SOCIAL CAPITAL AS THE FACTOR OF THE STATE CONFIGURATION
OF THE MARKET OF THE REPUBLIC OF BELARUS

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Abstract. In the article social capital as the factor of social and economic exchange optimization (transactional costs decrease), configuration of the market and system of economic interests of the Republic of Belarus in the context of the history of this social and economic phenomenon research, the place and role of state regulation in economic processes and modern understanding of the market in correlation with economic growth and national safety is considered. Also the influence of social capital on the market system of Belarus and mechanisms of this social and economic phenomenon usage with the view of market functioning perfection is analyzed under the conditions of national and global imperatives.

Keywords: social capital, market system, state regulation, economic growth, transactional costs, economic interests.

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1. Introduction

Under the conditions of carrying out social and economic, political and ideological, scientific and technological transformations, national economy involvement in global processes and ever-increasing dependence of a state from the world market tendencies, each country, including such a young state as the Republic of Belarus, needs internal sources of cohesion, stability and trust, which are constituents part of social capital. Therefore it can become the tool in competitive struggle of the states under the condition of its orientation on stabilization and development of the economic system of society.

At the same time science is facing a large quantity of pending fundamental problems such as: social capital structure disclosure and detection of the directions of its efficiency in society increase, the questions of social capital optimal accumulation, beneficial effects appropriation and avoiding negative aspects during the usage of this form of capital, the identification of the system interaction of social and other humanitarian capitals,
innovation and efficiency of human capital in economy increase, social capital in interaction with other social and economic phenomena within the limits of economic system complex research. It is necessary to give a special attention to the development of the mechanisms of the increase of the production effect of usage and strengthening social capital role during the anti-recessionary strategy of economic development building.

2. Social capital as a social and economic phenomenon

As consumption first of all in the developed countries is constantly increasing, while resources deficit is growing, the competitive struggle in the world markets is becoming aggravated, scientists’ (including economists) interest is concentrated on the researches directed to the renewable resources and sources of economic growth and development search. For some reasons of gnosiological and historical character only by the end of the XX\textsuperscript{th} century the paradigm of the phenomenon of social capital was formulated, which can be explained by the fact that under the modern conditions with the view of sustainable development achievement the mobilization of all the resources already available in this or that territory, and the search of the new, first of all social sources of economic system functioning perfection are especially important.

2.1. The history of the social and economic phenomenon of social capital research

The social resource (or potential) capitalized under certain conditions, emerged together with labour relations development, labour division appearance and deepening and individuals’ social-class differentiation generated by it. The population of the Earth increase in mainly for the last ten thousand years and social labour productivity growth occurs as the result of people’s innovative abilities increase and labour division deepening, and also due to the perfection of the various public mechanisms of social and economic subjects’ interests coordination, including social capital development.

The first mention of the concept “social capital” dates back to 1916 when an American scientist L. J. Hanifan used this term “social capital” for the description “such real values which are of great importance in people’s daily life” (Hanifan 1916). The further development of this concept is connected with such foreign researchers as P. Bourdieu, J. Coleman, R. Putnam, V. V. Radaev, F. Fukuyama, L. J. Hanifan, K. Arrow, M. Granovetter and others.

The phenomenon of social capital became actively investigated since 1990th (Baron et al. 2000; Lin 2000). R. Putnam, one of the scientists who have birth to the discussion about social capital, defined this concept as: “…characteristics of social life – networks, norms and trust, – which impel participants to a more effective joint action on achievement of common aims” (1996).

Coleman’s article “Social Capital in the Creation of Human Capital” (2001) is considered to be the first conceptual study of the category of social capital. The Russian economist I. E. Diskin has expressed an opinion that “without the acquaintance with this
article … it is pretty difficult to clear up the answer to what problems and challenges of the economic theory the working out of the concept of “social capital” became” (Diskin 2001: 121). J. Coleman developed social capital paradigm as traditional economic concepts with sociological and political science constructions integration. So, social capital phenomenon became a research question not only for economy, but also for sociology and political science. M. Granovetter (1973) was one of the first sociologists who have addressed to this phenomenon and put forward one of the initial points of social capital theory according to which the economic activities are understood as an “embeddedness” in social structures.

Francis Fukuyama (2004), expanding J. Coleman’s ideas, wrote that social capital is capability which arises from the prevalence of trust in a society, or in certain parts of it. It can be embodied in the smallest and most basic social group, the family, as well as the largest of all groups, the nation, and in all other groups in between… Widespread distrust in a society … imposes a kind of tax on all forms of economic activity that high-trust societies do not have to pay. Social capital is not distributed uniformly across societies.

2.2. Modern evolution of the category “social capital”

As a rule, the majority of contemporary researchers investigate only some major aspects of the theory of social capital studying, such as: the role of social networks in external mechanisms of compulsion (also the role of human emotions in the context of social interaction is mentioned); the potential role of religion as the bases of trust and the catalyst of economic development; the increasing importance of the role of a person in economic and social behaviour; the gender and ecological range of problems, the questions of social inequality, etc. B. Wydick’s (2008), E. Marelli and M. Signorelli’s (2010) and M. L. Small’s (2009) works serve as the examples of similar researches.

So, B. Wydick (2008) in the work “Games in economic development” expressed the opinion that in such countries as France, Spain, the Peoples Republic of China, the countries of Latin America, close family ties and the strong government exist, however people have very few in common, and therefore the social capital level is rather low. To counterbalance it strong enterprise structures exist in the USA, Germany and Japan. The special attention in this work is given to the problem of social capital and social networks formation (Wydick 2008: 197–223), based on the various kinds of resources and connections exchange which can’t exist without trust between individuals (“trust game” as B. Wydick defines). In particular, the question what allows people to trust is brought up. Psychologists Ken Magid and Carole McKelvey (1988) claim that human beings learn a basic level of trust in the first two years of life. Subsequently, in their opinion, the trust is generated by long-time relations with fair people. The Nobel Laureate K. J. Arrow asserts that every commercial transaction has within itself an element of trust and many economic backwardness in the world can be explained by a lack of mutual trust (Arrow, Hurwicz 1972: 357). The analysis of game theory models application to identify duopoly market equilibrium, description and comparison of main
game theory models to artificial duopoly market situations, comparative analysis of the models’ weaknesses and problems related to their practical application are also provided by some other authors (Ginevičius, Krivka 2008).

B. Wydick’s work defines three principal reasons why “parties of the agreement will behave honestly: 1) the presence of formal institutions enforce the agreement; 2) a system of rewards and penalties within the network, penalties may be either social, pecuniary, or both; 3) presence of nobleness, religious beliefs, moral upbringing, identity and consciousness. The social capital, helping to establish trust which promotes an exchange and, at the same time, economic development, relates, broadly defined, to the second and third mechanisms. Some researchers define last (third) mechanism as the spiritual capital. It is natural that societies rich in social capital are less dependent on formal institutions to check malfeasance and opportunism. In developing countries, formal institutions are often too weak to establish and enforce the rules of the economic game, so the role of social capital becomes magnified” (Wydick 2008: 198). Thus, the author marks a potential role of a religion as the trust basis and economic development catalyst; the ever-increasing importance of an individual in economic and social behaviour role.

Post-socialist society is often characterized by rather low societal trust, whereas the trust standard at micro level might be considerable. Some authors (Pucetaite et al. 2010) assume that fair and just human resource management practices, open communication and employees’ participation are the strongest predictors of organizational trust, while an ethics code and ethics auditing had a weaker effect on organizational trust and only in a small number of cases. The linkage between human resource management and organisational performance exists (Kazlauskaite, Buciuniene 2010), thus it is important to raise social potential level between the workers in enterprises. There are connections between organizational culture, learning, organizational development and image (Šimanskiene 2009).

At present in the economic theory the approach to the social capital treatment “as the sums of the benefits received by subjects from mutual certain information actions (as the complex of interpersonal relations reducing transactional costs) for the purpose of mutually advantageous cooperation, which can be reached by means of information exchange and allow to receive tangible social and economic benefit” (Solodovnikov, Zhukovskaya 2009b: 275) is developed. In such a quality this social and economic phenomenon acts as the major factor of anti-recessionary development, economic growth and safety of a state.

3. The influence of social capital on economic growth

Interrelations of “the social capital”, on the one hand, and institutional and evolutionary economy, on the other hand, are quite distinctly distinguished. In various works devoted to development of the concept of “social capital”, these interrelations had their development. In essence, “today “social capital” is strongly embedded in the structure of institutional approach” (Diskin 2001: 121).
Nevertheless, modern researchers often find out institutional approach disadvantages. For example, T. Natkhov, having analysed the basic researches connected with the institutional range of problems, in the context of education and social capital influence on economic development (Natkhov 2010) noticed that “the institutional hypothesis has serious gnosiological competitors” (Natkhov 2010: 112). Really, the free markets and strong institutions (Easterly 2001) (the latter in this case are understood as long-term rules of interaction of the people, which are supplemented with the mechanisms of compulsion (North 1990) are necessary for sustainable economic growth. The main role of institutions is proved in many contemporary empirical researches (Acemoglu 2005), however according to E. Glaser’s, R. La Porta’s, F. Lopez-de-Silanes’s and other’s works the human capital acts as a more important reason of economic growth, and the perfection of institutions (including political ones) occurs after the country overcomes poverty thanks to the right economic policy (Glaeser et al. 2004).

Human and social capitals are more steady and objective factors than traditional indexes of institutions quality since the latter don’t reflect power restrictions, long-term characteristics of political environment as well as qualitative characteristics of social environment. The analysis of dependence between institutions and development only proves that “institutes function better in rich societies” (Natkhov 2010: 113). Thus, the basic variable defining production potential of a society is the level of human and social capital, whereas institutions have the second order impact and improve together with the well-being growth. Social capital “… exists only in mutual relations of individuals” (Coleman 2001: 126) and it appears only in a close connection with human capital and on its basis.

Economists S. Knack and P. Keefer showed that because of the growth of the level of trust in the country by one point economic growth increases by more than on 0.5 points (Knack, Keefer 1997). Post-war economic development of the countries of South East Asia, in particular, the Peoples Republic of China proves these conclusions.

4. Social capital in the market economy

Social capital accumulation and its subsequent capitalization don’t occur equally in each society, and they are the results of simultaneous purposeful action of the complex of factors, whereas the state configuration of the conditions of social and economic interactions optimization is the factor of major importance and its success is determined of the degree and mechanisms of such configuration. The creation of the preconditions of the production effect of social capital increase became a priority for building long-term strategies of the development of societies.

“Under the conditions of the modern globalized world any country can’t provide the steady social, ecological and economic development without the continuous growth of social potential of the society as a whole, groups, classes and separate individuals that are members of it” (Solodovnikov, Zhukovskaya 2009a). Market is a social tool which
helps to coordinate the coherence of the activities of sellers and buyers, provide an information exchange between them and but also under certain conditions the market helps to create the preconditions of social potential accumulation.

4.1. Social and economic character of market

Today, despite the centuries-old history of the research of market relations, social studies as a whole and economic theory in particular haven’t developed the uniform understanding of the market. “Approaches to its definition strongly differ, - as V. V. Radaev marks, – and as a result practically each of us depending on a context can name as «market» phenomena that differ in essence” (Radaev 2003: 19). It is necessary to try to understand the market definitions used today, taking as a basis the representative of French school R. Boyer’s (1999) classification which allocates five basic concepts of market (Boyer’s 1999: 62–65).

1. Market is a place where sellers and buyers are met on the regular basis and where trade process is organized. This is the oldest, spatially determined concept of market. It was generated in XII\textsuperscript{th} century, but it exists today as well. For example, in everyday speech we still name in such a way “open markets”, meaning the places of so-called “out-of shop trade” organization. It can be added that such places can be constant and temporary, regulated and spontaneously organized.

2. Market is a certain territory on which the acts of purchase and sale take place. This is a wider, “geographical” definition which connects the concept of market to certain cities, countries, territories and continents. For example, we speak: “Belarusian market”, “European market”, etc.

3. Market is the total solvent demand shown which present on certain kinds of products and services. This understanding of market designates not a territory but set of the consumers of these or those goods (Kotler 1998: 28). In this case, speaking about those or other markets, we mean the demand for work, shares, consumer goods, etc.

4. Market acts as the self-regulated mechanism of supply and demand. Here economic players decide themselves what to produce and at what price to sell. In other words, market is characterized as a sphere where a competition between independent agents and free pricing dominate (Swedberg 1994: 257–260). In this definition any spatial, time or object localization disappears and their place is occupied by the model that fixes the conditions with the help of which market balance is reached.

5. Market is an economic system in which the self-regulated market mechanism is a dominating entity. In this case the market principles of economic organization are imposed upon the whole communities called “market societies” (Radaev 2003: 19–20).

According to the neoclassical economic concept of “ideal market”, market appears as the mechanism of supply and demand operating in any territorial or branch circuits, and an exchange is carried out automatically, without any forces of friction. And it is a question of not only the aggregated set of the individual actions of exchange, but about
rather independent from other parts of a society and self-sufficient system with the built-in mechanism of self-control” (Radaev 2003: 20–21). In this model … “social conditions play the unenviable role of external factors and are taken away or, what is worse, social factors are considered to be those forces of friction which reduce the efficiency of self-regulation” (Radaev 2003: 21). Thus, an abstract “economic person” with primitive enough demands and motivations which can be easily explained by mathematical language comes to change live people. At the beginning of the XXth century B. Struve distinguished some features which are ignored by the marginal theory of economic balance: “… incomplete rationality of economic behaviour, nonsymmetrical distribution of the information among the participants of a market, variability of their subjective estimates and, as a consequence, market prices” (Ippolov 2008: 49).

4.2. Belarusian state as a market configurator

It is important to notice that theoretical and methodological approaches, for example, reducing the economic functions of the state to the role of the “night watchman”, lower trust to the Belarusian model of development and cause the decrease of the Belarusian society social potential, i.e. reduce the production effect from the social capital that has been saved up at the society level, which all lead to the threats of economic safety of the country as a whole. However the state acts as the public configurator of market, which degree of influence varies, but anyway it is not only a question of influential state influence but of constituting impact on the set of the markets by means of the creation of conditions for their appearance and development (Frye 1997: 354–358; Shleifer 1998: 39), establishment of official rules and ways of their maintenance and realization of redistributive functions and participation in economic processes (Block 1994: 696).

Now market, including the Belarusian one, represents a complicated system of social and economic, political and other institutions personified in social and economic subjects (individuals and different social groups). The economic efficiency of the interaction of the named subjects is predetermined in many aspects by the social potential saved up in a society and institutional forms of its capitalization. Social capital, ways and forms of its appropriation, distribution optimality etc. act as the basis for the reduction (or increase) of the transactional costs of subjects’ interaction in the course of their economic activities, which besides other things, is the condition of the economic safety of society maintenance.

One of the forms of state intervention in market development is state aid (subsidies) to private sector enterprises. Over the period of 2004–2006, a great part of the EU aid was granted to business in Lithuania through the EU structural funds. State aid is a complicated phenomenon. The most influencing factor is aid intensity (the more intensive the aid, the greater the effect), while the best ratios of investments to the effect obtained was found in the area of educational projects, followed by research, experimental and production projects. The aid to enterprises providing services was the least effective (Ginevičius et al. 2008).
“The accumulation of social capital (as an attribute of societies with the marked social differentiation) by the private aggregated subjects focused on the optimization of their individual social and economic interests, can’t but cause in the long-term prospect harm (including economic one) to the society, since a specific property of this form of the capital is that its cumulative quantity in a society isn’t the sum of all its subjects’ “social capitals”. It occurs not only because there are some demonstrations of this phenomenon only at the society level, but also for the reason that this capital can be used by social and economic subjects (and it is actually used) not only for the society welfare (or in production purposes), but also with the purpose of the individual social and economic vitality optimization that conflicts the interests of other classes and groups, leads to considerable decrease in the production action of social capital at society level, lowers the production effect from the use of this form of capital in the state and in general lower the efficiency of national economic system functioning” (Solodovnikov, Zhukovskaya 2009b: 210).

5. The peculiarities of economic interests realization in market economy

First of all, for any society the achievement of economic interests’ co-ordination as the tool providing a sustainable development and stability of social interactions is necessary. “The existence of unsatisfied demands and the activity that is not connected with their satisfaction means irreplaceable loss of vital forces of the subject… The reason of the orientation of a subject’s activity on other subjects’ usage for the satisfaction of subject’s own demands … consists in the contradiction of its demands and activity” (Vasiuchenok et al. 1992: 113). This conflict of the wished and possible impels the subject (among other things) to create special relations with other subjects which will be the steadiest and most perspective if the same subject acts and as the carrier of demands that can be satisfied by means of another subject and as the carrier of activity that can satisfy another subject’s demand.

Among the number of subjects already entering into the system of interests, there are not always those who can constantly find social and economic mechanisms of public conditions creation (modelling) for the satisfaction of escalating demands (as a result of already saved up satisfied demands there is a change in subjects’ place in property, labour, etc. relations). Thus, the coherence is formed that brings benefits to both subjects entering in it and that have a tendency to constant deepening and expansion because its successful functioning will impulse further interaction.

6. Social capital as the co-ordination of economic subjects’ interests tool

It is necessary to underline the following important point. There can be the problem of incomplete subjects’ informing about possible behaviour of others and, as a consequence, the growth of mistrust in a social network, problems of organizational character
(system management, hierarchy and subjects’ communication in it). The positive role in this case might be played by social capital in which accumulation the successful realization of subjects’ interests results. All these factors serve to the transactional costs decrease and to more and more mutually advantageous interaction, including one in the sphere of economic activities.

Thus, the more various and difficult the subjects’ interests are (as certain models of interaction, prompting to creation of such subjects’ behaviour which would lead to the satisfaction of demands of others), the more various social relations will be constructed and, as a consequence, these subjects will accumulate more social capital. Here the orientation of interests is a factor of crucial importance. For example, at the equating form of distribution the acquisition of welfares by subjects (satisfaction of their requirements) will occur irrespective of the creation of social networks and will be guaranteed by governing bodies (accumulation of the social capital will occur in the class of managers); at the monopolistic orientation of interests the social capital is accumulated in the class of monopolists and at the social (system) orientation of interests there can be the accumulation of social capital at the level of all society.

“In the modern socially-focused market economy there are mechanisms of the coordination of the results of various forms of social capital functioning for the purpose of the creation of optimum conditions for strengthening the economic vitality of society and social equality maintenance that is possible for the existing level of social development” (Solodovnikov, Zhukovskaya 2010: 25). The impossibility of economic (optimum) co-ordination of the interests of the various subjects of similar and various degree of integration without the usage of social capital is realized. Interests are unique impulses impelling people to act, i.e. (Megrelidze 2007: 385). Changes of these or those social subjects’ interests lead to the alterations of basic social institutions and economic system of society, which can become an intensity factor, therefore it is obviously possible to use social capital resource with the view of the system of interests configuration and achievement of the economic (optimum) various subjects’ interests coordination as sustainable development preconditions.

7. Conclusions

Scientists’ interest to the working out “social capital” concept proves to be true not only due to the significant amount of works on the given range of problems, but also on the assumption of the fact that researches of this social and economic phenomenon date back to 1990th.

Financial and economic, but in reality political and economic crises in contemporary environment are possible first of all due to anti-humane and environmentally unsafe activities. The political generator of crises might be explained by the fact that the economy and vital ability of almost each state are based on the international cooperation, labour and manufacture division, i.e. the uniform interconnected and interdependent planetary system
has been created. During the management of this system mutual relations between the states, regions and their economic complexes should be taken into consideration. Current crisis has convincingly shown that planetary system demands responsible and competent scientifically well-founded state regulation and active usage of social factors in economy.

Under the conditions of global imperatives social capital along with human one is the major factor of the economic growth and safety of any state.

The state acts as the market public configuration. Market system is developed under the conditions of relative balance and stability establishment by means of state regulation economic tools.

Social capital as a social and economic phenomenon is the transactional costs decrease tool which allows the society to optimize economic processes and receive benefits.

Social capital resource is possible to use with the view of the system of interests configuration and achievement of the economic (optimum) various subjects’ interests coordination as sustainable development preconditions.

Social capital of the Republic of Belarus preservation and development should be a priority the country’s social and economic development at all levels, considering that in Belarus the level of social potential accumulation is high.

The Belarusian experience of social capital usage of as the factor of the market system configuration is the thing of great importance for the Post-Soviet countries. Social capital preservation and development should be a priority in social and economic development of each of these states at all levels. In the given group of countries the accumulation of social potential is high enough, however, as a rule, the capitalization of this resource occurs inefficiently and use is uneconomical.

In the long term overcoming of the social potential uneconomical usage in Belarus and the search of new mechanisms of already accumulated social potential capitalization and increase production effect from this social and economic phenomenon application are obviously necessary.

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**SOCIALINIS KAPITALAS KAIP VALSTYBĖS KONFIGŪRACIJOS BALTARUSIJOS RESPUBLIKOS RINKOJE VEIKSNYS**

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Santrauka

Straipsnyje socialinis kapitalas traktuojamas kaip socialinių ir ekonominių mainų optimizavimas (pavedimo išlaidų sumažėjimas), rinkos ir sistemos ekonominių interesų konfigūracija Baltarusijos Respublikoje, kuri tiriama socialinio ir ekonominio reiškinio istoriniame kontekste kaip valstybės ekonominių procesų reguliavimo aplinkybės veiksnys, vaidmuo ir šiuolaikinis požiūris į rinką, susiejant visa tai su ekonomikos augimu ir nacionalinio saugumu. Socialinis kapitalas nagrinėjamas nacionaliniu ir pasauliniu aspektu, tiriama socialinio kapitalo įtaka Baltarusijos rinkos sistemai ir socialinio bei ekonominio reiškinio mechanizmų naudojimas, ryšys su tobulu rinkos veikimu.

**Reikšminiai žodžiai:** socialinis kapitalas, rinkos sistema, valstybės reguliavimas, ekonomikos augimas, pavedimo išlaidos, ekonominė nauda.

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