

*Andrzej Matysiak**

ORIGINS, SOURCES AND FUNCTIONS OF SOCIAL CAPITAL

Social capital is a common good, defined by the author as the product of sets of public and private goods. It consists of constitutive and regulatory rules that are derived from law and culture. Social capital exists only in liberal-democratic capitalism. It generates social trust, reciprocity and economic institutions. It fulfils functions described metaphorically by A. Smith as "the invisible hand". It reduces anxiety resulting from co-operation among people in economic and social life.

1. INTRODUCTION

This is an article about co-operation among people in the economy and not about competitiveness. The gist of my argument results from my belief that co-operation among people is more difficult than competition. If people are free in their choices, there is no need to encourage them to compete, because the inclination to compete is deeply rooted in human nature. After ages of dog-eat-dog struggle for everything it is necessary to evolve into market competition and co-operation rather than to incite further in fighting.

A great supporter of co-operation – Piotr Kropotkin wrote long ago that "... for industrial headway, as for any other human victory over nature, mutual help and co-operation is much more desired than struggle between people" (Kropotkin 1921, p. 198). No matter in what order we arrange the importance of competitiveness and co-operation in economic development, what counts is the fact that they supplement and not substitute one another. However, it can be said that aversion towards co-operation seems strange, as it can bring mutual good. It does not ensue from irrational premises, but quite the reverse, is the product of a deep forethought of every man who wants to co-operate with others.

Decoding Adam Smith's metaphor of the "invisible hand" has been the main goal of academic research in economics for many years. Certainly, the point is not to interpret the well-known excerpt of "Wealth of Nations", cited by almost all handbooks of economics. Basically the point here is to understand capitalism, to answer the fundamental question contained in the metaphor. It can be formulated as

* Department of Microeconomics, Wrocław University of Economics.

follows: why do individual actions aiming at their own utility maximization lead to the maximization of social prosperity? Let us recall A. Smith's opinion to say that "minding his own business a man serves the social interest better than he would if he really wanted to serve it" (Smith 1954, vol. II, p. 46). The question arises whether economics has solved the problem posed by A. Smith? Have his intuitions turned out to be accurate?

As opposed to social philosophy (see: Legutko 1994), the identification of the "invisible hand" in economics did not arouse much controversy. Generally economists tend to identify it as the market mechanism, which is demonstrated in most economics handbooks, like for example in one which says "the invisible hand doctrine explains why the output of market mechanism operation seems so clear and well-organized" (Samuelson, Nordhaus 1995, p. 86). The answer to "what is the invisible hand" question here is the concept of a mixed mechanism, consisting of "a visible and an invisible hand of the market". Because of market failures, the "invisible hand" has to be corrected by state intervention. In the cited handbook it is also said that "because of these drawbacks of the invisible hand mechanism, modern economies are a mixture of market operation and the "visible hand" of state taxes, spending and regulation (Samuelson, Nordhaus 1995, p. 85).

Unfortunately, these authors do not explain why prices are less visible than taxes. The so-called "forces" are in both cases totally obscure. Then it can be said that from the point of view of economics, the "invisible hand" are the markets and the state, which corrects and supplements them. This belief is shared by a distinguished expert in economic doctrines who writes that "... the invisible hand is nothing more than an automatic balance mechanism in the consumer market ... " (Blaug 1994, p. 73). However, the statement contradicts another conclusion to say that "... market mechanism will promote harmony only in conditions of an appropriate legal and institutional system ..." (Blaug *ibidem*, p. 83). If this is the case, the invisible hand cannot be reduced to market and regulation. Beside the self-regulation (auto-regulation), it is also important to take into account institutionalization and regulation. Such a broad understanding of the "invisible hand" seems heuristic, futile and incorrect. The reason being that these processes are diverse in terms of category and that is why relations between them need to be determined. Before we do that we need to discuss the notion of institutionalization, as its meaning in economics is not explicit. From the statistical point of view, institutionalization is the same as with the structure of social institutions. Institutionalization as a process resolves in defining with social norms the basic rules of operation and behaviour of individuals, social groups and social organizations (see: Turner 1985). In other words, institutionalization is the process of creating and spreading the basic institutions to determine the rules of operation and behaviour of the socially important business, political and cultural entities. In a

sense, institutionalization is the epitome of a social order. Because of the fact that business is always carried out in a given social pattern, institutionalization is superior to self-regulation (auto-regulation) and regulation. This implies that market operation depends on the extent of freedom the citizens have. Therefore social institutions determine the range and method of market operation, to be more precise – of market institutions operation, and not the other way round. Institutionalization determines the boundaries and methods of regulation in the economy. In the light of these premises, the importance of institutionalization in economy cannot be overestimated, and it can be either positive or negative. Institutionalization has a negative effect when social order is a barrier for an individual in his pursuit of utility maximization through the exchange of goods and services. Social order has a positive influence when it generates social capital, when it acts as the “invisible hand”. If everybody perceives institutionalization as a resource, as an asset through which they can gain from market exchange and social life, then institutions create social capital (see: Coleman 1990, p. 300–321). And there a question arises, what type of institutionalization generates social capital? In this work we quit the concept of cultural origin of social capital formulated by Francis Fukuyama (Fukuyama 1996). Culture undoubtedly is important in the process of creating this resource, but the political system and law are of crucial importance too. Culture can be a “guide” for people only when the law guarantees their right to freedom. Only a man with free choice can act according to the abiding system of values, therefore only liberal order generates social capital.

The concept of social capital presented in this paper is based on the following assumptions:

- The life of social communities is mostly regulated by rules of behaviour.
- The rules concerned divide into constitutive and regulatory ones. They are created by state and, respectively, culture.
- Rules of behaviour lead to the creation of social capital only when they are internalized by social subjects. The condition that the public sphere is separated from the private one must also be fulfilled.
- Regulatory rules have to be consistent with the ethos of capitalism.

2. THE CONCEPT OF SOCIAL CAPITAL

Hypothetically speaking, social capital is generated only by some types of social order. The well-known Polish sociologist Stanisław Ossowski identified and described four ideal types of social order (see: Ossowski 1983, pp. 80–105):

- 1) order of public performances,
- 2) polycentric order,

- 3) monocentric order,
- 4) system of social agreement.

The base for this classification are two criteria: interference of individual actions and the presence of a common decision co-ordinating centre. From the perspective of the assumed hypothesis, only two models of social order are interesting, namely types 2 and 4. The polycentric order is characterized by the interference of individual actions and the lack of a common decision co-ordinating centre. On the other hand, type four involves the presence of such a centre in the form of social agreement. Although in both cases we presume the presence of social capital, we will focus our discussion on the polycentric order only. The system of social agreement does generate social capital, but it has a different structure because of the mechanism of co-ordination of individual decisions.

A main feature of both these systems, distinguishing them from the rest, is the mechanism of collective co-ordination that assumes the observance of certain rules. The monocentric system is deprived of such feature, as it assumes the conformity of individuals, and therefore the enforcement of central decisions. If some elements of a game based on certain rules occur it does not change its basic nature, as it is nothing more than a sign of degeneration. It should also be added that the rules of such a game are not institutionalized.

There is some similarity to a polycentric order in the first type of system. This will become clear when we divide the game rules into constitutive and regulatory ones (as quoted in Searl, see: Krasnodębski 1986, p. 237,). Constitutive rules create forms of behaviour, whereas regulatory rules only deal with forms of behaviour. In other words, they regulate forms of behaviour no matter what the type of game is. In the system of public performances the source of game rules is culture, whose norms thoroughly determine all individual motivation (see: Ossowski, *op. cit.*, p. 94).

Cultural norms also influence human actions in the polycentric system but their role is limited, as they do not determine social structure, i.e. social rules, or human interaction, as S. Ossowski claims. In other words, in the polycentric system the constitutive rules of game are of a political origin. On the other hand, the regulative rules are derived from culture, which determines the values and norms abiding in interpersonal relations.

The main aim of our discussion in this section is an attempt at answering the following question: "what rules of behaviour generate social capital?". This question results from our assumption that the global effect of individual actions described by A. Smith in his concept of the "invisible hand" depends on the size of social capital.

We gather that social capital is made up from common goods, i.e. such goods that are at the same time of public and private character. In other words, common goods are the product of sets of public and private goods, which is illustrated in the figure below.

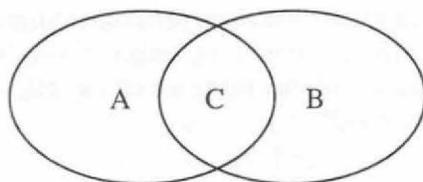


Fig. 1. Social capital:

A – public goods; B – private goods; C – common goods

Source: author's own.

Rules of behaviour are public when legal regulations and cultural norms abide for all people in a given society or taking part in business activity. In other words, the public character of rules is manifested by the fact that nobody is free from obeying them.

On the other hand, the private character of rules of behaviour resolves in their perfect divisibility, manifested in their internalization by every man. This implies that all people act according to mandatory rules of behaviour.

Because of their perfect divisibility, social norms, or social institutions and systems for measuring economic phenomena (units of weight, measure, etc) and means of exchange (forms of money), belong to the set of common goods. With premeditation we do not include material goods for satisfying needs to the set of common goods. It is possible, however, to imagine an economy in which all goods are common, but their presence also demonstrates the existence of social capital. If we repeal the perfect divisibility assumption it becomes clear that creating common goods in this type of society would be a great problem. The imperfect divisibility of production resources would result in a constant boycotting of the mandatory rules of behaviour. Common goods either do not exist by definition in societies in which production resources are public goods. Without them there is no possibility of individual business activity, so this is why common goods contain only rules of behaviour in the family and consumption sphere.

Therefore it can be said that common goods are a specific feature of societies in which there is the right to privately own production resources. However, this is not a sufficient condition, as proved by the economic history. Despite private ownership common goods didn't seem to be social

capital. For a long time in spite of a slight similarity, common goods occurred only in some social groups and political power. An empirical illustration of such a state of things were discriminating legal regulations, lack of a free system of individual security, soft money, etc. On account of this it can be said that common goods turn into social capital only in capitalism. Contrary to popular belief, the specific feature of capitalism are common goods, and not the private ownership of capital, which existed long before. So, as we figure out, the source of prosperity of capitalist societies is the social capital, metaphorically called by A. Smith the "invisible hand".

2. SOURCES OF SOCIAL CAPITAL

According to Francis Fukuyama, "social capital is created and transferred through culture mechanisms: religion, tradition and historical habit" (Fukuyama 1995, p.26). This opinion is true only on the assumption that rules of behaviour include regulatory rules merely because they seem to be derived mostly from culture. However, the proposition that constitutive rules also have a cultural origin is basically false, as they are derived from legal norms created by the state. The law of precedent, which deals with the most elementary forms of market institutions, is no exception. Apart from that we must agree with John Gray that market institutions, i.e. constitutive rules of behaviour, are an artefact of the legal system (see: Gray 1993). Without the state it is difficult to imagine obeying the mandatory legal rules, which does not imply that culture does not influence internalization. Cultural norms are then important in creating social capital, although their role is only secondary.

We have to assume that culture can be a source of social capital only when there is a definite social structure, which significantly influences the constitutive rules. In such case the answer to the "what set of common goods generates social capital?" question boils down to characteristics of a social structure.

In the search for relations between the social categories let's bring forth Karl Popper's theory of societies. According to Leszek Kołakowski, the concept of an open society by Karl Popper is not as much a state system, as "a set of values in which tolerance, rationality and independence from tradition occupy a central position" (Kołakowski 1990, p. 158). However, this set of values confirms the existence of a given social structure, giving grounds for drawing a line between an open and closed society. Cybernetically speaking, a closed society is a social system. On the other hand, an open society consists of three relatively separate systems. In other words, every sphere of life in an open society has definite entrances and exits to other spheres. The closed society is seen by K. Popper as a set of organically interrelated people, resembling a herd or a tribe, sharing a

common style of life, common everyday activities, joint pleasures, tragedies and dangers (Popper 1993, vol. 1, p. 196).

The relative autonomy of economy, politics and culture which exists in an open society creates the proper conditions for the formation of social capital. There is no danger of the domination of one sphere of social life over the others. We know from history that subordinating economy and culture to politics posed a threat to the material existence of society, or even its annihilation. There is no need – I presume – to prove that also the domination of culture or economy can be a threat to society too. Only an open society has a chance of finding a balance between different antagonistic values. The autonomy of these spheres of social life is a condition of their harmonious development to a significant extent, as they are complementary and not competitive for every man because of their different functions. It should also be stressed that only in an open society has man an autonomy without which he cannot operate and behave rationally. Without the individual right to freedom an individual cannot operate according to their own preferences, i.e. rationally. He becomes an instrument of someone else's will, so he is not able to follow the abiding cultural norms. The culture appropriate for a given society influences people's actions only when they are free, when they belong to open societies. So it is not possible to find the origin of social capital in culture, as without a political and legal system its influence upon human behaviour is very limited. However, it is worth adding that also the material basis of individual actions is important, because without material goods and production resources, individuals are not fully independent.

3. CIVIL SOCIETY

The concept of social capital assumes an inherent division between the public and private spheres. This division is manifested above all in the existence of both private and public law. Law doctrine draws this difference on the basis of three theories which are mutually complementary, (see: Włodyka 1995), namely:

1) Theory of subjects, according to which private law deals with relations between physical persons and legal persons of private law, as well as public law persons when they operate as private subjects (e.g. when the state is a buyer)

2) Theory of subordination, according to which private law deals with relations based on the premise of "equality" and "co-ordination", whereas the public law – with relations based on "subordination"

3) Theory of interest distinguishes a general interest and individual interest. The subject of private law is – obviously – the protection of individual interest.

With due respect to the importance of law, we have to admit that it is only a necessary but by no means a sufficient condition for distinguishing between the public and private spheres. Let us skip the areas making up the work-for-cash zone and tendency to convergence in using law, as these phenomena do not infringe significantly the basic distinction between public and private law. The most important condition for preserving the separation of these spheres of social life is the existence of a communitarian society.

A civil society involves social institutions, such as markets and voluntary associations and the public sphere remaining out of the reach (fully or to a limited degree) of state control (Pérez-Díaz 1996, p. 72). The cited definition stresses the private dimension of this sort of community, as it includes market relations between citizens, and at the same time its public character, as voluntary associations work for the public interest. Looking at a civil society from another perspective we can say that it involves all types of horizontal relations between citizens and social groups. This is why the society is not amorphic, is not atomized, but on the contrary is a well-organized whole, thanks to market exchange and associations. Certainly it is not an organic whole, like a closed society, because here individuals are free and have their own objectives and interests. A civil society does not create legal norms, but because of internalization it takes part in the creation of social capital.

A particularly important role here is played by professional and economic self-government, and voluntary associations. These organizations participate in the creation of social capital because:

- 1) they formulate the mandatory patterns of behaviour and operation for their members (ethical codes) which interpret and develop legal regulations,
- 2) they control the behaviour of their members and act for the internalization of social norms.

Therefore it can be assumed that the more horizontal relations occur in a society, the more people obey the abiding rules of game. A similar role is fulfilled by a market society. However, in this case internalization is only a by-product of the repetitive nature of market transactions. So the more extensive the business co-operation between people, the greater the trust for the mandatory rules of game. Market exchange itself does not generate trust, though. Quite the contrary, without trust, market exchange decreases because the profits become dubious. The higher levels of trust, the more probable the development of exchange and deeper co-operation and the positive influence of the trust on power and efficiency of the state as well. (see: Putman, pp. 265–275). The lack of horizontal links and deep distrust between people create conditions for the development of clientelism and the Mafia. A direct result of these phenomena is the reduction of public goods, as they become available for

chosen persons and social groups. In other words, the sale of public goods by politicians and civil officers is a clear sign of the privatization of state. As was said before, without public goods and a common state there is no social capital, or even capitalism. "The fact that vertical relations are less useful in solving the problems of collective activity than horizontal relations, can be one of the reasons for greater efficiency of capitalism than that of feudalism in the 18th century and greater efficiency of democracy than of autocracy in the 20th century" (Putman 1995, p. 272).

4. SOCIAL CAPITAL AND CULTURE

As was said before, social capital consists of constitutive and regulatory rules which are complementary. The regulatory rules determine the mandatory patterns of behaviour and operation irrespective of the object of interaction. Therefore they are universal forms of cultural human behaviour, no matter what people do, or who they meet, or who they co-operate with. It is obvious that if these rules are complementary social capital increases, and if they are contradictory the number of common goods decreases. The relation between them depends on the type of culture prevalent in a given society, because it must be assumed that culture is the main source of regulatory rules. As we know, changes in culture and law hardly ever happen simultaneously, as culture is more stable than law. The question then arises, what sort of culture is beneficial with respect to its development? The answer will help establish the interrelations between culture and social capital.

Before we answer this question it seems necessary to make a digression of a methodological nature. It should be remembered that the "spirit of capitalism" in Weber's approach is an ideal type (see: Kozyr-Kowalski 1967, pp. 231–238). The idealization method as described by Weber resolves in a "... construction of fictional objects, ideal types, which enable us to put in order and systematize empirical facts" (Nowak 1987, p. 210.). In Weber's approach idealization is then a research instrument and not a description method and explanation of empirical facts. "The spirit of capitalism" is an ideal pattern of personality traits and ethos of man living in capitalism.

Its realization, according to Weber, depends on the prevalent religion, or, more generally, on culture. Let us now move on to a more detailed description of the "spirit of capitalism" in Weber's approach (see: Weber 1984 and Kozyr-Kowalski 1967, pp. 231–238). In this concept can be found "identifiers" (see: Berger 1995, p. 189), which determine values cherished by people and their economical virtues. The latter determine the

means they use for achieving them. The key value for an economical man is expanding his capital as a value in itself, and not a means for satisfying needs. Adherence to this value is manifested in the reduction of consumer expenses, resulting in increasing savings and investments.

"The spirit of capitalism" enforces the maximum utilization of professional potential (*Berufspflicht*) and constant career development. There is – I think – no need to justify the thesis that such a system of human values is advantageous from the point of view of capitalism, as it leads to the maximization of economic objectives and the effective use of resources. Another group of values comprises virtues which have a good influence on relations between people. These include such values as: trustworthiness, reliability, honesty in business transactions and punctuality. General respect for these values facilitates market exchange and co-operation, as it generates trust.

It seems that Weber did not appreciate other values which have a significant influence upon economic rationality. Józef Koźielecki claimed that the most important value for man is individual freedom (see: Koźielecki 1987, p. 257). The question arises here: is a man who highly appreciates his freedom or autonomy an important element of "spirit of capitalism"? From Berger's argument it occurs that this is so, as in his opinion only an autonomic individual is capable of creative destruction (see: Berger 1995, pp. 183–191). J. Koźielecki formulates a similar view, maintaining that people with such a mentality take up expansive and creative actions.

The opposite of a person with high autonomy is an individual who is group- and hierarchy-oriented. For such individuals what is most important is the success of the group, with their own successes not significant so much. Strictly speaking, individual success is instrumentally subordinated to group goals. A group-oriented individual is characterized by conformity. This cannot be said of somebody who values freedom above anything else, even to the point of standing up to their own group, not only their environment. Somebody of group-mentality behaves in just the opposite way, as they are susceptible to all external influences.

There is no need – I think – to justify the thesis that these values are contradictory, i.e. you cannot be hierarchy-oriented and value your freedom at the same time. However, it is doubtless true that somebody who is group-oriented is also "valuable" for capitalism. Thanks to people of such mentality business exchange becomes easier and trust between people grows. Without much exaggeration, it can be said that group-oriented individuals are the foundation of success of great economic organizations.

Every organization needs conformity from people who are its members. If the above reasoning is correct, then it is fully justified to claim that the “spirit of capitalism” is:

- 1) of an individualistic type, only such as were taken in to consideration in Weber’s argument,
- 2) of a communitarian type, in which man values group success higher than his own.

In other words it should be assumed that:

- 1) there are two types of capitalism,
- 2) there are two ethos (“spirits”) of capitalism.

Because of this a question arises if the identified systems of values (ethoses) are associated with a culture of the given society and its religion. This question is of rhetorical nature, as culture is by nature comprised in the concept of rational operation. This concept based on the fact that the rational subject is capable of rating the available alternatives from “best” to “worst”, of telling right from wrong. A rational man is therefore a moral individual (see: Klimczak 1996, p. 27–40).

The source of man’s normative beliefs is culture, including above all religion. It establishes a group of positive “ultimate” values, informally termed as “the sense of life”, as well as a group of negative values. The common external function of the symbolic-cultural practice is the philosophical valorization of immediately practical values, subordinated to achieving positive ultimate values (see: Kmita 1982, p. 124).

From this perspective, cultures of different societies seem to be the source of “relative superiority” in terms of economy (see: Berger, op. cit., p. 181). Relative superiority occurs when the contents of a cultural message is identical with the certain “spirit of capitalism”, or an ideal type of economic ethos. According to Weber’s conception, the source of superiority in the development of capitalism was Calvinism, whereas other religions were neutral. “Stimulating the practice of investing, the protestant aversion to consumption was a force which rationalized economic life” (Legutko 1994, p. 291). Asceticism within the world as opposed to asceticism rejecting the world valorized the ethos of economic man, and at the same time the practice of capitalism. This is not possible – as it seems – to associate capitalism with only one culture and religion. Their influence gives a relative superiority and expresses itself mainly in:

- 1) forms and scope of competitiveness between people and between organizations,
- 2) forms and scope of co-operation between people and between organizations.

This refers to – obviously – only those cultures which do not contain systems of values which are evidently in opposition with the ethos of capitalism. Logically speaking, cultures in accord with the capitalist ethos involve identical or similar forms of interaction in interpersonal relationships. It appears that an individualistic culture favouring individual success tends to stimulate competitiveness more than communitarian cultures. The former tolerates co-operation, because a man who is faithful to economic virtues seems trustworthy, and trust is a condition of human co-operation in economy. However, co-operation can limit individual autonomy, so people valuing freedom more than economic utility resulting from co-operation will avoid it. In individualistic culture there occurs a controversy between autonomy and co-operation. This, however, does not imply that in these societies there is no co-operation at all, as practice has proven the opposite. The controversy is overcome by the choice of specific forms of co-operation, i.e. such in which co-operating individuals are able to retain their autonomy. In a communitarian culture individual autonomy is not a restriction in the choice of co-operation forms, so the choice is much broader.

Utilities resulting from the division of labour and production scale should be compared to the relative superiority of an individualistic culture, manifested by the fact that people are more active (individualistic and enterprising). In other words, a society of an individualistic culture will outdo the communitarian society in the dynamism of creating any innovations, or creative destruction. On the other hand, the value of individual freedom is hard to compare with the value of safety being provided by a community. In the evaluation of culture its influence upon business co-operation must not be omitted. It seems that individualistic culture can generate restrictions in co-operation only when:

- 1) it exerts great pressure upon individual material successes,
- 2) does not accept extreme economic inequalities. (This was pointed out to me by Prof. Waław Wilczyński who said that “the prerequisite of success in the struggle against poverty is the acceptance of economic inequalities, without which there will be no development, no surplus will crop up and there will be nothing to share from. The success of America (USA) resolves in the acceptance by society of its economic inequalities.)

The impact of the second factor is relatively obvious, as the pursuit of individual success can occur at the expense of others, or involves institutionally prohibited actions. Actions of this type on a mass scale will occur when social structure restricts or totally cuts off access to acknowledged methods of achieving goals for a majority of society (see: Merton 1982, p. 210).

The influence of a communitarian culture upon co-operation largely depends upon its type, as from the point of view of culture it can be possible that:

1) individuals are responsible for their families which occupy the central position in social structure (see: Fukuyama 1995, p. 104–114),

2) the most important duty of an individual is obedience to hierarchy (see: Berger 1995, p. 275),

3) individuals believe in the same values as their ethnic group (see: Landa, 1994, pp. 65–68).

The first type of culture creates numerous barriers for co-operation because (see: Fukuyama 1995):

- it prefers blood-based relations,
- family businesses are generally characterized by low development dynamics and low effectiveness.

Culture preferring loyalty to hierarchy promotes business co-operation, as it generates a high level of trust in interpersonal relations and social solidarity. In general terms, this derives from faithfulness to communities of all kinds. A Japanese anthropologist Chie Nakane has proved that “these values have been transferred from *ie*, or the household to modern institutions, along with the clever modernization of the traditional system of permanent duties of different social strata to one another (*givi*) in such a way that they fit the hierarchy of a modern business organization”(after: Berger, p. 275).

Relative cultural superiority also occurs – in the form of business co-operation – in ethnic groups. However, it happens only in these groups which can enforce obeying the mandatory cultural norms (they have detailed codes with a system of sanctions), (see: Landa, 1994, pp. 63–78). The “spirit of capitalism” has broken up with its religious roots. („Puritanism as an ideological system underwent transformations over the two hundred years of history: from rigorous Calvinism with its concept of predestination ... until it became a ‘secular tradition’ after the Civil War”. Bell 1994, p. 97).

“The result of abandoning Puritanism and protestant ethics is of course depriving capitalism of any transcendental ethics or morality“ (Bell 1994, p. 107). The question arises if modern capitalism needs religious legitimization. From Daniel Bell’s argument it seems so, as it results in a divergence between the norms of culture and norms of the social structure, as well as internal contradictions within this structure. Economic structure makes people take part in consuming, and at the same time requires hard work and assent to adjourned gratification (Bell 1994, pp. 107–108).

5. TRUST AND SOCIAL CAPITAL

Game theory theses about the chances of business co-operation are not filled with optimism. However, they do not have empirical confirmation, as non-co-

operative behaviour does not happen as frequently as described in game theory (see: Putman 1995, p. 255). An explanation of this paradox can be found in "soft solutions" such as community and trust (see: Bates 1988, p. 398, cit. after: Putman 1995, p. 257). A special role is played above all by trust. Of the great role of trust in the history of man, Georg Simmel wrote many years ago, saying "one who knows everything does not need trust, one who doesn't know anything cannot have trust, for obvious reasons" (Simmel 1975, p. 396). For Simmel, trust occupies a midway position between the knowledge and ignorance of man, so it is a kind of a hypothesis about man's behaviour. We may ask here, when is trust a hypothesis and when is it naivety?

The answer to this question must be preceded by an explication of this notion, as like any other term borrowed from informal language it is burdened with multiple meanings, relating to the subject of trust, or the hypothesis of the expected behaviour of a person or a group of people. Trust may resolve in a belief that a given person is: courageous, faithful, kind-hearted, honest or discreet. In interpersonal relations we encounter many different kinds of mistrust and this is why trust differs substantially in merits. In business relations we trust that our partner honestly fulfils his obligations. In marriage we expect that the partner is faithful and deeply involved.

"In general terms person X will trust person Y when, knowing that even if he is able to treat him worse, can be sure that he will not". (I owe this definition to Władysław Balicki.) Here the question arises about the premises, which can be the basis for trust. In other words: when is trust a sign of rational thinking, and when is it simply naivety?

The answer to this question is difficult, as trust is always subjective on a microeconomic scale. For some people appearances or reputation can be an insufficient premise for trusting people or companies. For our argument what counts is the social basis of trust between people and organizations in the economy. Based on the findings of empirical research (see: Fukuyama, 1995), we can identify the sources of social trust as follows:

- 1) personal relation, resulting from family ties, affection, common experiences, etc.
- 2) the dominant culture.

It is obvious that the first source of trust is generated by a small circle of people trusting one another, so culture is more important. This is a source of trust because it contains restrictions and requirements about actions and the behaviour of individuals. Its role can be compared to language communication which is effective only when everybody obeys grammatical rules and renders the same meaning to words. However, it does not imply that every type of culture generates social trust. Restrictions and values enforced by culture can be

the basis of trust only when their content is identical with the economic ethos. For instance, if culture promotes the maximum utilization of one's professional potential, then the employer can be sure that the employee will be efficient. Therefore it can be said that social trust depends on the relative cultural superiority. If we assume that economic ethos is a public good, and obeying its discipline is a private good, social trust is a common good. This conclusion is based on the following premises:

1. Economic ethos is an intangible good of the public type, because it comprises rules and values which must be respected by every economic subject. Nobody can be excluded from using this good, because then some sort of business activity will disappear. This approach has an idealistic character, because in reality behaviour of subjects evade the accepted ethos.

2. Common goods share some features with private goods, because they can be used individually. They are perfectly divisible.

To sum up:

1. Common goods may be used by those people who have internalized certain restrictions and values. If this condition is not fulfilled, the amount of common goods is reduced to the point of vanishing. For example, if the common goods is reciprocity, then people who do not observe this pattern of behaviour will cause the trust between people to decrease. On the other hand, using the public good does not depend on people's beliefs, and it does not influence its amount.

2. The amount of public good depends on the relative cultural superiority. The closer a given culture is to the economic ethos, the greater the scope of trust. In such case there is no conflict between individual rationality and economic rationality, as everybody represents an identical system of values and beliefs. In other words, more people respect the assumptions of the economic ethos.

3. The popularity of the economic ethos in a society depends on the legitimization of culture, as it is also a source of signals. The religious legitimization of culture signals that the object of trust can only be a believer.

The above argument confirms Francis Fukuyama's thesis of the cultural origin of trust (Fukuyama 1995, p. 27). However, it is not the only source of trust. In researching this problem one cannot omit social structure, on which depend sanctions on transgressing the mandatory cultural norms. Without respecting these norms, trust among people is reduced, as there is always the temptation to use this good without reciprocity. Seeking trust is always connected with a certain alternative cost, which is losing the utility being possible to achieve through disobeying certain norms. In no society are people rewarded for obeying rules, so there is always a temptation to undertake

opportunistic actions. Rewarding honesty would be always comparable with the alternative cost of opportunistic behaviour. Therefore a rational solution are sanctions for actions which violate the mandatory rules. It is obvious that cultural pressure, manifested in disapproval or ostracism, can prove insufficient for the reproduction of common goods. It has to be supplemented by:

- 1) legal norms (institutions) which precisely describe the patterns of interaction and authorization,

- 2) sanctions for violating them.

Besides, there are certain patterns describing interactions in public life of a traditional origin.

6. THE PRINCIPLE OF COMPLEMENTARITY AND RECIPROCITY

An important feature of business exchange is complementarity which means that the right of one party is the obligation of the other and vice versa (see: Gouldner, 1992, p. 88). If we assume that parties tend to maximize their utilities, or that they behave egoistically, then we have to become aware that realization of the complementarity rule is a very complex issue. Already at the stage of signing an agreement the question of prerogatives and duties of both parties are subject to discord. They have to be specified in great detail; otherwise they can be questioned during the agreement realization stage. "Every party is more eager to defend or extend their own liberty than that of the other party. Such complementarity does not contain anything which can be deemed an ability to control egoism" (see: Gouldner, *ibidem*, p. 97).

In such case A. W. Gouldner is right that complementarity does not explain the sources of stability of social exchange with the assumption that man is egoistic by nature. If we assume that people are more willing to take than to give, we are not able to explain how the principle of complementarity is put into practice. It is certainly true that in many cases this complementarity is enforced by law. Without it any balance in the process of exchange would be impossible to achieve. While fully appreciating the role of the law in interpersonal relationships, it is worth saying that this institution is very expensive in use. Besides, it is not its only drawback, as it is obvious that it is by no means adequate to the complexity of relations among people. G. Simmel is right to write that "if the ability to react with gratitude to received kindness were removed from human soul, then the society – or at least the society we know – would fall into pieces" (Simmel 1975, p. 488). According to Simmel, gratitude is a supplement of legal form in the same sense as honour, being a residuum of the act of giving and taking.

Gratitude is an element of the mechanism that stabilizes exchange, as it ensures the complementarity of rights and obligations. The mechanism is nothing else but reciprocity, or situation in which every party has rights and obligations towards the other party. "The norm of reciprocity is, according to A. W. Gouldner, as common and important element of culture as the taboo of incest, although its concrete shape depends on time and place (see: Gouldner, 1992, p. 93).

In Marshall P. Sahlins' opinion, reciprocity creates a continuum demarcated by its extreme points and the middle point:

1. Generalized reciprocity relates to such transactions which are taken for altruistic, in which parties offer mutual help. In other words, the reciprocity is expressed by postponing the gratification for the help given. Lack of immediate reaction does not result in stopping help, as the contributor expects compensation in the future. For example, friendship always involves generalized reciprocity. Cicero established the norms for generalized reciprocity with a praiseworthy clarity. "No obligation is as urgent as the obligation to return kindness [...], for who does not return a favour deserves hate" (Marcus Tullius Cicero *O powinnościach* [*Of obligations*], in: *Pisma filozoficzne* [*Philosophical Texts*], translated by W. Kornatowski. PWN, Warsaw 1960, vol. II, p. 363, 451, cit. after Putman).

2. Balanced reciprocity as the middle point. It's an exchange, in which the received favour is returned immediately, so it includes also forms of business exchange.

3. Negative reciprocity happens when one party is given a favour and can – without any consequences – fail to return it. "The essential quality of such exchange and the justified aim of the initiative party or both parties is gaining undue profit (Sahlins, 1992, p. 142). Negative reciprocity takes different forms typified by cunning, trickery or even violence.

7. THE FUNCTIONS OF SOCIAL CAPITAL

From the above argument it results that common goods can occur in three forms, namely:

- 1) social trust,
- 2) legal institutions normalizing interactions between people and their rights to resources.
- 3) norms of reciprocity.

Irrespective of their form, they can be treated as a kind of social capital (see: Coleman 1990, p. 300–321; Putman 1995, p. 258–265; Fukuyama 1995). The main premise for formulating such a conclusion is their production character,

which basically resolves in the fact that they are the means for achieving economic objectives.

It should be pointed out that the amount of social capital differs in different countries. However, for the purposes of our analysis we can ideally assume that these differences boil down to the structure of this capital, and not its size. In other words, we assume that in every model of capitalism there is social capital, but of different structure. And so in individualistic culture the relative shortage of trust will be made up by legal institutions, and in the other model, the institutions will be replaced by a system of collective agreements.

The above discussion certifies that the main function of social capital is reduction of anxiety in social and economic life. Without social capital anxiety would be a serious obstacle in undertaking business activities and co-operation between people and organizations. Social capital replaces individual endeavours aiming at reduction of uncertainty and risk in business activities and co-operation. These endeavours include:

- 1) expenses for protection of own resources and goods,
- 2) expenses for collecting information about business environment (partners),
- 3) expenses for signaling own features evoking trust in the environment.

Therefore it can be said that social capital reduces the individual costs of reproduction of ownership rights, transactional costs and signalling costs. Thus social capital promotes the growth of social prosperity, because:

1) thanks to it business activity increases. Without social capital some subjects would have never started business, as their financial capital would have been an obstacle.

2) expenses of business units can be to a greater degree spent on production. As the aforementioned arguments show, social capital is a free good for every business subject, thanks to which production potential or consumption can be increased. However, it should be noted that social capital is a free good only for those who have internalized the ethos or legal norms. All the others will incur the alternative cost resulting from opportunism. So we can say that social capital ensures advantages for all participants of the social division of labour.

The bases for this conclusion are the following premises:

1. Social capital determines the goal of human pursuit, being an effective or optimal use of all resources.

2. Social capital creates restrictions in interactions which are beneficial for everyone. Observing economic virtues facilitates the exchange of goods and services.

3. The larger the social capital, the easier it is to create new, large business organizations. "The most effective organizations are created within societies believing in the same ethical norms" (Fukuyama 1995, p. 26). Social capital

influences the growth of social prosperity, as it increases the possibility of spontaneous undertakings. Social trust increases organizational adaptability of economy to the changing technical conditions in production, transport and consumption. If people trust one another, they are not afraid of organizational innovations and all sorts of restructuring.

To sum up, it can be said that economic rationality seems to be derived from social capital. Thanks to it, a subject is able to maximize his income or profit. It cannot be explained by material necessity, especially in cases when an individual has already gathered enough goods to cater for himself and his family in any way imaginable, without a shade of anxiety in this respect. In other words, social capital obliges to optimization of actions regardless of the degree to which individual material needs are satisfied.

Without social capital the *X-i* inefficiency would become a mass phenomenon in micro- and macro-relations. "It was wrongly deemed that with bonuses it is possible to force workers to any amount of effort, as for extra money they are ready for additional work" (Lipiński 1981, p. 352). From our argument it results that money is not a sufficient instrument of exerting such activity. If this is the case, the only such instrument possible is respect resulting from social trust.

Economic analysis usually omits the influence of social capital upon the stability of market exchange. It is assumed that market exchange happens in a purely behavioural way, i.e. through negotiating the prices and other conditions. Its stability depends only on the ability to restore market balance. The issues of dominance and exploitation, or – to put it shortly – reciprocity, are ignored.

8. FINAL REMARKS

It seems that in the process of creating and using social capital there occur identical phenomena as in regulation of other forms of capital. They cannot be – obviously – interpreted mechanically. It should be repeated that social capital is a common good and that is why it cannot be identified with private or group capital. Therefore the whole society takes part in its creation, including the state, so it cannot be created through individual investment. It can be easily damaged, though, because due to opportunist behaviour an individual or social group can obtain some otherwise unattainable utilities. They are – usually – impermanent, as popularization of such patterns of behaviour leads to atrophy of social capital. If cheating becomes a social norm, there are no rational premises to trust in interpersonal relations.

At the end it should be said that social capital is not everlasting. In open societies there occur changes in all areas of life, and they undermine the existing

values and social institutions. This is why they lose importance or become a barrier in business activity. Urbanization and transport "destroy" the existing social links, reducing the mutual control. Pursuit of profit and long hours of work impair the importance of family and upbringing of children. This does not imply, however, that in open societies social capital is not necessary. Quite the contrary, it is becoming increasingly important.

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