the Romanians, as argued in the first part of the report (Table 1) it registers a low and oscillating level compared to the rest of the world; it is, on the one hand, the result of some historical features that can be located a few hundred years ago and have continued in recent years, but also the effects of the economic crisis. In Table 1 we present this trend.

### Table 1. The evolution of the level of trust for some countries (1990-2014)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Poland</th>
<th>Romania</th>
<th>Spain</th>
<th>Sweden</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1993</td>
<td>28%</td>
<td>16%</td>
<td>32%</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>1999-2000</td>
<td>18%</td>
<td>10%</td>
<td>35%</td>
<td>64%</td>
<td>16%</td>
</tr>
<tr>
<td>2005-2006</td>
<td>18%</td>
<td>19%</td>
<td>20%</td>
<td>65%</td>
<td>5%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>26%</td>
<td>16%</td>
<td>34%</td>
<td>63%</td>
<td>11%</td>
</tr>
<tr>
<td>2010-2014</td>
<td>22%</td>
<td>8%</td>
<td>19%</td>
<td>60%</td>
<td>12%</td>
</tr>
</tbody>
</table>

As we can see from the table 1 the decrease of trust takes place not only in Romania; however, compared to other countries, as discussed earlier, it records a lower level of trust. Sweden maintains the same level of trust, not registering significant variations from 1990 until now. Poland perceives the shock of transition at the beginning of the period, and then the trust increases, but registers a post-crisis decrease. Spain has the highest recoil after its real estate bubble burst.

Based on interpersonal trust, there are possible civic engagements and people making connections with the life of the communities they belong to. Such commitments should be practicing voluntary activities, democratic participation to vote, the involvement in the activity of parents’ associations in the schools children go to, joining a union, enrollment in student associations and activation in their projects etc. The degree of involvement of individuals in civic organizations can be seen in table 2.

<table>
<thead>
<tr>
<th>Church</th>
<th>Sports Clubs</th>
<th>Art &amp; Music Association</th>
<th>Syndicate</th>
<th>Political Parties</th>
<th>Ecological Association</th>
<th>Professional Association</th>
<th>Charities Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>0.9</td>
<td>2.2</td>
<td>1.3</td>
<td>0.8</td>
<td>1.5</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Germany</td>
<td>14.1</td>
<td>26.4</td>
<td>8.2</td>
<td>3.5</td>
<td>1.5</td>
<td>2.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Japan</td>
<td>3.7</td>
<td>14.4</td>
<td>7.3</td>
<td>1.9</td>
<td>1.2</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Poland</td>
<td>15.2</td>
<td>6</td>
<td>6</td>
<td>4.3</td>
<td>1.1</td>
<td>1.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Romania</td>
<td>10.7</td>
<td>5</td>
<td>4.1</td>
<td>4.4</td>
<td>2.9</td>
<td>1.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Russia</td>
<td>2</td>
<td>2.4</td>
<td>1.5</td>
<td>2</td>
<td>0.5</td>
<td>0.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.6</td>
<td>22.5</td>
<td>12.1</td>
<td>12.8</td>
<td>3</td>
<td>1.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Slovenia</td>
<td>7.2</td>
<td>19.1</td>
<td>9.4</td>
<td>5.9</td>
<td>2</td>
<td>1.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Spain</td>
<td>6.6</td>
<td>7.9</td>
<td>3.5</td>
<td>2.8</td>
<td>0.8</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td>SUA</td>
<td>34.5</td>
<td>14.5</td>
<td>13</td>
<td>7</td>
<td>14.5</td>
<td>4.7</td>
<td>12.2</td>
</tr>
<tr>
<td>Ukraine</td>
<td>4.3</td>
<td>3.7</td>
<td>1.6</td>
<td>2.7</td>
<td>1.2</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Emerging Countries</td>
<td>5.38</td>
<td>5.25</td>
<td>3.75</td>
<td>3.75</td>
<td>2.49</td>
<td>0.90</td>
<td>2.72</td>
</tr>
<tr>
<td>OECD</td>
<td>17.3</td>
<td>24.32</td>
<td>14.6</td>
<td>8.10</td>
<td>5.24</td>
<td>3.54</td>
<td>9.28</td>
</tr>
</tbody>
</table>


Comparing the situation of several countries in the table above, we can sense some differences regarding the degree of involvement of citizens in civic organizations. Thus, as it can be seen there are nations that because of the favorable historical circumstances have followed the path of democracy and capitalism (Germany, Sweden, USA), and others have fallen into, with seemingly human face, totalitarian socialism (Romania, Poland, Ukraine). This cleavage of nations took effect in social relations also (table 2. We present the civic interest poles (as a form of social capital for the nations), not only at economic level.

Religion is a vital link in society and it generates affinities and behaviors that underlie sociability. List observed since the eighteenth century the importance of the religious values on society development and at the early twentieth century, Max Weber analyzed how the Protestant religion has made its beneficial mark on the development of the values of capitalism. This explains the high percentage of citizens of the United States and Germany involved in religious activities, and the level of development of the two countries.
So, in terms of their involvement of citizens in religious activities, compared to the average of developed countries (17.3%), we see that there are nations where this form of association has a higher percentage (U.S. with 34.5 %, followed by Poland, Germany and Romania) and countries with a low level (China, Russia and Japan). The data on the association of Romanians in religious groups confirms the importance of religion in Romanian society; as it can be seen from the figures below, religion is an important vector, recording values that increased steadily and strongly until 2005, then, the figures for 2010 indicate a relative stabilization; however, these values are among the highest in Europe.

![Figure 3. Percentage (%) of active participants in religious organizations active in Romania](image-url)

![Figure 4. The dynamic of the importance of religion in Romanian’s lives](image-url)


Sports clubs attract most people in developed countries with an average of 24.32% and are the second target of civic involvement for emerging countries. The most active sport practitioners are Germans (26.4%), followed by Swede (22.5%) and Slovenian (19%). Romania has a rate of 5% of the population actively interested in sports and member of sports clubs, like Poland (6%). The weakest and the lowest participation are manifested by the Chinese (2.2%), Russian (2.4%) and Ukrainians (3.7%).

Arts is the third pole of civic interest for the developed countries (after sports and religious activities), but also for emerging countries; where art is on par with the involvement in union activities, issue present also in Romania.

Regarding political parties, the environmental actions, the professional associations and charitable activities the percentages of active participation of the population varies between countries. In Romania we see comparable values on the one hand, between the political parties and associations (2.9% and respectively 2.3%) and on the other hand, between the environmental associations and charities (1.3% and 1.8%).
The Values (As a Basic Element of the Social Capital)

Generally, the values to which the person will take to depend on the discipline received in the family, the level of education, religion, different social models that influenced him over the years and other similar factors; essentially, each person distinguishes between right and wrong and what is valuable in a given organizational context. In fact, the values of each individual actually become more visible, we believe, in the functioning of informal groups compared with the functioning of formal groups.

CONCLUSIONS

The analysis of the concept of social capital is found widely in sociology and economics, but inevitably the approach and the conclusions reached by different authors are often different and sometimes contradictory.

From the perspective of our research, 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 analysis perspective.

Maintaining the predominant economic perspective of study, our research examines in some detail the establishment and operation of formal groups; it must be concluded that social identity, the values the individuals believe in and certain ethical behavioral norms are central in the mechanism of functioning / manifestation of such groups. In other words, the confidence as major structural element of the social capital is found in the center of the formation, operation and obtaining performance by various formal social groups.

When discussing about trust, more generally in inter-individual relations, we understand that is associated directly with tolerance towards others, cooperation in competition and the individual’s native tendency to engage in various network structures. The individual’s membership in various social groups will be, where appropriate, recognition of his social identity by the others, an increase of power or success etc.; in a certain sense, group membership and group performance can potentiate the performance of ordinary individual in a post capitalist society.

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